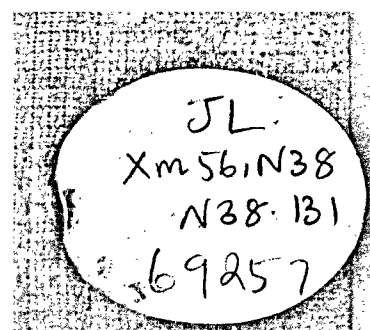




THE ECONOMIST

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

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Chamberlain and Halifax

MR CHAMBERLAIN'S speech on British foreign policy in the House of Commons last week has been followed by one on the same subject by Lord Halifax in the House of Lords this Tuesday. The Foreign Secretary spoke, to use his own words with reference to Lord Cecil, "with a sincerity that no one questions." Yet a study of his speech increases, so far from dispelling, the country's bewilderment over the Government's policy.

Take the urgent—and ever more urgent—question of the hour: the fate of Spain. The Italo-German part in the vast and hideous operations by which the lawful Government of Spain is being crushed is described in circumstantial detail day by day in the British Press of all political colours, and is being boasted of by Signor Mussolini himself. Yet Lord Halifax went out of his way on Tuesday to repeat Mr Chamberlain's assertion that all allegations of fresh Italian help to the Spanish insurgents were unproven. And in another passage he gave even Germany a clean bill. The Government, he said, had refused to accept as proof a prophecy of Germany's ultimate and sinister intentions, and they were accordingly not convinced that the remedies suggested to meet that prophecy were well conceived.

At this point we can only echo Lord Halifax's own opinion that "the ordinary man sees these things rather

differently." For, if the Government do not credit Germany with sinister intentions and are not seeking an Italian remedy for them, their policy is altogether inexplicable.

When we see our Prime Minister and Foreign Secretary in succession trying the Nelson touch and putting their spy-glass up to their blind eye whenever they are compelled to train it upon Italy's activities in Spain, we can only infer that their desire to conciliate Italy must be inspired by some motive of such overwhelming force as to make them ready to pay the very highest price for an Italian declaration of friendship. But what is this good object that the Rome conversations have in view? Since, *ex hypothesi*, it must be an object of such importance as to warrant the complete sacrifice of Spain and the jeopardising of all the vital French and British interests that are bound up with the maintenance of Spanish neutrality, we are driven to conclude that the Government are still working to detach Italy from Germany, and are still hoping that such a policy can succeed.

If this is really still the Government's point of view, there would appear to be two objections to it which, in combination, are decisive. In the first place, even if the Stresa Front could be restored, the Spanish price would be prohibitive; in the second place, the conditions for restoring it no longer exist, so that whatever

we pay in Spanish coin will be treasure thrown into the gutter.

The Government, of course, are unwilling yet to admit that they are going to pay any Spanish price at all. Non-intervention in Spain is to be worked for, even after the war in Spain is finished. Yes, but there has been no hint in either Lord Halifax's or Mr Chamberlain's speech of any rational grounds for expecting that British efforts to induce the intervening Powers to withdraw will be any more successful than they have been so far. If and when the insurgents and their foreign allies do win the war, the war will be over, and, therewith, the Non-Intervention Committee will have lost its *locus standi*. The Burgos Government will remain in sole possession of the field; at least *de facto* it will be the only surviving authority with any claim, to call itself the Government of Spain. What right or power shall we have to take steps to ascertain whether he is retaining the services of foreign troops or is continuing to give his allies strategic as well as commercial advantages in Spanish territory? Even if the undisputed master, *de facto*, of Spain chose to alienate Spanish territory to his allies in payment for services rendered, he would merely be exercising one of the essential rights of sovereignty, and we should be putting ourselves juridically in the wrong if we sought to impose a veto (save only in regard to the Spanish zone in Morocco, where Spain has contracted certain obligations under treaties to which we are a party). But of course the transaction, if there is one, between Franco and the "Axis" Powers will not be in such crude terms as that. There will be no alienation of territory; there will not even be a lease; there will merely be "assistance" like that granted to Turkey before 1914. Spanish harbours will be equipped and stored with the means of refitting and re-munitioning Italian and German warships; Spanish aerodromes will be ready at convenient points to serve as bases for Italian and German military aircraft. Spanish armaments will be of Italian and German type and manufacture. In fact, Spain will be geared to the Italo-German war-machine, so that Spanish wheels can be made to turn for Italo-German war purposes at a moment's notice—just as Turkey was brought in on Germany's side in 1914. If this prophecy is wrong, Italy and Germany will have given all their assistance to General Franco for nothing. And it therefore almost inevitably follows that the prophecy is not wrong. As for the Italian and German troops, a certain number, no doubt, will be ostentatiously

withdrawn, but we shall never know how many remain. On this point General Franco, in the exercise of his sovereign rights, will try to keep the French and British General Staffs guessing; and the French Staff, at any rate, will not be able to afford to take a risk. Henceforth the Pyrenees will have to be defended in force, like the Alps and the Rhine. And the thinner the screen of troops that the "Axis" has to keep in Spain to produce this effect, the more cheaply bought will be their advantage.

To this Spanish prognostication the Government may reply that we are begging the Italian question. If once Italy is won over from Germany's side to ours, what harm, they may ask, will it do to us if Spain does remain in Italy's hands? Will not Italy's influence in Spain keep German influence there in check? This rejoinder brings us up against the principal question; and that is whether the policy of restoring the Stresa Front has any chance of success. On this point there is unfortunately just as much ground for scepticism as on the other.

The Stresa Front was formed to keep Germany out of Austria at a time when Germany had not yet recovered her military strength. And under those conditions the Italians might, with French and British backing, have prevented the *Anschluss* by force of arms. But to-day the *Anschluss* is an accomplished fact. If Italy were to fight Germany now the war would begin on the Italian frontier and would end somewhere far inside it. Signor Mussolini knows that he cannot dream of challenging Germany under such conditions; and he has said so in public quite frankly. But in saying this openly to the Germans he has declared implicitly to us that, while it would suit him at the moment to coquet with us, he can never, in the hour of decision, come down on our side of the fence. In an anti-German combine he would have nothing to look forward to but hard knocks with no profits—for there are no unredeemed Italians still to be rescued in Central Europe. On the other hand, if he resigns himself to a German hegemony, he is relieved of the nightmare of having to fight a Continental Power for whom he is no match, while his chains will be gilded with glittering hopes of a Mediterranean Empire.

The conclusion is clear. If the Chamberlain-Halifax policy is to sell Spain, as well as Abyssinia, in order to buy an Italian alliance against Germany, we shall be paying Signor Mussolini in ready money for goods which it is impossible for him ever to deliver.

The New Feudalism

THE House of Commons has this week had a respite from foreign affairs and has returned to the concerns of British industry. On Monday the Government's Film Bill moved one stage nearer to enactment, and the adjourned debate on the Cadman Report was concluded. On Wednesday and Thursday the Coal Bill was discussed on the report stage. Thus three of the Parliamentary days of the week have been given to projects whose main purpose is the assistance and reorganisation of industries in which the State has taken a paternal interest. The film industry and the mineowners both regard their respective Bills with somewhat mixed feelings, and the Board of Imperial Airways can hardly be pleased with what has been said in the debate on the Cadman Report. But in each case the intention of the legislature is clearly that of assisting the three industries in question to lead a profitable existence.

As it happens, each one of the three industries under discussion exemplifies a different method by which the State can give assistance. With civil aviation, it takes the form of a direct cash subsidy. The film industry is helped by a quota restriction. And the mining industry is given statu-

tory assistance in limiting competition both in the production and in the sale of coal.

Thus by chance, Parliament has had before it this week a varied selection of the devices of the new economics. The legislators of a generation ago, whatever their politics, would have been shocked by the suggestion that any individual industry (with the perennial exception of agriculture) should be given special assistance in the struggle for existence, since that struggle itself was considered to be the guarantee to the community of the maximum possible efficiency in its economic mechanism. It is still very much open to question whether that economic philosophy was not, in the long run, likely to lead to a greater production of material wealth than the new policy, which has come to flower under the present Government, of setting up an apparently endless series of protected vested interests. But, whatever may be true of the principle, the practice has greatly changed. There is a formidable number of industries to which Parliament has already granted assistance, and there are others awaiting their turn.

If it be accepted, however, that Parliament is, in fact,

going to continue granting individual assistance to industries in difficulties, that does not in the least mean that there is no more to be said about the matter than to hearken unto the pleas of the applicant industries and to give them what they want. If the community is *de facto* surrendering the safeguards it used to enjoy in the form of unrestricted competition, it has the right and the duty to consider what form of protection for its interests shall be put in their place. Of all the ingenuity that has gone in recent years into the invention of protective devices, least has been devoted to the protection of the common interest. There are, it is true, Consumers' Councils here and Committees of Investigation there. But they have proved themselves to be, and must in the nature of things inevitably be, broken reeds. They are presented with a *fait accompli*; they are forced into an inferior position by the lack of adequate information; and they have constantly brought before their eyes the countable men and the identifiable factories that will be injured if they persist in paying attention to anything so nebulous as the public interest or so remote as the consumer.

So, with these derisory safeguards of the common interest, we drift from Bill to Bill, creating, by a process of economic casuistry, one vested interest after another. If the cases were few they could be ignored. But the list of industries possessing or seeking specific protection lengthens daily, and we are within measurable distance of setting up a new feudal system, with the British market, instead of the British land, parcelled out among the barons. There is no sphere of economic policy in which there is a greater need for careful thought on general principles.

One of the most obvious of these principles is that, if an industry in difficulties is to be given assistance at the public expense, it must in return take whatever measures are necessary to get out of its difficulties. The community can demand efficient service in return for its dole. This is the principle that has underlain the indignation aroused by the Cadman Report, since it is the subsidy to the air lines that entitled the House of Commons to take an interest in their efficiency. It is also the principle that entitled the public to accuse the Government of neglecting its interests in the debates on the Coal Bill. Ever since the Act of 1930 the community has struck a tacit bargain with the coal industry. Assistance would be given to it in restricting its production and constituting itself a sales monopoly, if in return the industry would submit to the amalgamation of coal mines, with the object of increasing the efficiency of production. The present Bill is the latest of many attempts to hold the industry to its bargain by correcting the legal defects that have been discovered in the compulsory amalgamation procedure of the 1930 Act. But, once again, the Government has paid more attention to the complaints of the coalowners

than to the demands of public policy, and the amendments which have this week been written into the Bill will make it easier for a camel to pass through the eye of a needle than for a scheme of compulsory amalgamation to run the gauntlet of legal and Parliamentary obstruction.

The Coal Bill also illustrates, by omission, another principle which ought obviously to be borne in mind in doling out assistance. Any form of assistance comes out of the pockets of the public in the final resort. But it is proper to ask how much is to come out of which pockets. If the assistance takes the form of higher prices, buttressed by State action, the burden is distributed among individual members of the public in proportion to their consumption of the protected commodity. If it is a foodstuff or a primary necessity, this method, in effect, raises the cost of the assistance by a regressive tax on the poor. But even in the case of an industrial raw material, is the method of price-raising always, or ever, justifiable? An excessive price for coal, for example, as Sir Malcolm Stewart has this week pointed out, is "a national calamity." There would seem to be the clearest case for asking whether the present price of coal is, in fact, excessive and whether, in any case, price-raising is the appropriate technique of assistance for the coalmining industry. But the President of the Board of Trade has been deaf to all suggestions of such an inquiry. The form, as well as the amount, of the assistance is being decided as the mineowners wish, not as the general interest requires.

These are merely illustrations of the matters that would have to be dealt with in any Code of Rules which the community might adopt to guide it in future cases where assistance is asked of it. It would not be difficult to suggest further rules. For instance, it would seem reasonable that an assisted industry should accept some degree of independent advice and supervision—a proposal which took concrete shape in the proposal for an independent Films Commission instead of the representative Films Council set up by the Bill. But for the moment what is chiefly wanted is that the necessity for some such coherent protection for the community should be recognised, rather than that its details should be filled in in advance.

Compared with the formulae of Socialism, suggestions such as this are moderate in the extreme. But if they are entirely neglected, as, by and large, they have been neglected in the past six years, we are in danger of drifting into a position in which full-blooded Socialism may be the only alternative to economic feudalism. Public monopoly will always be preferable to private monopoly, and it will be an unlucky day for British industry—and the British standard of living—if the public is ever left with the bare choice between Socialism and Unsocialism.

Mexico

WITH superficially startling abruptness Mexico has projected herself into the picture of world crises. Yet President Lázaro Cárdenas's decree of March 20th, by which all oil companies in Mexico may be expropriated, was only the last, if most startling, in a long line of Government actions aimed against both domestic- and foreign-owned "big business" operating in Mexico.

Contrary to general belief, Mexico is not really a rich country. It is true that Mexico is potentially rich in mineral and power resources. But it has neither capital of its own nor an adequate supply of skilled and industrious labour. President Porfirio Díaz realised this in the 1870's, and, during his thirty years and more of dictatorship he endeavoured to attract foreign capital and technicians to develop Mexico's potentialities. When he fell in 1910 and the National Revolutionary leaders succeeded, they set out to achieve a "Mexico for the Mexicans." Their programme

was to secure agrarian reform by breaking up the big estates of the *hacendados* and distributing land to the village communities (*ejidos*); and to free Mexicans (of whom two-thirds are Indian agriculturists working at subsistence level) from the authoritarian bonds of the Catholic Church and the Díaz State. From 1911 until 1934, when President Cárdenas assumed office, Mexican Governments drifted aimlessly, making inroads upon both Mexican and foreign owners of big *haciendas* in an inconsistent manner, allowing the foreign debt to go into utter default, fighting the Church with energy and success, and, for the most part, indulging in internecine domestic squabbles over party politics, power and "the cash that goes therewith."

Since 1934, when he ousted President Calles, President Cárdenas has been most energetic on behalf of the aims of the National Revolution of 1910. He has, under the agrarian and expropriation laws, ousted almost all foreign

and most domestic big *hacendados* from their property—many without compensation, and, where the Government gave compensation bonds of nominal amount, without paying either interest or amortisation. Accordingly, the foreign debt and the uncompensated agrarian expropriations are still problems in abeyance, periodically discussed in Washington and Mexico City, but with a hopeless defeatism on the part of the foreign powers concerned. Meanwhile, however, the breaking up of big estates has lowered agricultural yields, as it always does; export surpluses in primary products have diminished; Government expenditure has steeply risen, especially for the army and education; and small but clamant industrial trade unions, mainly confined to the oil and mining industries which are foreign-owned, have come to exercise a strong Leftward influence in politics. With zeal, integrity and laudable ambition the President has set out to make Mexico run, as a full-fledged Western State, before its people could economically walk: witness his disastrous failure last year, at a cost of several millions of pesos, in a collectivist experiment to grow cotton in the Laguna region. He has only a small civil service. Though his integrity is beyond question, corruption is nowhere more rife than in the Mexican civil administration. The country has a few, but still too few, good roads, and the development of the railways, both State and foreign-owned, has been held back by penal taxation and statutory wage-scales beside which even those of Britain look niggardly. This puts a premium on regional politics—and, still worse, on regional military power.

President Cárdenas has been caught between the trade unions on the Left and the intrigues of the Right. He has lacked normal foreign exchange proceeds by reason of hesitant agricultural exports. Deprived of liquid domestic capital (whose owners preferred to pay the 4 per cent. tax to lodge it in New York), and faced with a virtually untaxable Indian population, President Cárdenas had either to abandon the aims of the Party of National Revolution—thus adding his own failure to that of Obregón and Calles—or to plunge ahead more boldly than they. This involved pressure on the foreign-owned oil and mining concerns. He chose the former for the first trial of strength, expecting to be able to divide, and so rule, the American and Anglo-Dutch interests.

In the event, he succeeded for three years; but only on behalf of the workers themselves in the mining and oil industries. The foreign-owned concerns gave practically all they could, including a large measure of workers' and Governmental control over the day-to-day operations of their industries. But the climax came last year when, after the oil strike of last May, the Labour Board and the Government's experts awarded the workers such concessions—in addition to pensions, retirement and death compensation, sick benefits, paid holidays, etc.—as would, in effect, involve large contingent liabilities for future operations. Against such liabilities, in good accountancy, current reserves should be set aside. If those reserves were set aside, the oil concerns would not only have been unable to meet the 1937 awards to their workers. They would have been bankrupted—and therefore able to be expropriated for a mere song—in a gradual de-capitalisation process lasting, perhaps, no more than five years from 1937. They stood together, and when, in January, their plea for a stay of execution was refused by the Supreme Court, they refused to comply with the Government's requirements. President Cárdenas, playing his last card, expropriated the companies.

His action has raised two sets of problems, political and economic, and both are grave. First, it has involved Mexico's relations with the United States Government in no less than three ways. It has simultaneously jeopardised the United States' decade-old "good neighbour" policy towards Mexico, challenged the United States' will effectively to uphold the Monroe Doctrine as against Great Britain and the Netherlands (estopped by

it from independent action on behalf of their own oil interests), and invoked the spectre either of a Leftward or Rightward totalitarian regime on the United States' own frontier. This spectre has made the United States react energetically.

The economic problems are formidable. First, the United States Treasury—despite its rather platonic disavowal of any political motives—refused last week-end to continue its two-year-old policy of buying virtually all newly-mined Mexican silver. This has helped to push the peso once more over the brink of depreciation. The famous Mexican dollar, which stood in 1930 at 2.256 to the American dollar, and then fell to a steady 3.6 to the American dollar between 1934 and the end of last year, has now plunged within a fortnight to rates of 5.0 and even 5.50. Secondly, the oil industry of Mexico provided exports to about the same value as silver mining, and provided much more revenue and labour than the latter industry. Now, the assumption of control over the oil industry by the State is the assumption of *responsibility* by the State for the maintenance alike of the Mexican labourer's working conditions, of an earning capacity sufficient to keep the current yield of revenue unimpaired, and of a vital export trade wherewith to offset growing imports of food, etc. The latter factor itself is one of the reasons for the peso's weakness in the last year or eighteen months. Additional purchases of old Mexican silver by the United States Treasury in 1937, together with an increase in their purchase of newly-mined Mexican silver last year, alone availed to peg the peso at 3.60 in face of the growing import surplus and a growing flight of domestic capital from the country.

President Cárdenas has forced the American oil companies to lodge an appeal on March 23rd with the State Department of the United States, on the ground of "manifest denial of justice." This faced a Democratic President of the United States, pledged to the "good neighbour" policy and only too mindful of President Wilson's unhappy experience with Mexico, with the unenviable alternatives either of acquiescence in an act of expropriation which would certainly damage United States prestige and material interests throughout Latin America, or of proclaiming very clear limits to "good neighbourliness." Accordingly, a firm Note, addressed by the United States Government to the Mexican Government on Wednesday, demanded either the reinstatement of American oil companies in their properties or full compensation. That Note is, in effect, a writ which must of necessity also run for the Anglo-Dutch oil concern.

This in turn intensifies President Cárdenas's quandary. If he declares an oil war against American and Anglo-Dutch interests, he can only sell Mexican oil in bulk to Germany, Italy and Japan—countries with which, as he said in his proclamation a fortnight ago, both he and the Mexican people are utterly out of sympathy. Mexico has virtually no tankers; and 83 per cent. of tanker tonnage is controlled by the American and Anglo-Dutch interests. Of the remaining 17 per cent., mostly Norwegian, only the Japanese, Italian and German tankers come practically into question. If by losing Mexico's silver proceeds in the United States he has a silver war on his hands, and has simultaneously to lead an oil war in the company of the Right-wing totalitarian States, he automatically provokes the United States Administration and public opinion—perhaps beyond passive endurance. In any case, whatever happens to the peso, Mexico would be internally bankrupt within three months.

The realisation of all this has already broken the peso. It may break the Cárdenas administration with unpredictable results. And if some compromise be not speedily reached, it will assuredly break Mexico. The way of goodwill has been kept open by the oil companies and their Governments. The next move is with Mexico.

A Year's Revenue

THE official result of the financial year that ended on Thursday night was a realised surplus of £28,785,428. The conventional definition of a surplus has now, however, become so arbitrary that it is necessary to particularise in order to arrive at a true picture of the year's results.

The revenue side of the Budget accounts still remains comparatively simple. The total yield was £872,579,715, which was nearly £9½ millions more than the estimate. On the expenditure side, however, various interpretations are possible. At the time of the Budget the Chancellor of the Exchequer expected to spend £862,848,000 out of revenue and £80,000,000 out of borrowings, or a total of £942,848,000. Actually, he has spent £908,661,287. Moreover, that sum includes over £10 millions put to sinking fund, for which no provision was made in the Budget. It is possible, therefore, to argue that the actual results of the year are better than the Budget estimate by no less than £54,210,715. This is the most favourable figure that could be quoted by those who are determined to look at the returns through rose-tinted spectacles. At the other extreme those who include both sinking fund and all defence expenditure among the sums that ought to be met out of revenue will quote a deficit of £36,081,572. Between these two extremes the reader can pick his own result by juggling the definitions of revenue and expenditure.

The figures for the revenue are given below:—

REVENUE, 1937-38 (£000's omitted)				
	Actual Receipts 1937-38	Larger (+) or Smaller (—) than Budget Estimate 1937-38	Actual Receipts 1936-37	
Income tax	297,986	+ 9,836	+ 40,749	
Sur-tax	57,060	— 940	+ 3,520	
Estate, etc., duties	88,980	— 20	+ 990	
Stamps	24,170	— 4,830	— 4,970	
National Defence Contribution	1,420	— 580	+ 1,420	
Other Inland Revenue	1,730	+ 230	...	
Total Inland Revenue ...	471,346	+ 3,696	+ 41,709	
Customs	221,561	+ 1,711	+ 10,279	
Excise	113,700	+ 550	+ 4,200	
Total Customs and Excise	335,261	+ 2,261	+ 14,479	
Motor Vehicle Duties	34,608	+ 608	+ 1,881	
Total Tax Revenue	841,215	+ 6,565	+ 58,069	
Post Office (net receipt)	10,470	— 1,330	— 500	
Post Office Fund	825	— 825	+ 725	
Crown Lands	1,330	— 20	+ 20	
Sundry Loans	5,230	— 930	+ 680	
Miscellaneous Receipts	13,510	+ 2,510	+ 11,091	
Total Ordinary Revenue	872,580	+ 9,460	+ 47,864	

The healthy appearance of the total figure is very largely due to the excellent performance of the income tax, which has exceeded the estimate by nearly £10 millions and last year's yield by over £40 millions. Customs and Excise also show small improvements on the estimates. The other main taxes, on the other hand, have been disappointing. Surtax has failed to yield the estimate; it is this persistent failure of surtax to emulate income tax which lends credibility to the stories of large-scale evasion. The yield from stamps is badly down, as was only to be expected.

The largest item in the shortfall of expenditure below the Budget estimate is in the Civil Services. A margin of £10 millions was left in the Budget for supplementaries, but in the event only £3,666,000 of this was required. There were also savings on many items, of which the largest was one of £8½ millions in the vote for the Unemployment Assistance Board. The National Debt, on the

other hand, has required rather more than last year, and the margin left in the fixed debt charge was not quite large enough to meet the statutory sinking funds. The figures are given in the following table:—

EXPENDITURE, 1937-38 (£000's omitted)				
	Actual Issues 1937-38	Larger (+) or Smaller (—) than Budget Estimate 1937-38	Actual Issues 1936-37	
Interest and Management of National Debt	216,233	— 7,767	+ 5,360	
Payments to N. Ireland	8,887	+ 887	+ 891	
Other Consolidated Fund Ser- vices	3,115	— 85	— 125	
Post Office Fund	...	— 300	— 421	
Total Consolidated Fund	228,235	— 7,265	+ 5,706	
Army, Navy and Air Votes ...	197,250	— 1,018	+ 11,178	
Civil and Revenue Votes (exc. Post Office)	407,765	— 21,315	+ 26,607	
Total Supply Services (exc. Post Office)	605,015	— 22,333	+ 37,785	
Total Ordinary Expendi- ture	833,250	— 29,598	+ 43,491	
New Sinking Fund	10,544	+ 10,544	— 2,583	
Total Expenditure	843,794	— 19,054	+ 40,908	
Sums met out of Loans under Defence Loans Act	64,867	— 15,133	+ 64,867	

SELF-BALANCING REVENUE AND EXPENDITURE (£000's omitted)				
	Actual Revenue & Expenditure 1937-38	Larger (+) or Smaller (—) than Budget Estimate 1937-38	Actual Figures 1936-37	
Post Office and Broadcasting	76,080	— 378	+ 4,200	

Expenditure on the defence forces has approached the estimate more closely than seemed likely at one time. Taking total expenditure, including sums borrowed, the estimate was £278,268,000 and the actual expenditure was £262,117,000. The following table shows total defence expenditure by quarters during the last three years:—

DEFENCE EXPENDITURE (£ millions)				
	1935-36	1936-37	1937-38	
First quarter	27.5	37.5	46.3	
Second quarter	30.3	41.2	58.3	
Third quarter	37.3	48.0	68.3	
Fourth quarter	41.8	59.4	89.3	

The increase in the last quarter is much the largest of any in the table.

The final figures for 1937-38 make it possible to give rather more precise shape to the outlines of the Budget which the Chancellor of the Exchequer is to open on April 26th. The estimates for the supply services total £695,941,000, without any provision for supplementaries, which will certainly be needed. Adding on the 1937-38 expenditure on the consolidated fund (which does not include any sinking fund), the total comes to £924,176,000. The total of expenditure for which the Chancellor will have to provide cannot possibly be less than this, and is certain to be more. Against this, the revenue in the year just ended has brought in £872,580,000, and it has been estimated in *The Economist* (March 12, 1938, page 544) that a "natural" increase of something of the order of £40 millions can be expected in the coming year, making a total of about £912 millions. Even this figure, however, is £12 millions below the minimum possible total of expenditure. The Chancellor will thus have a substantial sum to find, either by increased taxation or by the various forms of financial sleight of hand at which the Treasury is a past master.

Topics of the Week

Arms and the Men.—In his important statement last week in the Commons on foreign policy, the Prime Minister reiterated the plea, which he had already made to the Trades Union Congress, for co-operation in the speeding-up of defence measures. There is no question, as yet, of placing industry on a war footing, and the expressed intention of the Government is to leave responsibility for detailed schemes for expediting the production of arms and munitions to employers and workpeople in consultation. Certain branches of manufacture, such as the production of aircraft and anti-air-raid equipment, naval construction and building works, require priority in the recruitment of men, as in the purchase of materials. Workers will need to be transferred from one district to another. Some dilution of skilled with unskilled or semi-skilled labour may be desired; and the introduction of more working shifts may be necessary. Sir Thomas Inskip's preliminary conference with the engineering unions on these questions on March 25th was disappointing; for the most important union, the Amalgamated Engineers, comprising 340,000 workers, was not represented. The A.E.U. still believes that the concessions in union standards and procedure made during the war were not afterwards fully rewarded; and a militant and sceptical minority is active in the union's ranks. In addition, the Minister for Defence gave no details of the Government's plans to the shipbuilding and engineering unions present at last week's meeting and allowed them to ask no questions. On March 28th, Mr Chamberlain and Sir Thomas met the National Confederation of Employers' Organisations, who responded favourably in general terms to their appeal. And next Monday the Minister for Defence will confer with the A.E.U.

The general attitude of the engineering union was publicly stated last Saturday by their secretary. The engineers were eager to defend their country and democracy, he said, but not to bolster up dictatorship. The force of appeals for speeding-up in armament work was lessened by the presence of 80,000 unemployed in the engineering trades; and, if skilled men were scarce, that was because the value of apprenticeship had been allowed to decline and industry's labour reserve to deteriorate during the depression. The union desired guarantees that the voluntary weakening of their standards would not involve any permanent loss or be accompanied by high profits for individual firms. The A.E.U.'s attitude may not be typical of T.U.C. policy, but while British industry hovers between peace-time and war-time conditions it is important that, if voluntary methods are to succeed, labour's suspicions should be allayed by full and frank discussion. In any event, while Government policy remains at a half-way stage, it is important that the existing industrial structure should not be needlessly impaired, psychologically or technically.

Defence in the Dominions.—Australia's new armaments programme is of great importance in the scheme of British Commonwealth defence, by reason not only of its size but also of its nature. Total defence expenditure over the next three years will be £43 millions, an increase of nearly £25 millions on the ordinary maintenance votes. Australia is to have a fleet of five modern cruisers, two of which are to be bought from the British Government, the seaplane-carrier *Albatross* being accepted in part exchange. Extra army expenditure will be devoted chiefly to coastal and anti-aircraft defences and to training in the technical branches. The air force is to be raised to 198 first-line craft. An important feature of the programme is the acceleration of output by the Commonwealth Aircraft Cor-

poration and an added stimulus to Australian munition factories. Australia's defence policy—which has secured the full support of the Leader of the Opposition—is thus of self-reliant character, though she has not abandoned her concept of extra-territorial defence through naval and possibly air action in co-operation with British forces. The new picture of several separate centres of strength in imperial defence, which was outlined in these pages last week, is already becoming clearer. Even Canada, with her reduced annual vote of \$34 millions for defence, comes into the same picture. Her self-reliance admittedly does not extend beyond coastal protection in the narrower sense, but imperial importance attaches to the Defence Minister's announcement that during the past year a survey had been made of 700 industrial plants adaptable to the output of munitions.

The Crisis in France.—When we went to press last week we were in time to record the intentionally wounding rebuff that had been administered to M. Blum by the Senate. To-day, a week later, M. Blum is still in office; but the French political crisis is also still unresolved; and he is now being assailed by troubles on the Left as well as on the Right. Out of patriotism M. Blum decided to swallow the Senate's insults without resigning, and to prepare a new and complete financial programme. Meanwhile, the animus against him among his opponents on the Right has been increased, strangely enough, by the difficulties that the Parisian artisans have been making for him. On the 24th—the very day on which the Prime Minister was being ill-used in the Senate—the 20,000 workers in the Citroën motor-car factory suddenly started a stay-in strike. The movement has since spread; some 35,000 workers in all are now involved; and, at the moment of writing, neither the Prime Minister himself nor the C.G.T. nor the French Communist Party has been able to induce the strikers to cease from action which can only have the most dangerous effect upon the prospects of the parliamentary democracy at home and upon the position of France in the world. Moreover, a national Government on a genuinely national basis seems as far off as ever, in spite of the efforts of M. Reynaud. But the diehards on the Right are taking less and less trouble to conceal that what they are manoeuvring for, under this specious title, is something just the opposite of what the words ought to mean. A genuine national government could only be built round the leading parties of the Front Populaire. The diehards are demanding a "cabinet of personalities" which would bear no relation, in its composition, to the will of the French electorate as it was expressed at the last general election. Latterly it has been almost common form in French domestic politics for the electorate to put the Left into power and then to find itself being governed by the Right again before the interval between elections is more than half over. Is this now going to happen once again? In the present state both of French tempers and of international temperature, it is not easy to believe that the old trick of French politics could be repeated this time with impunity.

The Plebiscite in Great Germany.—While in Austria the process of *Gleichschaltung* is going full-speed ahead, with major consequences for democrats, intellectuals and Jews, and considerable effects upon the life of the whole population, the Nazi plebiscite campaign is also in full swing throughout the *Germanisches Reich Deutscher Nation*, as Herr Hitler has taken to calling his new empire. The latest repercussions of the *Anschluss* of Austria upon other "unredeemed" German minorities are noticed separately on page 7. In the plebiscite campaign itself the outstanding features up to date are the fierce denunciations of Dr von Schuschnigg and the marked relaxation of the hitherto unremitting offensive against the two branches of

the Christian Church. The principal speakers seem to be concentrating on the straight issue of German national unity and keeping out of all ideological by-paths. The cue was given, in characteristically brutal language, by Herr Hitler's plebiscite commissioner in Austria, Herr Bürckel, in his opening speech on the 24th. He denounced Dr von Schuschnigg's "Christian Austria" on the ground that God had created the Austrians of the same blood as the Germans. It was for National-Socialism to look after what was national and for the Church to care exclusively for souls. In a speech of Marshal Goering's in Vienna on the 26th the Church was spared the castigation meted out to Jews and Legitimists. "National-Socialism now [*sic*]," said the Marshal, "was inspired with a deep faith in God and was not an enemy of the Churches so long as they kept strictly to saving souls." In a diocesan circular which was read in all the churches of Austria last Sunday, Cardinal Innitzer and three of his episcopal colleagues went far indeed to meet Herren Bürckel and Goering's demands by blessing the Nazi campaign against "Bolshevism" and advising their flock to vote for the Reich in the plebiscite. The Austrian Catholic prelates had been anticipated by the superintendents of the little Austrian Protestant Church, whose declaration has been given great prominence in the Nazi Press. On the other side, Dr Goebbels has suppressed the anti-Christian Nazi newspaper *Durchbruch*, and Herr Hitler himself has presented some ecclesiastical furniture to a Protestant Church at Dortmund. The probability is that the campaign against the Churches will be resumed as soon as the Austrian Catholic votes have been safely garnered in. But there is just a possibility that the *Anschluss* is to be the signal for a change, throughout the Reich, from Herr Rosenberg's policy towards the Churches to Signor Mussolini's.

The Fate of Austria.—Before Austria finally sinks into the position of a province of Nazi Germany, we wish to register a most emphatic protest against the assumption widely made in the British Press—and repeated this week by the Archbishop of Canterbury and others—that sooner or later this conclusion was inevitable and right. It was neither. In 1919 the allied Powers rejected the desire of the despairing people of Austria to coalesce with the Germany of the Weimar Republic. That refusal was a grave wrong. Later, the allied Powers, for reasons of shortsighted self-interest, refused to allow Austria to make preferential arrangements with her neighbours and so build the foundations of a Danubian federation. That refusal was both wrong and foolish, for it withheld the means of achieving the end which the Allies desired. And so the story unfolded to the time of the tragic mishandling of the proposal for the Austro-German Customs Union. But in 1938, in spite of all the drawbacks of their isolated position, the majority of the Austrian people clearly did not wish to be absorbed into a totalitarian Germany. The evidence of the plebiscite to be taken on April 10th, the result of which is a foregone conclusion, will prove nothing to the contrary.

Nor was the *Anschluss* an economic necessity. The economic affairs of Austria in the last few years have been handled with much shrewdness and wisdom; her finances compare very favourably with those of most Central European States, and she has secured more than her share of trade recovery. In spite of the size of Vienna, the proportion of Austria's population living in urban areas is smaller, her degree of self-sufficiency in agricultural products is greater, than those of Switzerland, and her territory is almost as well endowed by nature for a great tourist traffic. Given reasonably free conditions of trade in Central Europe, Austria could certainly have lived economically. Given reasonable facilities to make special arrangements with her neighbours—including close cultural relations with Germany—a free Austria would have been the natural link between Germany and the Danube basin in building up a federated Europe. Post-war Austria was not the economic absurdity that is

commonly supposed. She was made so by the folly of an economic policy for which the allied and associated Powers are chiefly to blame. In the event her individuality has been blotted out by the onward march of a militant pan-Germanism, and the hope that liberty might survive and grow in a Germanic country at the very heart of Europe has—for a generation—been crushed.

Czech and German.—The *Anschluss* of Austria is having its repercussions among other "unredeemed Germans." There have been disturbances in the two mainly German districts of Eupen and Malmédy which the Versailles Treaty assigned to Belgium; and the Flemings have pointedly dissociated themselves from the disapproval expressed by the Walloons. There has even been a resumption of Nazi propaganda activity among the tiny minority of Germans whom the North Schleswig plebiscite transferred to the Danish side of the frontier. The heaviest German pressure, however, has been felt, as was to be expected, neither in Denmark nor in Belgium, but in Czechoslovakia. There the German Press has raised a hue and cry in which the Polish Press, but not the Hungarian, has now joined. And the internal pressure is even more severe than this drum-fire from abroad. The secession of the so-called "Activist" German parties from the coalition supporting the present Government in Prague is now complete. The German Agrarians have been followed by the German Christian Socialists (i.e. Catholics) into Herr Henlein's camp, while the third and last "Activist" Party, the German Social-Democrats, have pitched their tents in no-man's-land. Without joining Herr Henlein, they have left the Government; and have explained that, while they will continue to support the Government on questions touching the sovereignty and defence of Czechoslovakia, they will not be associated with the Government when it comes to a settlement of Czech-German differences inside the republic. Meanwhile, Herr Henlein, who now finds himself at the head of the strongest single party of any in Czechoslovakia, is calling for parliamentary and municipal elections on the ground that, if Czechoslovakia is a democratic State, the electorate ought to be given an opportunity of expressing its wishes in regard to an entirely new situation. The Czechs, on their side, are exerting themselves to close their ranks; but though the present Prime Minister is himself a Slovak the Slovak Clerical Party has hitherto refused to join the coalition. At a party meeting held at Bratislava on March 24th, they decided not only to keep aloof from the coalition but also to intensify their campaign to win autonomy for Slovakia.

Everything thus turns on the question whether the Czech majority of the present Coalition can come to terms with the Henleinists; and this issue was clarified in a broadcast

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address on Monday night by the Prime Minister, Dr Hodza. He announced that all existing laws and measures relating to the German-speaking minority in Czechoslovakia were to be consolidated into a new Act, which was to form the basis for a settlement of the minorities problem. There was to be no denationalisation of German, Magyar, Polish or Ruthene citizens of the republic, any more than of the Czechs or the Slovaks. Germany had given assurances of her intention not to interfere in Czechoslovakia's internal affairs, and these assurances had been repeated at the moment of the *Anschluss*. Dr Hodza also spoke warmly of Mr Chamberlain's statement of the British Government's policy in regard to Czechoslovakia. The points at issue are now coming into focus. The Germans in Czechoslovakia can now be reasonably sure that they are going to be treated as "first-class citizens"; that their nationality is not going to be undermined in violation of the letter and spirit of the law of the land; and that municipal affairs in German districts will in future be in German hands. On the other hand, the Czechs do not contemplate agreeing to territorial autonomy for the German districts and *a fortiori* not to their secession from the republic to the Reich. It is on this basis that the gulf must be bridged—if it is the genuine wish of both parties to bridge it at all.

* * *

Confusion in Washington.—Both Congress and the Supreme Court have this week given President Roosevelt a little of what he wants. On Monday the Court found part of the much-debated Public Utilities Act to be constitutional. The clause in question was that which compels holding companies in the public utility field to register with the Securities and Exchange Commission, and to become subject to rigid control in the issue of new securities, the acquisition of new properties, and other aspects of their activities. The Court's decision did not, however, cover the famous "death sentence" clause, under which disconnected utility "empires" are to be dissolved, and this clause will have to come up for adjudication in the future. The contribution of Congress to the President's pleasure was the passage by the Senate by a close vote of his Bill to reorganise the executive branch of the Government. In the main, this Bill places in the hands of the President the power to organise the National Executive, for which he is solely responsible, in a more efficient manner. The Bill also includes provisions which might have the effect of increasing the President's personal control over the Civil Service, and it abolishes the office of Comptroller-General.

* * *

Some such reorganisation as this has for many years been recognised on all hands to be necessary. But this particular Bill of the President's has been violently assailed by those who affect to see in it a sign of Mr Roosevelt's alleged Fascist ambitions, and also by that large section of opinion which still holds to the hallowed American tradition that the only good Government is an ineffective one. The vote in the Senate therefore became something of a test for Mr Roosevelt, and the result shows that he has still not entirely lost control of Congress. On the other hand, the Finance Committee of the Senate has been busy amending the Revenue Act in such a way as to abolish entirely the Undistributed Profits Tax, and to modify severely the tax on capital gains—two imposts which have been very close to the hearts of the New Dealers. Thus it is no longer possible to say who is master in Washington. As happened with Mr Hoover, the first effect of economic recession has been to create such dissension in Washington as to make any coherent policy impossible. The confusion is deepened by the fact that neither the President nor Congress seems to be very sure about what they want. It is little wonder that with such a confusing situation in Washington, Wall Street should have lost its never very robust faith in the imminence of a trade revival.

South African Protectorates.—The statement made this week by the Secretary for the Dominions on the future of the High Commission territories, has put an end to the persistent rumours in South Africa that the transfer of one or more of the territories to the Union was imminent. Union opinion showed signs of restiveness, and it was thought that General Hertzog would press hard for such a decision before the general election. The actual result of his discussions with Whitehall is much more cautious and palatable to British opinion. In order to increase co-operation between the two Governments, which it is agreed must be the prelude to any transfer, a Standing Joint Advisory Conference is to be set up. Its members will be the Secretary for Native Affairs and two other Union officials, and the three resident commissioners of Swaziland, Basutoland and Bechuanaland. Further, the Union Government are to publish to native and European audiences alike the terms on which they would propose that transfer should be effected. Only by such deliberate steps as these can the conditions be created under which a permanent solution of this vexatious problem will be possible.

* * *

Australian State Elections.—Mr B. S. Stevens has repeated, in New South Wales, Mr Lyons' feat in being returned to power for a third successive term. Like Mr Lyons, he heads a coalition of the United Australia and Country parties, and, like Mr Lyons, he appealed on a firm record of economic prosperity. He had, in addition, the concentrated advantage of public distrust of Mr Lang, who still heads the Labour Party in New South Wales, but who has to face to-day powerful opposition within his own party. Mr Lang has lost control of a newspaper which used to be one of his main channels of publicity, and a strong section of the trade union wing is almost as bitterly opposed to him as to the Stevens-Bruce Government. In South Australia, Labour has made little advance, but the success of Independent candidates has deprived Mr Butler's Government of its majority and created a deadlock. Such a result is uncommon in Australia, where party politics are highly organised, but the burning issues of the elections—notably the control of betting, which from all accounts has become a menace to the State's social and economic life—cut across all party lines.

* * *

The Electricity Grid.—The Central Electricity Board is frequently and deservedly cited as one of the most remarkable examples of State participation in industry. The Board was formed to meet a clear need which could not be filled by private industry, and it has acquitted itself both with technical efficiency and with financial success. The finances of the Board are discussed in our Investment Section on page 23, and it need only be said here that the financial results are such as to give the Board's stocks a high credit rating. Financial success is not, however, the only test of such a large undertaking. The Board was formed to realise two wider economies. By building the grid, which connects up the whole electrical system of the country, it was possible for the industry as a whole to operate with a very much smaller proportion of its total generating capacity held in reserve to meet the peaks of demand. And, secondly, by concentrating generation on the largest and most efficient stations it was hoped to reap substantial economies in the cost of generation. The scheme is now largely completed; the grid has been built, and of the Board's nine areas only one, the North-Eastern, is not yet completely connected. But already 97.4 per cent. of the electricity made available for public supplies in 1937 was generated for the Board, and 50 per cent. of the total units generated were supplied by fifteen of the most economical stations, which ran continuously throughout the year.

* * *

The capital cost of the grid was about £30 millions. Much the largest part of this capital cost is, of course, non-recurrent; and the scheme would have proved its advantages to the community even if the resultant savings had

taken a long time to mount up to the original cost. But, in fact, success has come much more quickly than that. The Board has been trading for five years only, and some parts of the scheme have not been connected for the whole of that period. Nevertheless, the economies resulting from the lower proportion of surplus generating capacity are estimated to have amounted already to about £17 millions, or more than half the capital cost, and this does not include the economies realised on fuel consumption. There is thus no room for doubt that the grid scheme has been a striking success. The Board has, of course, been powerfully assisted by the strong flow of economic recovery during its formative period. But this is hardly a detractor from the credit that is due to the originators and administrators of the scheme, since they had the boldness to forecast a substantial rise in the consumption of electricity. As events have turned out, the increase in electricity production over the period 1929 to 1937 has been 123 per cent. in Great Britain, compared with 45 per cent. in the rest of the world. Thanks very largely to the grid, we have thus made excellent progress in catching up in a field where a decade ago we were tending to lag behind.

* * *

F.B.I. on Industrial Location.—It is not surprising that the Federation of British Industries, in their Evidence before the Royal Commission on the Geographical Distribution of the Industrial Population, published on March 31st, should have endorsed the Board of Trade's view that the present distribution of Britain's industries "approximates very closely to the distribution which enables each of those industries to operate most economically and efficiently." Since the Federation confined their opinions to "purely industrial" considerations, they were able to present a formidable case against any proposals that the State should interfere with the movement and location of industry. An industrial structure, erected upon free trade and manufacture for export, has since the war been transformed by changes in overseas demand and British fiscal policy. Population has been redistributed in favour of domestic, as distinguished from export, activities. Between 1921 and 1935, the population of South-East England rose 42.7 per cent., or double the average increase for all Great Britain. Employment in "service" industries has risen (between 1923 and 1937) 40 per cent. more than employment in "production" industries; and, in manufacturing itself, employment has increased most in industries producing semi-durable consumption goods for domestic markets. Most of the industries which have grown up in or near London, the Evidence points out, must by their nature be near large markets, and could not be fostered elsewhere. It is not so much that industry has moved from the North to the South, but rather that London is acquiring the industrial trades and occupations essential to the equipment of any large urban area. Even now, the industrialisation of the South-East is small, in relation to the 14 millions of population in that region. Nevertheless, as the Federation admit, "these movements have given rise to developments which from the national point of view may be considered as disadvantageous." And it is hardly true that "if, in some cases, an industrialist has made mistakes, he has paid for them himself." The community has paid, in the cost of transport facilities, social services, the relief of distress and the rehabilitation of distressed areas, in ill-health, overcrowding, and traffic congestion. The Federation concede that the Special Areas should be treated as "a national social problem," above considerations exclusively of individual profit or loss. Should not the whole problem of national industrial development, however, be similarly viewed, since grave social disadvantages may be implied in extreme urban concentration?

* * *

Franco's Advance.—The past week has seen a further rapid advance in General Franco's Aragon offensive. Very little further progress has been made

south of the River Ebro beyond the towns of Alcañiz and Caspe which marked the furthest point of the first phase of the attack. North of the river, however, an advance has been made this week as rapid as the first advance south of the river a fortnight ago. From the neighbourhood of Huesca and Saragossa, the line has been carried from thirty to sixty miles to the east, and in its centre it has crossed the border into Catalonia and threatened the important town of Lerida. After a retreat which at times became almost a rout, the Republican Army has in the last few days been showing much stiffer resistance and has been counter-attacking near Teruel. The Insurgents, however, retain a very heavy superiority in aircraft and heavy artillery, and a note of despair is beginning to mingle with that of resolution in the announcements of the Republican Government in Barcelona. The capital itself has been spared any further visitations from the air, but the smaller towns all down the coast are being slowly battered out of existence by the Italian and German aircraft at General Franco's disposal. Very little effort is being made to conceal the extent to which the success of the offensive has been due to intervention from the Rebels' Fascist allies. The Non-Intervention Committee, however, is still deadlocked, and, though nervousness is naturally on the increase in France, the steady refusal of the British Government to abandon non-intervention on its part, or to recognise its breach on the part of others, inevitably holds the French severely in check.

* * *

Chinese Successes.—The news from the Far East during the past week has been almost uniformly of Chinese military successes. It would be rash to take too literally the Chinese proclamations of crushing victory for their own troops and of disastrous routs for the Japanese. But it is clear that the Japanese Army has suffered a severe reverse. For months past the grand strategy of the Japanese High Command has been to get control of the railway system of North China. The main railways form a gigantic "H," and of the four corners of the system the Japanese hold three—namely, Peiping and Tientsin in the North and Nanking and Suchow in the south-east corner. The Chinese, however, still hold the Lunghai railway, which is the cross stroke of the H, together with the vital junctions, Chengchow at its western end and Suchow at the eastern end. The main thrust of the Japanese attack has been southwards from Tientsin towards Suchow. Their advance for months past has been disappointingly slow, but they had penetrated to within a day's march of Suchow. But now it appears that they have been repulsed at the head of their advance, while the Chinese, taking full advantage of their great superiority in numbers, are harassing the Japanese communications, and claim to have cut the railway in the rear of the invader at several points. There are also reports that the Japanese are being steadily attacked by Chinese guerillas on the extreme right flank of their northern army in the province of Shansi. It is fully possible, indeed even probable, that when the Japanese have brought up reinforcements of men and artillery they will be able to resume their advance. But the events of the past week have shown that the Chinese Army is still a formidable fighting force, and that the Japanese still have to face a long and punishing war before they can achieve their objectives, or even be in a position to make peace gracefully. And in the setting of world politics and Japanese economics that is a major success for Chinese arms.

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From Our Special Correspondents

United States

No Signs of Recovery

NEW YORK, March 22.—The first quarter of 1938 is now all but completed, and, in place of the expected spring upturn, the past three months have as yet brought nothing that can convincingly be presented as evidence of recovery. At the turn of the year, the more optimistically inclined forecast a recovery in the index of production from 84 in December to 100 in March; expectations of 90 for March were regarded as pessimistic. While the figure will not be available for some weeks, it appears probable that the March index will be no higher than the December figure, which was 79, or 84 adjusted for seasonal fluctuations.

The data for February are not yet available, but it is conjectured that February and March were not greatly different from January, when the index of production was again 79 or, adjusted, 81. In short, for some four months the index of production has been in the vicinity of 80 (1923-25=100).

The most commonly quoted index is the American Iron and Steel Institute's estimate of steel production, stated as a percentage of capacity:—

STEEL PRODUCTION (Percentage of Capacity Operated)			
Week beginning 1937		Week beginning 1938	
Nov. 6	48.6	Jan. 3	19.2
" 13	41.0	" 10	25.6
" 20	36.4	" 17	27.8
" 27	31.0	" 24	29.8
Dec. 4	29.6	" 31	32.7
" 11	27.5	Feb. 7	30.5
" 18	27.4	" 14	30.7
" 25	23.5	" 21	31.0
		" 28	30.4
		Mar. 7	29.3
		" 14	29.9
		" 21	32.1
		" 28	33.7

Each week in March the index was slightly higher than in the previous one, and it is now higher than it has been for about four months. March has also seen an upward movement in lumber production and shipments, and a similar tendency in miscellaneous car loadings; and there are some fragmentary signs of quickening in building.

On the other hand, news from the motor industry so far is negative; and retail trade appears to be falling back. Added together, the evidence lends support to the view that, during the winter months, the American economy has been forming a bottom; and in the past few weeks some indices have turned up, while others have continued to decline. These clues are still too scattered and indecisive to be accepted as proof of a turning movement.

Decline in Cheques Drawn

Probably no data more clearly reflect the flow of the American economy than the figures of "debits to individual accounts." In July, 1932, approximately the lowest month of the depression for production, debits amounted to \$25,239 millions. In February, 1933, the month before the closing of the banks, they were \$22,437 millions. In September, 1934, just before the upturn, they were \$24,009 millions.

DEBITS TO INDIVIDUAL ACCOUNTS (\$000,000)				
	1934	1935	1936	1937
January	...	30,063	35,424	39,479
February	...	25,730	31,572	34,526
March	...	31,744	37,496	42,003
April	...	31,651	34,783	37,133
May	...	30,206	33,225	34,406
June	...	31,581	37,505	36,453
July	...	33,394	34,816	36,903
August	...	30,376	31,469	31,886
September	24,009	29,141	33,248	33,360
October	26,750	32,695	37,313	36,073
November	24,751	32,344	35,869	31,593
December	30,995	36,373	45,896	39,103

Thus, in February, 1938, the cheques drawn were approximately equal to those drawn in February, 1935, which were similar in amount to those drawn in February, 1934. They were, however, about 25 per cent. below February, 1937, while production was 30 per cent. or more below the previous February's level. Too close a parallel should not be expected—for example, the debits of January, 1938, were actually slightly above those of August, 1937, while production was about 30 per cent. lower.

The cheques drawn in February are not conspicuously out of line with current production, but they are far out of line with bank deposits. In February, 1928, when demand deposits were approximately at the present level, debits exceeded \$54,000 millions, more than double last month's figure. In other words, the turnover of bank deposits is now only about half what it was a decade ago.

France

Financial Plans

PARIS, March 31.—The Senate has granted M. Blum 5,000 million francs to meet the liabilities maturing at the end of March. They refused to vote 9,000 millions he asked for, and contended that France could wait no longer for a comprehensive financial plan, to be put into effect, if necessary, by a Government of National Union. M. Blum promised that his Government would produce a financial programme forthwith.

The Government's financial plans will be presented to the Chamber on Friday, with a view to securing their authorisation before the Stock Exchange re-opens on Monday. Nothing definite is yet known about the Government's precise proposals, but it is believed that they may combine certain increases in taxation with measures to increase industrial activity. To implement them will require plenary powers, which M. Blum and the Socialists recently refused to grant to M. Chautemps. The key to the immediate future of French politics is held by the Radicals. How will they react to proposals which will once again strike at capital?

M. Blum's Dilemma

M. Blum's task is difficult. His first job is to reduce the gap between expenditure and the yield of taxation. The Left are not ready to concede extra hours of work to increase production, and at the same time they cry out for higher social expenditure. The second part of his task is to obtain a gesture of confidence, in the shape of subscribing a loan of many thousand million francs, from investors. And so far this is ruled out by the state of industry and the public finances.

What can M. Blum do? On the one hand, there is the way of coercion: a forced loan, a compulsory conversion, exchange control and supervision of key industries. Such plans caused the Senate to throw out M. Blum's first administration a year ago, and are now strenuously denied in official quarters. In principle, they would be contrary to democratic practice and not in accordance with the Tripartite Agreement. Moreover, they would involve a drastic modification of certain sections of the New Deal, and M. Blum is not in a position to exact such a sacrifice from his followers.

Confused Situation

The position remains uncertain. The Senate is hesitant. On the one hand, they reject a national coalition including the Communists. On the other, they dare not yet overthrow the Blum Cabinet. Meanwhile, events take their course. General Franco continues to advance in Spain. The Anglo-Italian conversations are still in progress. The franc is still sagging. And the unity of the Popular Front becomes appreciably more brittle.

M. Jouhaux, the trades union leader, was recently prevented from addressing a meeting by a Communist demonstration. On the other hand, fresh stay-in strikes in the

metal trades are disavowed by the Communists, who accuse the Socialists of initiating them in collaboration with the Trotskyites. The strikes go on, although everyone seems to condemn them, and it is strange that the Government has so far been unable to arrange a settlement.

Underlying Confidence

These political difficulties do not, however, imply that there is an entire lack of confidence in France. The country is still suffering from the vast losses of the Great War. The material losses of those years and the destruction of the flower of French youth are particularly felt now, twenty years after victory, in the industrial as well as the commercial and political spheres. But the fundamental French virtues of thrift and industriousness are unaltered, and—in spite of the errors of the politicians—the Popular Front represents, not only material demands, but also new ideals, national and social, which will ensure that France will be no less great in the future than in the hey-day of the past.

Fiscal receipts in February amounted to 3,161 million francs, of which 2,911 millions were ordinary receipts, or 132 millions less than the estimates. All items showed a deficit compared with the estimates, except the turnover tax and stamp duties—in spite of the fall in the franc, the sharp rise in prices and last July's increase in the rates of tax. Receipts from indirect taxes and estate duties were only 340 millions higher than in February, 1937, and the fall of 22.4 millions in the yield of taxes on railway transport, and of 6.2 millions in the yield of taxes on transport by road underline the recession in economic activity. These figures would—if more emphasis were necessary—lay stress upon the need for financial reform, since they prove that the deficit on the ordinary Budget will exceed the estimated figure.

Coal output in February was 3,770,812 tons (20.8 working days), against 3,705,056 tons in January (20.5 working days), and 3,799,159 tons in February, 1937 (21.6 working days). Average daily production was thus 180,808 tons, compared with 180,178 tons in the previous month. The number of men employed at the end of February was 246,305, against 245,489 at the end of January.

Germany

British Foreign Policy

BERLIN, March 30.—In Mr Chamberlain's statement on British foreign policy on March 24th, the passage that attracted most attention here was that in which he spoke of the "probability" of countries other than those directly involved, being drawn into a European War, and in which he also emphasised the Anglo-French connection. His refusal to guarantee the independence of Czechoslovakia directly had been foreseen. The German Press reacted characteristically by expressing surprise that the question of Czechoslovak independence was raised at all. The chief economic journal remarks "this problem has never been raised from the German side, but only from the English and French sides," and attributes the "dangerous nervousness" of Prague exclusively to English and French panic-making. On this it might be commented that the question of Austrian independence was also not raised from the German side, until that independence had disappeared, although the agreement of July, 1936, had recognised Austria's independence as her permanent status.

If force is threatened against Czechoslovakia, which at present is by no means probable, Mr Chamberlain's indication of British policy might not prevent it. It is believed here that, unless France had from the first a definite British guarantee of support, she could hardly resort to arms, were Czechoslovakia attacked. To do so would be to commit herself to a general war, involving the invasion of Germany, for which she, alone or with Russia, is probably not strong enough; and, presumably, Czechoslovakia would, in the meantime, have disappeared. If Great Britain desired to intervene effectively, she would have to intervene from the first. At present, the propaganda campaign against Prague is relatively quiet, and the Sudeten-German question is, for the moment, most alive on the southern side of the frontier, where the Henlein party shows increasing activity.

Economic Measures in Austria

The economic assimilation of the new Austrian Land proceeded rapidly last week. Contrary to expectations, the Customs frontier was suddenly abolished in part; that is, Austrian goods exported to the old Reich became duty-free,

but liable to German excise duties. With regard to foreign exchange, however, Austrian goods remain foreign, in that exchange certificates for payment, and permission, where this is the German rule, are required.

The lapse of the Austro-German commercial treaty of April 12, 1930, will entail international adjustments. With the disappearance of the treaty-duties conceded to Austria, the products of the most-favoured countries would be automatically subjected to increased German rates. As this is undesirable, it is decreed that the Reich duties on goods from the most-favoured countries shall remain for the present unchanged.

The Austrian Customs frontier against Germany remains. Measures have been taken to prevent a "selling out" of Austria or the excessive outflow to Germany of raw materials; and the German Supervision Boards will fix prices, profit-margins, and payment and delivery conditions, for Austrian goods.

Since March 28th, Austria has had a double currency, banks, traders, and communications accepting both schillings and reichsmarks; but the banks are paying out marks in exchange for schillings, and are going over to mark accountancy. Retail establishments have been ordered to list their prices in both currencies, at the new rate Rm. 1 = Sch. 1.50. Price-raising has been forbidden.

Austrian foreign-exchange control has been brought into line with German. The penalties for violation have been made much more severe. Property may not be removed abroad or disposed to the advantage of foreigners. Transactions in instruments of credit, cheques, bills, claims against foreigners, real estate, securities and precious metals, are regulated on Reich lines.

Foreign exchange values must be offered to the Reichsbank. The existing Austrian regulations for delivery of exchange receipts for exports are made more stringent, and measures have been taken to prevent the outflow of assets in cases of emigration.

Austrian Industrial Development

General Goering has made a long statement of proposed development measures. These include the construction of Reich motor-roads and the improvement of other roads, water-power extensions, mining and mineral oil exploitation, land amelioration, the intensification of agriculture, the establishment of dairies, public and private building and renovations, new railways, accelerated work on the Rhine-Main-Danube Canal, and a Danube port at Vienna. A cellulose mill will be started, and also chemical works, in particular for the production of oil from coal.

Direct rearmament measures, including the erection of barracks, the construction of aerodromes, new aviation works and increased output of aeroplanes are part of the programme. In accordance with a former, but recently revoked, Reich measure, tax exemption will be granted on investment for the expansion of industrial and agricultural plant.

The recently founded Hermann Goering Works, a creation of the Reich for iron-ore and iron production, will take over the chief Austrian iron and steel concern, the Alpine Montan A.G., whose production will be increased. The German Vereinigte Stahlwerke A.G. (Steel Trust) holds a majority interest in the Sch. 60 millions capital of the Alpine Co.; presumably a financial reconstruction will be required. The Styrian iron-ore fields are estimated to contain 200 million tons of an average ferrous content of 36-42 per cent.

The immediate strengthening of the Reich's ore and iron position will, however, be inconsiderable. Austria's ore output in 1937 was 1,880,000 tons, with an iron content of 667,000 tons; pig-iron output was 389,000 tons, and steel output 650,000 tons. These are small quantities compared with the Reich's ore imports of 18 million tons and its steel output of 19 million tons. Austrian exports of iron-ore were 383,000 tons, and Austria's total export of iron, iron goods, and scrap was only 273,000 tons.

The Austrian engineering, machinery, and electro-technical undertakings are already in great part Reich-owned or Reich-controlled. This is the status of 54 Austrian concerns, to mention only the important ones, including those which are subsidiary companies of German undertakings. The prospects of exploiting Austrian mineral oil are not very good; and to achieve any considerable results very large investments will be necessary.

Nothing new has appeared about Austrian foreign loans; but it is noteworthy that German-held dollar bonds have again weakened, and that the reichsmark section of the Young Loan last week fell to 6½ points below its highest quotation of 1938. In February the number of hours worked in industry was 11 per cent. higher than in February, 1936, and the increase was greatest in machine manufacturing. Lagged steel

production in the first two months of the year was 3,582,400 tons, compared with 3,058,700 tons in 1937.

The remission of taxes to encourage large families is to be extended; in particular, the repayment of marriage credits will be remitted, on condition that the debtor remains on the land. Money last week was in demand in connection with the approaching month-end. Of the Reichsbank's February-end credits of Rm. 929 millions, Rm. 747 millions were repaid in the first three weeks of March.

Italy

Record Capital Issues

TURIN, March 14.—This will be a record month in the history of capital issues by Italian joint-stock companies. Shareholders' meetings of both small and large companies have, one after another, approved of capital increases ranging from 10 per cent. upwards of existing capital. In recent years, capitalisation has been modest:—

	1935	1936	1937
New Companies : Number	2,499	1,976	2,195
Capital (million lire)	311	354	2,283
Old companies :—			
(1) Increased capital :—			
Number	1,540	1,820	1,940
Capital (million lire)	2,787	2,608	3,281
(2) Liquidated :—			
Number	2,003	1,851	1,530
Capital (million lire)	1,511	924	2,053
(3) Diminished capital :—			
Number	989	923	772
Capital (million lire)	1,810	1,327	621
Net increase (+) or decrease (—)	493	125	656
Capital (million lire)	—224	710	2,889

The total number of joint-stock companies now stands at 20,018, with a capitalisation of 47,695 million lire. The increases now projected will be mainly a matter of writing up. The force behind the movement is the recent tax of 10 per cent. on the capital of joint-stock companies. The tax decree authorised companies to issue new shares up to the amount required to pay the tax; and, to make the shareholders swallow the pill happily, authorised companies to issue, at the same time, up to two bonus shares for each paid-up new share. The issue of bonus shares can be justified by the writing-up of undervalued assets; for all assets, in a general way, can be deemed undervalued since the alignment of the lira in October, 1936.

The reaction to this enabling legislation will probably not be uniform among all the 20,018 companies. Most of them are one-man or family concerns, which will not be over-anxious to increase their capitalisation. The most important companies, whose shares are quoted on the Bourses, will, by watering their capital, achieve two objects: first, they will be able to distribute higher dividends, without increasing the percentage, and so without incurring the penalty of the new progressive taxation on dividends over 6 per cent; and, secondly, by writing up their assets, they will increase the yearly amortisation sums which, according to income tax regulations, they are allowed to deduct from gross income.

Upward Trend in Trade

Signor Lenti has analysed in *Il Sole* the recent trends in Italian foreign trade. Excluding trade with the colonies, the figures are as follows (in million lire):—

	Imports	Exports	Import Surplus
1934	7,582	4,965	2,617
1935	7,662	4,489	3,173
1936	5,883	3,830	2,053
1937	13,489	7,849	5,640
1937*	7,958	4,631	3,327

* Calculated in pre-alignment lire.

Expressed in index numbers (1929 = 100), the volume and value of foreign trade have moved as follows:—

	Volume		Average Prices	
	Imports	Exports	Imports	Exports
1929	100	100	100	100
1934	75.54	73.10	46.56	45.51
1935	73.11	65.92	48.61	45.63
1936	45.98	49.31	58.89	51.14
1937	67.95	80.42	92.00	64.75

Thus, the volume of imports has fallen by 32.05 per cent. since 1929; while exports fell only 19.58 per cent. But, since import prices declined only 8 per cent., while export prices fell 35.25 per cent., the terms of trade moved against Italy, and the surplus of imports in value reached a record high level.

This deterioration in the terms of trade is most marked in the case of semi-finished and finished products. As food and raw materials are a large part of imports, and semi-finished and finished products bulk largely among exports, improvement can only be achieved by a relative increase in the export price of finished products. How far such an increase could go without jeopardising exports is the crucial problem of Italian foreign trade.

Denmark

Repercussions of Events in Europe

COPENHAGEN, March 23.—The clouded European horizon has given rise to discussions about the expediency of forming a coalition Cabinet. Certain sections of the Press forecast a reconstruction of the Cabinet at least before Easter. So far no official statement has been made; but the general public has been visibly impressed by the events of the last fortnight. Many people point to the large extraordinary grants made by the Parliaments of Norway and Sweden for their defence forces, and demand that this country should follow suit. The Government will not, however, permit itself to be rushed into any panic measures.

Meanwhile, the elaborate Bill to adjust agricultural debts has receded into the background. Moreover, it is rumoured that the negotiations about constitutional reform are not progressing satisfactorily.

The forthcoming Budget and the additional grants for the expired financial year will together exceed 523 million kroner. Taxation and duties are estimated to yield 516 million kroner. On the expenditure side, about one-third, or 165.2 million kroner, will be used for social purposes, while the military estimates, with one small exception only, are so far kept within the strict limits laid down in the Defence Act.

Another important conversion has recently taken place. The 5 per cent. Dutch loan of 1926 has been converted into a 4 per cent. loan amounting to 12,615,000 guilders, repayment to take place over a period of thirty years. The foreign exchange saved on this transaction will amount to 1½ million kroner in the first year, and the Treasury will save in all about 3 million kroner.

The foreign exchange position remains satisfactory. In some weeks the holdings of the Nationalbank have increased, while in others outgoings have exceeded ingoings, but the net balance tends for the present to fluctuate around 88 million kroner. Another important item, timber, has been transferred to the free import list. Annual timber imports are valued at about 45 million kroner.

Business Caution

The 1937 accounts of the steamship companies make pleasant reading for the shareholders, and boards of directors in most instances have thought fit to compensate shareholders for their many lean years by paying dividends ranging from 10 to 30 per cent. But the prospects for 1938 are not bright. Although the tonnage of laid-up shipping is still negligible (33,000 tons at the end of February), the possibility of an increase cannot be ruled out. The February freight index was 130 (1935 = 100), compared with 135 for February last year.

The largest Danish trading and shipping concern, the East Asiatic Company, Limited, has felt the effects of the declining trend in business, and are only paying the same dividend as last year, namely 8 per cent.—despite an increase in earnings of 4.6 million kroner. The index of industrial production was 105 in February, compared with 104 in January. In February last year the index stood at 107.

Sweden

European Alarms

STOCKHOLM, March 19.—Events in Austria and on the Polish-Lithuanian frontier and reports of French military concentration on the Spanish border caused the leading political parties in Sweden, with almost unprecedented unanimity, to pledge themselves to support the Government's proposal to allocate an extra 50 million kroner for defence purposes. The idea of collective security is now dead in this country; to remain neutral is the nation's only aspiration in

Argentina

Recession and Foreign Exchange

BUENOS AIRES, March 12.—Dr Ortiz took office as President of the Republic on February 20th. In his address to Congress he declared his faith in democracy. Argentina, he said, had recently enjoyed a period of prosperity which had created a healthy feeling of optimism, but this prosperity seemed to be declining. On the following day Dr Groppo, the new Minister of Finance, dealt with this subject at greater length.

The drastic remedies and sacrifices necessary to strengthen the Government's finances and to protect the currency were still fresh in the public mind. The country should profit from experience and avoid a repetition of past misfortunes. The crops had been unfavourable, and there were symptoms of recession. Therefore, the greatest prudence was necessary in the administration of the public finances. The Budget estimates would have to be reduced. Approved expenditure was too high, and public works would have to be considered carefully. New issues must be stringently controlled.

The Central Bank recently issued a report on the exchange position. The official exchange market, it says, absorbs 90 per cent. of the exchange derived from exports. Out of this is paid the whole service on the foreign public debt and the cost of 83 per cent. of the country's imports. In 1937 payments for Argentine exports amounted to 2,095.2 million pesos at 15 pesos to the £1, and some 1,871.2 million pesos passed through the official market. The remaining 224 million pesos, derived chiefly from exports to neighbouring countries, was sold in the free market, which thus received only 10.7 per cent. of the total proceeds of exports. It also, however, received exchange from investments abroad.

The report goes on to explain that rates in the official market play a decisive part in determining local price levels, while those in the free market have relatively little economic significance. Prices of Argentine export products depend on the official buying rate, and of import products on the official selling rate. A depreciation of the peso in the official market would increase the cost of living with serious economic and social consequences. The report states that the disequilibrium of the free market became acute last January, when the Central Bank had to sell 56.7 million pesos of official exchange in the free market, because only 30.4 million pesos were offered, against 87.3 million pesos demanded.

Remarkable Fall in Exports

The progressive decline in exports during recent months became very striking in February, when the volume was only 766,425 tons, against 2,244,048 in the same month last year. Owing to higher prices, the fall in value was less marked; exports in February were valued at 126,463,884 pesos, against 274,320,169 pesos in February, 1937. This remarkable slump is mainly due to a big falling-off in shipments of cereals, and especially maize, exports of which fell from 760,859 tons in February, 1937, to no more than 20,099 tons last month.

There is now scarcely any old-crop maize available for export, owing to the very heavy shipments made early last year, while the new crop is not yet ready. Wheat exports also fell very considerably, as a result of the tendency of Argentine producers to wait in the hope of better prices. There has also been a big drop in exports of wool, hides and dairy products, though prospects for these are now improving.

Imports, on the other hand, are still considerably higher than last year, as is shown by the fact that the Customs revenue for 1938, up to March 9th, amounted to 71,957,850 pesos, or 12,607,271 pesos more than in the same period of 1937. In January there was an import surplus of 64,169 pesos, against an export surplus of 176,154,414 pesos in January, 1937. In contrast to the enormous export surpluses of the first five months of last year, there have now been eight successive months in which there has been either an export surplus far below the normal or even an import surplus.

There is no longer any doubt that 1938 will be a difficult year for Argentina, with no prospect of marked improvement until the next crops begin moving in December. The second official estimates of this year's wheat and linseed crops show reductions compared with the first estimates, while maize prospects have deteriorated further.

The outlook for the cotton crop has improved greatly as a result of rains in Northern Argentina in January and February. The first forecast of the Ministry of Agriculture gives this year's production as 72,000 tons, compared with 31,170 tons last year and 80,957 in 1935-36, which was a record year.

Decline in Timber Trade

Reports from the main staple industries are far from satisfactory. Hopes that the 5 per cent. reduction in export quotas agreed upon by the main European timber producing countries might have a stabilising effect on the timber market have not been realised. The situation will not improve so long as the large timber stocks held by Great Britain, Belgium, Holland and Denmark have not been absorbed. Some 150,000 standards of Russian timber have been offered for sale in Great Britain; and only 125,000 standards have so far been placed. Total Swedish timber sales at the beginning of March were only 250,000 standards, against twice that quantity at the corresponding date in 1937. Nor is the situation on the pulp market encouraging: of the current year's production only 80-85 per cent. has been sold. A 20 per cent. reduction in sulphite pulp production will probably be decided in the near future by the European sulphite pulp producers' organisation.

In order to cope with the situation on the paper market, considerable reductions in paper production have been decided by the various Scandinavian paper producers. The iron and steel market was dull during January and February, while a slight improvement could be noticed in March, when buyers again appeared in the market, attracted by lower prices.

Increased Exports

Foreign trade is still satisfactory, as is shown by the following figures:—

	(in million kroner)	
	1937	1938
	January	January
Imports	142	159
Exports	125	145
Import surplus	19	14

Exports show an increase of 18 per cent., while imports have risen only 11 per cent. A noticeable feature is that imports of iron and steel have substantially declined. Among exports, the biggest item is paper and pulp; exports of these commodities were valued at Kr. 46 millions, against Kr. 40 millions a year ago. The increase is due to greater volume as well as to higher prices.

Figures are now available for Sweden's trade with Great Britain during the whole of 1937:—

	(in million kroner)	
	1936	1937
	January-December	January-December
Exports to U.K.	374	476
Imports from U.K.	314	396
Export surplus	60	80

Wholesale prices continue to move downward, and the index of wholesale prices fell in February by 3 points to 134 (1913 = 100). The decline was particularly marked in the case of pulp, the index falling from 184 to 170. The price of consumption goods continued to show great stability.

The Stock Exchange has been weak ever since the beginning of the year, and the index of stock values fell in February from 176 to 173 (100 = par value). The money market continues to be exceptionally easy, and the competition for suitable investment objects is increasing. On account of the scarcity of Swedish bonds, investors have lately absorbed considerable amounts of Norwegian and even Finnish bonds. The cheapness of money is a stimulus to the building industry, one of the key industries, which, under present circumstances, is probably the chief support of Swedish prosperity.

Canada

Conservative Party Controversy

OTTAWA, March 12.—An important event occurred last week when Mr R. B. Bennett resigned the leadership of the Conservative Party, which he had held since 1927. While he gave a heart ailment as the reason for his retirement, the suspicion prevails that he resigned because he felt he could no longer rely upon the loyal support of the Right Wing of his party. The internal rift between the "diehard" and progressive elements in the Conservative Party, which developed in 1935 with the launching of Mr Bennett's "New Deal" programme, will come into high relief when the associations in each constituency begin to select their delegates for the convention called in the summer to choose a new leader.

There is the prospect of a keen struggle for control of the convention. Right Wing members will demand a return to the old orthodoxies of Canadian Conservatism, such as high protectionism and the abolition of all restraints upon business. Left Wing members, while advocating economic nationalism, desire stern governmental regulation of trade and industry, and favour a generous programme of social and industrial reform.

Local Relief Finance

Meanwhile, as the business recession becomes more serious, the King Ministry finds its problems increasing, and is again facing a crisis about unemployment relief. Municipal authorities all over the Dominion, who profess to be at the end of their financial tether, are clamouring for help from the provincial Governments, and the latter are insisting, in turn, that the Federal Government must increase its contributions for relief. The King Government refuses to increase its grants, and takes the view that the municipalities must look to the provincial Governments for help. The Liberal Ministry of Ontario is taking the lead on the provincial side, and it is being backed by the Governments of Quebec, British Columbia and New Brunswick.

The sudden bankruptcy of the Lake Sulphite Corporation, which was launched last year with a great flourish for the manufacture of sulphite pulp in North-Western Ontario, is surrounded with an aroma of financial and political scandal. Its plight is attributed by its directors to unforeseen costs in the construction of its plant, which is still unfinished, and inability to market a projected issue of first mortgage bonds.

The shareholders are not satisfied, and the Montreal Stock Exchange has arranged for a thorough investigation of the affairs of the company under the Quebec Securities Act. The Nipigon Company, a subsidiary of the Lake Sulphite Company, which makes groundwood pulp, has also ceased operations, and many people have been thrown out of work. The Ontario Government is involved, because it gave leases of large pulpwood areas on generous terms to the company, and opponents allege that it has been culpably negligent of the public interest, particularly in failing to make the underwriters of the bond issue implement their guarantee.

It is not expected that the Federal Budget will be presented until after the Easter recess, and, if there is any chance of including the tariff changes made necessary by a new trade agreement with the United States, it may be held back until May. For the first eleven months of the fiscal year revenue was \$468½ millions, compared with \$400 millions in the same months of the previous year, while expenditure amounted to \$439½ millions, compared with \$431½ millions. There are some adjustments to be made in the last month of the year, which will more than absorb the present apparent surplus, but it is estimated that the deficit may be kept down to about \$17 millions.

Business Slack

The general economic index of the Bureau of Statistics, after standing at 108.0 for the week ended February 19th, moved downward to 107.9 in the following week, and then, in the week ended March 5, moved sharply upward to 110.9, its best gain for several months. The following table shows the weekly movements in the index's component data:—

Week Ended	Car Loadings	Wholesale Prices	Bank Clearings	Complete Index
March 6, 1937.....	80.20	83.3	125.1	116.1
Feb. 19, 1938.....	76.61	83.6	90.6	108.0
Feb. 26, 1938.....	76.51	83.8	74.9	107.9
March 5, 1938 ...	79.60	83.5	100.4	110.9

Extreme caution still prevails in business circles, and there is great hesitation about making heavy forward commitments.

Letters to the Editor

Gas and Electricity

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue of March 12th, Mr H. H. Williams of New York has, no doubt unwittingly, shown some confusion on the above subject. Mr Williams' opening premise has itself very little meaning in this country. It is that people choose gas, only where price considerations lead them to do so. On the contrary, there are extensive districts in this country where, for household heating purposes, gas and electricity are competing on roughly equal terms, and where the great majority of householders use gas for cooking and, if they have any automatic hot water supply, for that, too. The majority of such households would give definite assignable reasons for their preference, arising out of the nature of the two fuels.

Secondly, Mr Williams' comparisons of costs between the two fuels are vitiated by his surprising, and quite false, assumption that the comparative cost of two fuels for a given purpose is proportionate to the percentage of useful energy obtained in either form from a given quantity of coal.

Mr Williams' main point, however, is that electricity becomes cheaper to supply as more is used. What he overlooks is that the same thing is true of gas. It will not do to compare the rate charged for small quantities of gas with the low rate charged in a two-part tariff for large quantities of electricity. (Actually, even if one does, the economic benefit of the doubt is still on the side of gas, 9d. or 10d. a therm and ½d. a unit being roughly equivalent.)

The demand for gas for cooking, hot water and space heating, even in a working-class household, is more than enough to bring into play the advantages of high individual consumption, or in other words, to enable the consumer to benefit substantially from a gas two-part tariff. Under such a tariff, with a running charge of 4d., the average cost for a normal consumption would not be above 7d. a therm, at which price gas is considerably cheaper than electricity at ½d. A fuel bill based on electricity for lighting *plus* gas at two-part tariff rates for all heating purposes would normally be a good deal lower than the bill for the same services all carried out by electricity with a two-part tariff and a running charge of ½d.

The following table of comparative heat costs may be of interest to your readers. In it three prices for electricity in this country are taken. (1) The average revenue per unit sold to domestic consumers. (2) The average revenue per unit sold for all purposes. (3) The running charge under the most common two-part tariff. Against each is put the corresponding gas price. The cost of heat usefully employed is obtained on the general assumption that for domestic use electricity is 75 per cent. efficient, gas 50 per cent.

	Price	Cost per therm s. d.	Cost per useful therm s. d.
1. Electricity.....	1.75d. per unit	4 3	5 8
Gas	9d. per therm	0 9	1 6
2. Electricity.....	1.2d. per unit	2 1	3 10½
Gas	7d. per therm	0 7	1 2
3. Electricity.....	½d. per unit	1 2½	1 7½
Gas	4d. per therm	0 4	0 8

In conclusion, may I point out that, in this country, the gas industry would very readily take on the whole task of supplying heat for domestic purposes; that it has in its aid a capital equipment which already meets 38 per cent. of national domestic heat requirements against less than 1½ per cent. met by electricity; and that, through its capacity to store, it possess great elasticity to mitigate the effect of peak demands. Meanwhile, smoke from kitchen ranges and open grates blackens our skies and our lungs, and destroys the advantages of high consumption for gas and electricity alike.

Yours faithfully,

D. MILNE WATSON.

The Gas Light and Coke Company,
Westminster, S.W.1.

German Policy

TO THE EDITOR OF THE ECONOMIST

SIR,—Although I have long since been a keen student of your great paper, I feel there is one passage in your leading article on March 26th (page 669) which is not quite accurate. I do not think it can be shown that Herr Hitler undertook

the Austrian adventure as a result of Mr Eden's resignation; and, reviewing the sequence of events over the last few weeks, I would prefer to accept the explanation which is to be found in the admirable article in your issue of March 19th, describing Germany's preparation for war.

Thus, in the very early days of February, the dissension in the German army required to be dealt with and, in order to divert attention, the Austrian move was decided upon. Signor Mussolini hears of this and, on February 10th, approaches London regarding conversations.

It was the following week-end—that is, on Saturday, March 12th—that Herr Schuschnigg was sent for and given his orders, and it was not until the following week-end, Saturday, March 19th, that Mr Eden decided to resign. This can be confirmed by the twenty-four hours' hesitation on the part of Rome, when Austria was actually invaded, as this drastic step must have been a surprise even to Signor Mussolini.

Yours faithfully,

C. B. COOPER.

27 Throgmorton Street,
London, E.C.2.

Books and Publications

Local Government Service

It is fitting that a book on the local government officer* should have been written by Mr Hill. For many years he has been the general secretary of the National Association of Local Government Officers, which has so successfully striven to raise the status and qualifications of the thousands of officers employed by the multitude of local authorities. He has himself taken an energetic and prominent part in the efforts to improve their conditions, and more than any one else he should be in a position to measure the improvements effected in their conditions, to point out deficiencies and to indicate the next steps.

Of the importance of the subject there is no doubt. So many of our social and utility services are administered by local authorities that the selection, competence, training and integrity of their staffs is vital. It is not easy to secure impartial selection by examination or otherwise, instead of by personal preference, when there are large numbers of small councils, whose members are sometimes unable to grasp the distinction between practices which are permissible in private business and those permissible in public administration. Equally, the urgent need to prevent parochialism by service conditions which facilitate the free movement of officers between localities has not always been easy to make plain.

After setting forth the theory of the relationship between council and officer, the book describes the present position of salaries, pensions, compensation for loss of office due to changes of law, etc., recruitment methods and the examinations and opportunities in each of the chief departments of local government service. The author makes a plea for the extension of the Whitley Councils, and for the study, by officers and councillors, of public administration as a branch of social science.

There is an interesting chapter on the relation of the officer to public opinion, a topic on which Mr Hill must have accumulated considerable knowledge. The book ends with an examination of the Hadow Report on the recruitment and training of local government officers, and with chapters about the qualities of a public servant, and "on being superannuated." The author points out that the lower grades of the local government service have a salary scale lower than that of the civil service, but that the highest salaries are very much better. Ninety per cent. of the staffs are recruited at the age of sixteen years. He brings out clearly how much the various associations of officers have done to raise the technical qualifications of their members by instituting examinations, etc.

Many a councillor and junior officer will profit by reading the book. Mr Hill has been concerned to draw attention to the general problem of local government service, and though he must be a mine of information on all aspects of the subject, he has withheld from us much that we would

* "The Local Government Officer." By L. Hill. Town Hall Series No. 3. Allen and Unwin. 231 pages. 5s.

like to know. He gives a general picture of the relation between councillor and officer, rather as Lowell described it, but does not tell us the actual practice in many of the smaller local authorities, where there is often intolerable treatment of officers by parochially minded councillors, or touch upon the low level of competence and initiative which often results from it.

He points out that some authorities offer inducements to their officers to take courses of further instruction, but not how many are indifferent or positively discouraging, or what proportion of the officers take advantage of the facilities. Moreover, he might usefully have added some account, not only in general but in specific terms, of the actual contributions to the technique of the services which have been made as a result of the work of the various associations of professional officers.

But these are grumbles against an author for not doing what he did not set out to do. The book is expressly intended to present a general picture of the position and conditions of service of local government officers. It is, in fact, the broad case which the author has expounded for so many years, and for this purpose the book is well adapted. We hope that one day, perhaps when released from restraints of office, Mr Hill will give us the full advantage of his critical knowledge.

Shorter Notice

"The Stock Exchange Official Year Book." Thomas Skinner and Co. £3.

It is a commonplace to say of such works as the Official Year Book that no one professionally interested can afford to be without them. Its truth in this instance is attested by the fact that few City bookshelves lack this portly volume, which weighs nearly 10 lbs. and contains 3,912 pages. The Year Book contains full particulars of the securities dealt in on the Stock Exchange (including 43 new Government and municipal issues and 261 new companies), and invaluable special chapters on Government finances, company law and general Stock Exchange information. It is, of course, published under the sanction of the Committee of the Stock Exchange.

*A book of the greatest
national importance*

MEN WITHOUT WORK

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THE BUSINESS WORLD

The Bondholder's Friend

THE present world, with its dictators and expropriators, its re-armament and its self-sufficiency programmes, is not a happy one for the bondholder, who thrives on peace and free exchanges. Yet, if the recent trend of international events proves anything, it is that the bond is not only a more beneficent, but, in the long run, a far more potent economic instrument than the gun and the bomb. For a century or more, all over the world, the foreign bondholder has been building railways, spanning the seas and colonising new continents. His incentive has been the prospect of a return of anything up to about seven per cent., and his security a stamped scrap of paper. He is one of the world's greatest constructive forces, but his position is vulnerable to attack from many sides. Prodigality, uneconomic spending, civil war, revolution, political ambitions, and the spread of ideologies which conveniently invest default with the halo of patriotism—all are among the bondholder's enemies. And they are the more formidable because, in the last resort, the bondholder, unlike the debenture-holder, cannot put in a receiver to protect his interest. He has much at stake; for, according to Sir Robert Kindersley, the nominal value of Britain's overseas investments, in 1936, was £3,240 millions, of which as much as £1,259 millions was in countries outside the British Empire. Against the danger of default, watchfulness as well as prayer is a necessity, lest bondholders be among those who

"... call the gods, with vulgar spite,
To vindicate their helpless right."

It may be appropriate, therefore, to describe the history, functions and objectives of a body which, for many years, has proved itself an effective champion of the British bondholder. The Council of the Corporation of Foreign Bondholders derived its origin from a body formed in 1868 by prominent people in the City of London, who were impressed by the helpless condition of individual bondholders and the weakness of numerous small committees. The "Association of Foreign Bondholders" was a profit-making body, financed to a total of £60,000 by subscribers who were given certificates bearing interest at 5 per cent. and repayable at par. The profit-making idea was soon seen to be inconsistent with the real objects of the Association. Accordingly, in 1873, "The Corporation of Foreign Bondholders" was incorporated under licence from the Board of Trade as an Association without profits. The body which thus came into being has subsequently, in the course of a long and useful career, been concerned with arrangements representing a total indebtedness of over £1,400 millions.

Its present status, however, is based upon an Act of Parliament of 1898. At that time the original certificates had all been repaid with 5 per cent. interest, but holders at the time of repayment had received a certificate of permanent membership, giving them the right to elect members to the Council of the Corporation. In due course, many certificates passed into the hands of non-bondholders, whose wishes, in some instances, favoured a return to profit-earning status. On broader grounds, this was felt to be undesirable. The Corporation of Foreign Bondholders Act, therefore, provided for the redemption of the certificates and vested the right to nominate members to the Council in public bodies. The Corporation were entrusted by Parliament with the duty, *inter alia*, of watching over and protecting the rights and interests of holders of foreign Government bonds and of making, for this purpose, representations to foreign Governments. The Council consisted

of twenty-one members (with power to increase their number to not more than thirty), one-third of whom retired each year. Seven vacancies were filled by the nomination of two members by the Central Association of Bankers in London (which to-day is the British Bankers' Association), two by the London Chamber of Commerce, and three by the Council themselves.

The statutory character and complete independence of the Council have been an indubitable source of advantage in relations with the Treasury and the Foreign Office. Although the Council are in no way under official control, questions affecting foreign Government, State or municipal bonds are automatically referred to them. Contact between the Council and the Departments is continuous. Though the Council's representations to foreign Governments are, in many instances, made direct (where necessary the support of H.M. Government being asked), representations are frequently made by the Government at the Council's request through diplomatic channels. Except where questions of policy intervene, such requests are nearly always granted.

The Council's hands were perceptibly strengthened two years ago, when representatives of the Association of Investment Trusts and the British Insurance Association were included as regular members. At the same time, Lord Bessborough became President of the Council on the conclusion of his term of office as Governor-General of Canada. To-day the Council includes representative bankers like Mr Colin Campbell, Mr Edwin Fisher, Mr Holland-Martin, Mr Cecil Lubbock and Lord Wardington; authorities on insurance and investment like Mr Clifford Johnston, Mr Levine and Mr Lever; men of international financial experience and reputation such as Sir Otto Niemeyer and Sir Alexander Gibb; and a representative of the Stock Exchange in the person of Mr C. H. Pattison. There are, however, no members of issuing houses on the Council.

The Council is assisted in many of its functions by committees. The work of the General Purposes Committee, which meets regularly, is supplemented, in those cases where intricate negotiations are concerned, by special sub-committees composed of members of the Council. These bodies are distinct from the bondholders' committees which are formed, under the Council's statutory powers, to advise whether particular offers made on behalf of individual countries should be recommended to bondholders for acceptance. The personnel of these latter committees includes individual bondholders, and, in general, any bondholder is encouraged to come to the Council for information or to make known his personal opinion.

The Council are thus admirably situated to undertake negotiations without losing sight either of particular views or general interests. Whenever the Council have been accused of undue leniency, it has normally appeared that they had reason to believe that the difficulties with which a particular country was faced were very real and that the offer it had made, small as it might appear, represented a serious effort on the country's part. In other instances, political factors may have suggested that the rejection of an offer would involve grave danger of starting a default which might continue for many years or extend even to repudiation. The Council must necessarily consider each case on its own merits, and the value of their work for bondholders is in proportion to their ability and opportunity to take a wide and unprejudiced view. On occasion,

the Council find it advisable to ask for a deposit of bonds, whenever legal or technical exigencies require them to be invested with all the powers of the bondholders concerned. The latter, in such cases, receive certificates of deposit, which are usually quoted on the Stock Exchange; and they should, in their own interest, make every effort to comply with the Council's request. They have normally the assurance that no arrangement will eventually be made, and no compromise will be accepted, without the authority of a general meeting of holders of deposit certificates.

The Council enjoy cordial relations with other bondholders' organisations in Belgium, France, Germany, Holland, Italy, Portugal, Sweden and Switzerland. Conferences of the various associations are now held twice a year in London or Paris, and at the last conference the American Foreign Bondholders' Protective Council, recently formed on lines somewhat similar to those of the Council of Foreign Bondholders, was represented for the first time. The American Council is faced with certain difficulties which are non-existent in Europe, but it is clear that it fully reciprocates the desire of the London Council to find a solution of these difficulties, in order that co-operation between bondholders' organisations may be really world wide. In the meantime, the British Council continues to work in close co-operation, on this side, with independent bodies, set up before the Council's reorganisation two years ago, to deal with particular countries or loans. These committees include the League Loans Committee (an international body), the Chinese Bondholders' Committee and the Committee of British Long-Term and Medium-Term Creditors of Germany. The President of the Council is, in fact, the chairman of the League Loans Committee and a member of the other two bodies.

This brief recital of fact may assist individual bondholders in understanding the constitution, procedure and aims of a body which has done, and continues to do, in-

valuable work on their behalf. There are obvious limits to the achievements of any institution which, in the nature of things, must rely largely, in the last resort, on moral sanctions—which, in any event, are usually much more powerful in the long than in the short run. Nevertheless, the Council may claim to have achieved a large measure of success in decidedly difficult circumstances. The reasons can be readily reviewed. In the first place, the Council have influential as well as representative status. They have been able to claim, and to obtain, the backing of the diplomatic forces of the British Government, to an extent that no body representative of the bond market, or the issuing houses alone, could have hoped to achieve. In the second place, success has been due to the sound judgment of the Council in drawing conclusions on the best course to follow in the light of the exhaustive information which they have been in a position to obtain about the debt-paying power, as well as the intentions, of foreign Governments. Their policy has been dignified, temperate, and realist. It has neither condoned wilful default nor pressed a willing debtor beyond his powers. With appropriately favourable strategy, it has studied the technique of waiting; it has retired, the better to advance later, and has reserved extreme action for instances where it was likely to be not only desirable but effective.

The Council's task in the future may be more formidable than ever before. Hitherto, the bondholder's ultimate weapon has been the power to refuse new accommodation to debtors who have made no reasonable settlement of their existing obligations. If debtors no longer need, or choose, to borrow afresh, or if the British capital market is no longer free, by choice or by necessity, to meet their needs, the Council's task may call for almost superhuman skill and tact. Clearly, the case for the widest possible support from bondholders, jointly and severally, is stronger to-day than ever before, and, in the bondholder's own interests, that support should be forthcoming.

Labour in Road Transport

A THREATENED strike of over 150,000 lorry drivers and assistants was averted last month by a compromise giving the workers an increase of 3s. a week, with a promise by the employers to discuss the question of the cumulative week, which at present entails the working of a full 48 hours before any overtime pay is conceded. Thus the creaking machinery of collective bargaining in goods road transport has been set in motion again; but two problems have been left outstanding: one specifically related to road transport, the other more general.

The Road Traffic Act of 1930 was passed, *inter alia*, to protect the public "against the risks which arise in cases where the drivers of motor vehicles are suffering from excessive fatigue." It provided that wages and conditions should not be less favourable than those observed under the fair wages clause attached to all Government contracts (see *The Economist*, August 14, 1937, page 332). Subsequently the Road and Rail Traffic Act of 1933 laid down that observance of the fair wages requirement should be a condition of the granting of licences to public ("A") and limited ("B") carriers. In 1934 the exertions of the Minister of Labour resulted in the autonomous establishment by the trade unions and employers' organisations of a National Joint Conciliation Board for the Road Motor Transport Industry (Goods) in England and Wales. The National Board proceeded to draft a scheme, which came into operation in October, 1934, providing for a schedule of working conditions to be applied nationally and a schedule of minimum rates of wages. These rates were classified under three heads, namely, the carrying capacities of the vehicles driven, the character of the service (long-distance or local), and the types of area served. Areas, in turn, were sub-divided into three grades, the chief ports or industrial centres being comprised in Grade One, other industrial districts in Grade Two, and rural areas in Grade Three; with a separate schedule, based on an existing collective agreement, for London. Under the 1934 agree-

ment, the 48-hour week applies nationally to all trunk and local services, and to London and the three grades of areas alike. It requires overtime to be paid at the rate of time and one-eighth for the first 8 hours after 48, at time and one-fourth subsequently, and time and a half on Sundays. Subsistence allowances are laid down for work away from home, and a week's holiday with pay is to be given every year, in addition to statutory, public and proclaimed holidays, also with pay.

The following wage rates were proposed by the Board:—

WEEKLY WAGE RATES				
London		Rest of the Country		
Drivers (adults)—		Long-distance Drivers—		
Under 1 ton	56/-	Under 2 tons	50/-	
1 ton	60/- to 65/-	2 tons-12 tons	65/-	
Between 1-2 tons	64/- to 65/-	Over 12 tons	70/-	
Between 2-5 tons	70/-	Attendants	56/-	
Over 5 tons	74/- to 75/-			
Statutory Attendants	59/- to 61/-			
Rest of the Country				
Local Drivers		Size of Vehicle		
		Grade 1	Grade 2	Grade 3
Under 30 cwt.	52/6	49/-	45/-	
30 cwt.-2 tons	57/6	54/-	50/-	
2 tons-3½ tons	62/6	58/6	54/6	
3½ tons-12 tons	65/-	61/-	57/-	
Over 12 tons	70/-	66/-	62/-	
Attendants	56/-	52/-	48/-	

In fact, the scheme has not worked particularly well. The stable basis of wages and working conditions provided by the schedules has not been uniformly applied. It could not be enforced, since the Board was voluntary and had no statutory sanction—though it was inaugurated to implement the expressed intentions of Parliament. The three employers' organisations were not fully representative of the 62,000 licence holders and 157,000 authorised vehicles concerned. And private carriers (holders of "C" licences), which comprised 72 per cent. of all operators and nearly 68 per cent. of all vehicles, were excluded, because of

administrative difficulties, from the provisions of the 1933 Act and therefore from the schedules of the Joint Conciliation Board.

The Baillie Committee, appointed in 1936 to consider the better regulation of the wages and working conditions of road transport workers, recommended drastic changes. A Central Board and Area Boards (corresponding to the Traffic Areas) were to be set up, to formulate standard wages and conditions for employees of "A" and "B" licence holders, which were to be enforced by Ministerial Orders. The Committee recommended that drivers and attendants of "C" licensees should also be regulated; those engaged in retail distribution, either under an adequate system of regulation of wages and hours in retail trade or under a Trade Board or Trade Boards; and others, either under the conditions laid down for "A" and "B" licensees, or by joint agreements between employers' and workers' representatives.

The specific problem which the report of the Baillie Committee was designed to solve was finally brought to a head by the recent dispute. The road transport industry is licensed by statute, and it is the responsibility of all concerned, including Parliament, to ensure fair wages and fair competition. It is, moreover, in the general interest of public safety that fair or adequate wages should be paid. As the Baillie Committee pointed out, the traditional method of fixing wages and conditions in this country is by a voluntary system of collective bargaining. The voluntary method has so far been unsatisfactory in road transport because of the disparate and unorganised state of the industry. In the recent dispute one body of employers was reluctant to accept the findings of a collective agreement, because of the impossibility of their general enforcement. Only the tactful and public-spirited efforts of the independent chairman of the National Board, coupled with the unions' threatened strike, prevailed upon the parties concerned to give the present system a further trial, pending Parliamentary action. The usual alternative to voluntary collective bargaining, regulation by a Trade Board, is not very appropriate to the industry. The Baillie Committee argued that, to deal with the road haulage industry (which is far from being homogeneous) as a whole, the Trade Board system would be "too limited in its scope and too restricted in its powers" to meet the industry's require-

ments effectively. There are now signs that both employers and workers are ready to accept general enforcement by Ministerial Order under statute, as the Baillie Committee recommended; though a reasonable alternative would be the enforcement of the majority decisions of the Joint Board, comprehensively on the whole industry, by a Court of Law—provided that the Board were fully representative of all sections. Partial enforcement means lax standards and unfair competition.

The general implications of this situation in goods road transport are no less apparent. Labour law in Britain, the pioneer of industrial legislation, has reached a turning point. Reasonable standards of work and remuneration still depend upon voluntary collective bargaining or Trade Boards, supplemented by Ministerial encouragement and the minatory influence of the Government's fair wages clause. In the great unorganised trades of retail distribution and road transport, where workers and/or employers still lack a common organisation and policy, the voluntary system may not be strong enough to meet the demands made upon it. A body representative of employers and workers in retail trade, set up under the informal auspices of the Ministry of Labour, recently recommended a Central Board to determine minimum wages and conditions with ultimate official enforcement, which we described at the time as "a workmanlike and desirable application of Trade Board principles to an entire industry employing two million people." A similar step may well be advisable in the case of road transport. Collective bargaining is ideally the best determinant of labour relations. But until collective bargains receive the status of statutorily enforceable contracts over the whole range of industry, there will be gaps and starting holes. Outside the old and highly organised trades, collective bargaining has not yet, in all cases, progressed sufficiently to safeguard the workers' minimum interests, on the one hand; while employers may be reluctant, on the other hand, to commit themselves to promises which will not bind their competitors. Some countries have now incorporated collective agreements as an obligatory part of their labour law. In Britain we need not perhaps go so far; but, at least in occupations like retail trade and road transport, public policy and the national conscience may demand that collective bargaining and statutory sanctions should march together.

Stagnant Capital Market

THE disadvantages of the new capital market's close dependence on the Stock Exchange have never been more clearly revealed than during the past three months. Last year, though the prevailing trend of security prices was downward, gilt-edged stocks achieved a measure of stability after the opening months of the year, and the continued expansion in industry provided at least a moderately favourable background for the flotation of new industrial shares. In fact (as we showed in *The Economist* of December 25, 1937, page 628), total new borrowing in 1937 showed only a moderate falling off from the level of 1936, though the figures for that boom year in the Stock Exchange cycle fell far short of those of 1928-29.

During the past quarter, however, accentuated depression on the Stock Exchange has been associated with widespread disquietude over the trend of political events abroad and with undeniable evidence of a falling off in industrial activity at home. The result has been, at times, something approaching a state of paralysis in the new issue market. Issues on behalf of borrowers of every status from the gilt-edged to the ultra-speculative, whose preparation had reached an advanced stage, have had, nevertheless, to be postponed. Of those which have braved the rigours of market weather, some have had a reasonably favourable reception, but others have been left with underwriters in varying proportions from 99 per cent. downwards.

The effect of these conditions may be appreciated from a study of the tables given on the opposite page. Following our customary practice, we have made a detailed

analysis of the amount and character of all new borrowing, both by direct public issue (our "Old Basis" figures) and, more comprehensively, by Stock Exchange introduction and "permission to deal" (our "New Basis" totals). It will be seen from Table I that the aggregate capital offered directly to the public in the past quarter was less than two-thirds of that issued in the first quarter of 1937, and was equivalent to only 16 per cent. of the amount borrowed ten years earlier. Even in the first quarter of 1931, when industry was depressed and the market felt the first premonitions of the international financial crisis, the volume of new borrowings was nearly twice as large as in the past three months.

The British Treasury has remained outside the market, and the £9.7 millions raised by home municipalities was borrowed almost entirely in the earlier part of the period. After Canada had floated an important conversion offer in January, and Johannesburg had made a £2 millions issue in the following month, major operations on behalf of Imperial authorities came to an end. The £2.4 millions raised for "foreign" employment was actually the highest total under that heading for seven years. As this type of borrowing, however, had previously been almost non-existent, the result scarcely affords convincing testimony to the presence of credit-worthy borrowers who are able and willing to take advantage of the substantial recent relaxation of the Treasury embargo.

The most striking feature of all, however, in our table of borrowing by direct public offer is the decline in home issues on behalf of borrowers other than the Government

and municipal and public authorities—that is, mainly by one industry—to little more than one-third of the figure in the first quarter of 1937. When the basis of computation broadened (Table III), so as to include all new securities which have become available to the investor through the machinery of the Stock Exchange, the decline is even more clearly evident. The total raised in this category has been reduced from £71.2 millions in the first quarter of 1937 to only £24.3 millions in the first quarter of 1938.

Among the worst sufferers from the stagnation in the market have been industrial companies, new and old. Table IV shows that the falling off in new company prospectus offerings was common both to fixed interest and ordinary securities, but Table V, on our broader "new basis," makes it clear that the decline was steepest in the case of new equity capital. Issues under that heading (which include in 1938 only £4½ millions of bonus shares) have declined this year by £51.8 millions, while the total of new debenture and preference offers has fallen by £14.1 millions. In the first quarter of 1937 new fixed-interest stocks accounted for 25½ per cent. of the total "new basis" issues; in the first quarter of 1938 the proportion was nearly 35 per cent.

An analysis of the main groups of borrowers is given in Table II. So far as trade and industry are concerned, the largest drafts on the market this year (taking our "new basis" figures) have been made, in order of magnitude, by finance, electric light, etc., hotels, theatres, etc., oil,

South African mines, omnibus, iron, coal and steel, and docks and shipping companies—a heterogeneous list in which, on the whole, those trades predominate which were most active in the later stages of the industrial recovery of 1934-36. The extent of the falling-off in borrowing, even by these active groups, is indicated by the drop in their total issues from £50.9 millions in the first quarter of 1937 to £19.8 millions this year.

On page 66 appears a table showing the chief individual issues made this year and their present Stock Exchange prices. Prospects of early revival are not encouraging. The reaction in prices for existing industrial securities has now reached a point at which the shares of large and well-established companies yield anything from 6 to 10 per cent. on their latest dividends. Private and institutional investors, however, are reluctant to come into the market again so long as the possibility remains that, in a week's, or a month's, or six months' time, prices may be cheaper still. And until the Budget has been opened, and the financial implications of the speeding-up of the Government's re-armament programme are clearer, gilt-edged stocks are unlikely to obtain any large measure of fresh support. Conditions are certainly much less favourable than the Treasury might have hoped for the issue of a further *tranche* of Defence borrowing. It remains to be seen, indeed, whether the authorities, deeming discretion the better part of valour, will not choose to postpone any new offer until later in the year.

TABLE I
TOTAL BORROWING BY DIRECT PUBLIC OFFER
(Million £)

First Quarter of Year	British				Empire	Foreign	Total Issues	Index 1928 = 100
	Government	Home Corporations*	Others	Total Home				
1928	85.8	1.0	47.6	134.4	21.6	13.0	169.0	100
1929	1.9	0.1	55.0	56.1	2.4	12.4	69.9	57
1930	38.4	15.9	14.0	68.3	16.0	3.4	87.7	52
1931	6.1	2.7	17.1	25.9	15.4	3.9	45.2	27
1932	Dr. 3.0	9.8	6.0	12.8	4.9	Nil	17.7	10
1933	8.5	9.5	8.7	26.7	2.3	0.0	29.0	18
1934	1.3	5.7	8.3	15.3	3.9	0.9	20.1	12
1935	3.0	3.1	18.3	24.4	2.7	0.2	27.3	16
1936	0.7	40.5	15.7	56.9	4.8	0.2	61.9	37
1937	0.3	8.9	28.8	38.0	5.0	Nil	43.0	26
1938	0.7	9.7	10.7	21.1	4.2	2.4	27.7	16

* Including county and public board loans.

TABLE II
ANALYSIS OF NEW CAPITAL APPLICATIONS (Excluding Conversions)

	Total for First Quarter of Years			
	Old Basis		New Basis	
	1937	1938	1937	1938
British Government Loans ...	£300,000	£750,000	£6,863,400	£750,000
Colonial Government Loans ...	Nil	Nil	Nil	£317,400
Foreign Government Loans ...	Nil	Nil	£1,039,500	Nil
British Corporation, County and Public Board Loans ...	8,926,200	9,669,300	9,280,900	10,177,400
Colonial Corporations and Public Boards ...	Nil	1,990,000	Nil	1,990,000
Foreign Corporations ...	Nil	Nil	Nil	Nil
British Railways ...	Nil	Nil	Nil	Nil
Colonial Railways ...	217,900	Nil	237,900	Nil
Foreign Railways ...	Nil	Nil	96,000	59,100
Australasian Mines ...	187,500	279,600	1,741,500	279,600
South African Mines ...	200,000	1,695,500	4,456,300	2,343,500
Other Mines ...	384,200	250,000	3,601,800	570,400
Exploration, Financial and Investment Trust ...	5,975,400	1,742,300	17,545,400	4,280,200
Breweries and Distilleries ...	1,692,300	310,000	7,163,400	783,200
Merchants, Importers, etc. ...	Nil	Nil	Nil	Nil
Stores and Trading ...	1,998,000	Nil	2,056,500	338,400
Estate and Land ...	398,200	11,000	485,600	113,000
Rubber ...	1,025,500	Nil	1,350,600	Nil
Oil ...	700,000	2,399,100	748,500	2,399,100
Iron, Coal, Steel and Engineering ...	10,163,000	284,600	17,312,400	1,348,600
Electric Light, Power and Telegraph ...	1,627,000	2,610,000	2,989,500	3,741,600
Tramway and Omnibus ...	Nil	83,900	537,500	2,141,300
Motor Traction and Manufacturing ...	641,500	Nil	1,251,700	Nil
Gas and Water ...	793,100	590,700	3,306,500	832,300
Hotels, Theatres and Entertainment ...	678,500	2,140,900	983,400	2,467,800
Patents & Proprietary Articles ...	1,219,800	Nil	2,848,700	Nil
Docks, Harbours and Shipping ...	251,100	Nil	6,266,400	1,057,100
Banks and Insurance ...	Nil	920,000	Nil	920,000
Manufacturing and Miscellaneous ...	5,544,600	2,016,800	21,942,000	7,700,500
Total	42,972,800	27,733,700	114,844,900	44,596,500

TABLE III
TOTAL BORROWING, INCLUDING "PERMISSION TO DEAL"
(Million £)

First Quarter of Year	British				Empire	Foreign	Total Issues	Index 1928 = 100
	Government	Home Corporations*	Others	Total Home				
1928	85.8	1.0	47.6	134.4	21.6	13.0	169.0	100
1929	1.9	0.1	55.0	56.1	2.4	12.4	69.9	57
1930	38.4	15.9	14.0	68.3	16.0	3.4	87.7	52
1931	6.1	2.7	17.1	25.9	15.4	3.9	45.2	27
1932	Dr. 3.0	9.8	6.0	12.8	4.9	Nil	17.7	10
1933	8.5	9.5	8.7	26.7	2.3	0.0	29.0	18
1934	1.3	5.7	8.3	15.3	3.9	0.9	20.1	12
1935	3.0	3.1	18.3	24.4	2.7	0.2	27.3	16
1936	0.7	40.5	15.7	56.9	4.8	0.2	61.9	37
1937	0.3	8.9	28.8	38.0	5.0	Nil	43.0	26
1938	0.7	9.7	10.7	21.1	4.2	2.4	27.7	16

* Including county and public board loans.

TABLE IV
TOTAL COMPANY ISSUES (BY PROSPECTUS) (OLD BASIS)
First Quarter of Each Year

	1931	1932	1933	1934	1935	1936	1937	1938
Deb.	12.5	11.9	3.5	2.0	4.6	4.1	7.8	3.3
Pref.	0.5	1.7	3.4	3.4	7.9	4.4	7.1	2.3
Ord.	8.8	0.7	2.0	6.2	8.7	12.1	18.6	9.6
Total	21.8	14.3	8.9	11.6	21.2	20.6	33.5	15.2

TABLE V
TOTAL COMPANY ISSUES (NEW BASIS)
First Quarter of Each Year
(Million £)

	1935	1936	1937	1938
Debentures	15.0	5.9	12.5	7.1
Preference	14.4	10.7	12.5	3.8
Ordinary	37.9	35.1	72.3	20.5
Total	67.3	51.7	97.3	31.4

TABLE VI
CONVERSION ISSUES (OLD BASIS)
First Quarter of Each Year
(Million £)

	1933	1934	1935	1936	1937	1938
Brit. Government Other Conversions	4.7	Nil	Nil	Nil	Nil	Nil
	36.5	43.3	67.8	44.2	28.6	13.3
Total	41.2	43.3	67.8	44.2	28.6	13.3

Finance and Banking

Mexico and Silver.—At the beginning of this week the United States Government announced that their purchase of silver from Mexico would cease at the end of March. This decision is probably as much the American reply to the Mexican Government's expropriation of the American and other oil properties as it is evidence of American annoyance at the unilateral unpegging of the peso after the United States Treasury had bought so much old and newly-mined Mexican silver to peg the peso throughout 1937 and the last three months. The announcement has serious implications for the world's silver market. The arrangement reached at the New Year was that the United States Treasury should buy Mexican silver at the rate of 60 million ounces per annum. Now Mexico's annual silver production is 88 million ounces out of an annual world output of 276 million ounces. The United States Treasury is not bound by its silver-buying programme to make good the cessation of its Mexican purchases by heavier purchases from Canada or elsewhere, and it is unlikely to do so to more than a limited extent. Hence the net result of this economic war is that 5,000,000 ounces a month of Mexican silver will be dumped on the world market without any corresponding increase in demand. As our bullion market report shows, the London price has already dropped from 20½d. to 18½d. for cash, and from 20½d. to 18½d. per ounce for forward, and it is difficult to see how this large accretion to the free world supplies can be absorbed. Further reference is made to this question in a leading article on page 3.

French Financial Plans.—The market for French francs has been in a state of uneasy suspense this week. The current news from France has been unfavourable, for it has been concerned with the resumption of labour troubles, with increasing bitterness between the extreme political wings and, therefore, with dwindling hopes of the formation of a National Government—which must be the preliminary to any measure of financial rehabilitation. Nevertheless, the franc has recovered from over 164 to 161½ to the £. The reason has been complete uncertainty about the financial plans which M. Blum has been preparing in semi-secrecy during the week. The market has been given to understand that the plans will not include control of the exchanges or of capital movements. On the other hand, an impression of momentous developments has been given by inspired statements that the proposals may not commend themselves to Radical Socialists, and by official intimation that if the Senate fails to approve the scheme by Sunday night the Paris bourse will not open on Monday. With these uncertainties hovering in the immediate future, speculation against the franc has dried up completely. No one will open fresh commitments when there is a danger that the next few days may bring a veiled form of official interference with the freedom of the exchange market. Moreover, if the Radicals strain at M. Blum's new plans, the Senate may be depended upon to reject them out of hand. This may lead, by way of a new ministerial crisis, to the National Government about which so much has been said. Already, the market is canvassing the possible policy which such a Government might follow.

Monetary Measures in Austria.—Austria's transition to the currency system of the Reich is now virtually complete. Schillings and reichsmarks circulate side by side, but the former are being withdrawn as rapidly as possible. London banks have this week been advised by their Austrian correspondents of the conversion of schilling balances into reichsmarks at the rate of 1.50 schillings to the reichsmark. Where short positions in schillings were being run, the balances must be covered

by purchases of reichsmarks at the official rate of about 12.38 to the £. In other words, these positions, which were presumably opened at the former rate of Sch.26 to the £, must be covered at a loss. Credit balances, however, have been converted at a correspondingly favourable rate, and these balances are available in the form of free reichsmarks. Commercial debts owing by Austrian firms to foreigners may be discharged in reichsmarks at the official conversion rate of 1.50, but these reichsmarks are of the registered variety, and may only be utilised to meet travelling expenses in the country. Thus, the uniform rate of conversion is being applied quite indiscriminately to produce different types of reichsmarks. Austrian subjects have been given until April 5 to declare their foreign assets and gold, and place them at the disposal of the Reichsbank. Contrary to rumours prevalent this week, it is unlikely that any of these foreign securities can yet have found their way to the international market as a result of sales from official German quarters. It is possible, however, that Austrian interests may have sold securities with a view to converting the proceeds in a form better calculated to escape the attention of the Reich authorities.

Bank of England Directors.—The House List of Governors and Directors of the Bank of England for the coming year was issued last week. Mr Norman is nominated as Governor, and thus enters upon his nineteenth year of office. Mr Cattermole is to be re-elected as Deputy-Governor. Two new candidates appear on the list of Directors, namely, Sir Otto Niemeyer and Mr Cameron F. Cobbold. Sir Otto Niemeyer has been connected with the Bank ever since his retirement from the Treasury eleven years ago. He is now chairman of the Bank for International Settlements. Mr Cobbold is also on the staff of the Bank, and has hitherto been chief of the Foreign Relations Department. He has on occasion acted as the alternate to Mr Norman at the monthly meetings of the B.I.S., and he usually accompanies Mr Norman on his periodical visits to Basle. The retiring directors are Mr E. T. Bunbury and Mr Laurence J. Cadbury. The former, who was a full-time executive director, is retiring for reasons of ill-health, while Mr Cadbury is retiring to make room for an additional full-time director. As Mr Holland-Martin has also been a full-time director for several years, these changes increase the number of full-time directors from two to three. The policy of appointing full-time directors, first inaugurated a few years ago, is obviously conducive to efficiency in the Bank's affairs. These new appointments also serve to emphasise the part played to-day by the Bank in international economic and monetary matters.

Indian Banking Results.—Sir Charles Innes gave a valuable review of Far Eastern trading conditions at the meeting of the Mercantile Bank of India, held on March 29th. Trade, he said, was good during the first half of 1937 all over the Far East, but it subsequently suffered from the American set-back and the outbreak of war between China and Japan. Nevertheless, India had the best external trade returns for any year since 1930, and the Indian farmers also obtained better average prices for their cash crops in 1937 than in previous years. Sir Charles alluded also to Indian industrial developments. The cotton mills had had a favourable experience, and had gained trade from Japan in neutral markets. Sales of jute goods had increased in volume, but unrestricted competition in India had made prices very low. The effect of war upon Chinese trade, however, had been deplorable. In the last five months of 1937, as compared with 1936, Shanghai's trade had dropped from 394 to 170 million

Chinese dollars. The Chinese Government's imposition of exchange control had added to the difficulties of the situation, and during the last few days the control had temporarily broken down. The Mercantile Bank's deposits had risen during the year by £1,350,000, and loans had risen by about £1,000,000.

The reports of the National Bank of India and the Chartered Bank of India, Australia and China have now been published. The former shows a very small increase in deposits and advances, but an improvement in profits from £993,000 to £996,000. The Chartered Bank's accounts show an increase in current and other accounts from £29.9 to £34.2 millions, off-set partly by a decline in fixed deposits from £18.3 to £15.6 millions. Advances are unchanged at just over £20 millions. Altogether, it is clear that the Eastern Exchange banks have successfully coped with the conditions of a year, which became more troubled as it progressed.

"Decline of the Bill of Exchange."—We regret that in an article under this title on page 689 of *The Economist* last week, a chart was given of the estimated total of bills outstanding in the United Kingdom, between 1926-27 and 1936-37 without acknowledgment of the fact that the chart had first been compiled by Messrs Jessel, Toynbee and Company. We should be glad if our readers would give credit where credit is due for the initiative in the first preparation of a diagram which, both in itself and for the basic idea which underlies it, is of the utmost interest and value to all concerned with the operations of the London Money Market. Incidentally, it is interesting to compare the figures plotted in the chart, which covered the period from 1926-27 to 1936-37, with those for the pre-war year. In the financial year 1913-14, the amount of inland drawn paper outstanding in this country averaged (on the basis of the calculations explained in last week's article) some £181,790,000. This is about £50 millions above the total for 1936-37 but about £30 millions less than in the peak year 1929-30. The amount of foreign-drawn bills outstanding in 1913-14 may be calculated at £336,213,000—a figure about half-way between the latest total of £143 millions and the peak of £540 millions in 1928-9.

Gold Production and Use.—The report of the Union Corporation for 1937 contains many useful details and estimates of the world's gold production and consumption from 1931 onwards. Details of gold production have already appeared in the Commercial History of *The Economist* published on February 12, 1938. They show that between 1931 and 1937 British Empire production rose from 15.6 to 19.7 million ounces, and total world production from 22.4 to 35.5 million ounces. The Union Corporation calculate that, between the end of 1931 and 1937, the world stock of monetary gold has risen from 597.4 to 816.2 million ounces. This, according to the report, is distributed as follows:—

GOLD IN CENTRAL BANKS AND TREASURIES			
	1931	1936	1937
	(Millions of fine ounces)		
United States	196.0	321.6	364.6
United Kingdom	28.5	74.0	77.0
France	130.5	85.6	73.3
Holland	17.3	14.0	26.6
Switzerland	21.9	18.7	18.5
Belgium	17.2	18.1	17.1
Argentina	12.2	14.3	16.7
Japan	11.3	13.2	7.5
Italy	14.3	6.0	6.1
Other countries	102.5	100.7	108.0
Total in central banks and treasuries	551.7	676.2	715.4
Amount in western hoards and exchange funds	45.7	102.6	100.8
Total	597.4	778.8	816.2

The amount shown as being held in western hoards and exchange funds is an estimate, derived by taking the difference between the gold held in central banks and treasuries and the Union Corporation's estimate of total monetary gold stocks. It excludes the United States "inactive account," which is included in the United States total. The Union Corporation note that the lack of change in the total during 1937 masks a considerable ebb and flow of gold between western hoards and exchange funds. The conclusion is reached that the various exchange funds, together with the American inactive account, were capable of taking up the major stresses consequent on the year's dehoarding and hoarding movements, which would otherwise have fallen on the central banks and treasuries.

MONEY MARKET NOTES

Foreign Exchanges

The London market has again been quiet, and apart from belgas there was little definite trend. The Paris spot rate rose to Frs. 164½ early in the week, but by Thursday was back to Frs. 161½. Feeling in Paris is apparently influenced in contrary directions, first by the hope of the advent to power of a National Government, and next by the fear that such a Government would at once depreciate the franc to a rate of Frs. 170. Dollars have fluctuated between \$4.95½ and \$4.97½, again with no definite trend. The recent Wall Street weakness has checked the flow of funds to New York. Belgas have definitely strengthened. A week ago the New York-Brussels cross-rate was at bel. 5.94 to 1 dollar or at the gold export point, and gold continued to leave Belgium. The steadier tendency of the franc and uncertainty over the dollar has since brought the cross-rate back to bel. 5.91½, or on the way to the gold import point of bel. 5.89. Shipments of gold, previously arranged, have been cancelled and the gold resold to the Belgian National Bank. Owing to the temporary breakdown of the agreement between the banks not to let the Shanghai rate fall below 12d., the rate at one time weakened from 14½d. to 11½d., but it has

since recovered to 12½d. The real cause of the difficulty is the meagre supplies of foreign exchange released by the Chinese authorities under the new restriction scheme, and the recovery in the rate to 12½d. may indicate that exchange is being allotted a little more freely. Ultimately the trouble is traceable to the war, and to the attempt of Japan to set up a separate monetary system in the North of China.

The Bank Return

Currency requirements at the end of the quarter explain the week's expansion of £5.9 millions in the note circulation. Last year's return is not comparable owing to the incidence of Easter.

	Mar. 31, 1937	Mar. 16, 1938	Mar. 23, 1938	Mar. 30, 1938
	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.	313.7	326.4	326.4	326.4
Gold	473.8	479.5	479.5	485.4
Notes in circulation	40.8	47.8	47.8	41.8
Banking Dept.	52.2	11.1	15.6	17.8
Reserve	62.3	119.0	109.1	108.1
Public Deps.	38.5	31.7	36.6	37.4
Bankers' Deps.	100.5	112.2	105.1	110.8
Other Deps.	7.1	3.6	6.6	8.7
Govt. Secs.	22.9	20.5	20.1	20.2
Discounts and Advances	26.6%	28.8%	29.6%	25.0%
Other Secs.				
Proportion				

The Money Market

During the first three days of this week the market was very quiet. There were no maturities of Treasury bills, and practically no new bills to be paid for. The reason was that the market had concentrated its applications for new bills on bills to be paid for on March 31st, so as to secure both a 91-day bill and a June maturity. Bills paid for on Monday, Tuesday and Wednesday were 92-day bills, and at the lowest price accepted, namely £99 17s. 6d. per cent., did not attract the market. Thursday's bills, however, went at the same prices, and were also a day shorter.

	April 1, 1937	Mar. 24, 1938	Mar. 31, 1938
Bank Rate	2	2	2
London Deposit Rate...	1/2	1/2	1/2
Short Loan Rates:			
Clearing Banks	1 1/2-1*	1 1/2-1*	1 1/2-1*
Others	1 1/2-5/8	1 1/2-5/8	1 1/2-5/8
Discount Rates:			
Treasury bills	1/2	1/2	1/2
Three months' bank bills	9/16	17/32-9/16	17/32-9/16

* Viz. 1/2 per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. 3/4 per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

On Thursday, when the bulk of the market's bills were paid for and when there were still no maturities, there was a big turnover of funds combined with a good demand for money. This was a purely temporary movement, for on Friday there were heavy maturities of Treasury bills and also large Government dividend payments.

The Bullion Market

There has been a moderate demand for gold in London, consisting of arbitrage purchases and a Continental hoarding demand of equal proportions. The latter emanates partly from Holland, and may represent a switch out of dollars and into gold, inspired by lack of confidence in the outlook for American securities.

The London silver market has felt the full effects of the American suspension of silver purchases from Mexico, discussed in a Financial Note. An equally important influence was the reduction in the American "home" price from 45 cents to 44 cents on Monday and to 43 cents on Tuesday, this being the first time this price fell below 45 cents since the inauguration of the silver purchase scheme. On Monday and Tuesday there was heavy selling in London, only miti-

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Dis-count	Amt. dealt in	Cash	Two Mths.
1938					
Mar. 25 ...	140 2	1/2 pm	157	20 3/8	20 1/8
" 26 ...	140 3 1/2	1 pm	248	20 3/8	20 1/8
" 28 ...	140 3	1/2 pm	273	19 5/8	19 7/8
" 29 ...	139 11	1/2 pm	452	18 3/8	18 1/8
" 30 ...	139 11	1/2 pm	472	18 3/8	18 1/8
" 31 ...	140 0 1/2	1/2 pm	322	18 1/2	18 3/8

* Above or below American shipping price.
The New York price of silver was reduced from 45 cents to 43 cents per ounce .999 fine during the week.

gated by bear covering and by the fact that the price fell below the lower limits placed by some sellers. Later in the week the market became steadier, for India began to buy as well as to sell, and on Thursday a recovery occurred.

INSURANCE NOTES

Equity and Law Life Assurance.—The published accounts of this Society for 1937 are of even more interest than usual, since they include the results of a triennial valuation of liabilities as at December 31st last. For assurances the A1924/29 table with 3 per cent. has been used, and for annuities the a^(m) and a^(l) at 3 1/2 per cent. In both cases the basis is the same as three years ago, but on this occasion it is stated that 3 1/2 per cent. has been used for endowment assurances under the Society's house purchase scheme. The results of the last two valuations are given below:—

	1930-34	1935-37
Trading surplus earned ...	983,916	1,174,273
Profits on investments and on reversions ...	378,084	— 143,632
Brought forward ...	203,629	312,682
	1,565,629	1,343,323
Allocations:—		
Bonuses to policyholders	1,118,653	890,106
Shareholders' account ...	124,294	98,900
Staff pension fund ...	10,000	21,795
Carried forward ...	312,682	332,522
	1,565,629	1,343,323

Under the Society's system of distribution the rate of bonus declared on any policy depends to a large extent on the rate of premium charged. The rates are the same as on the previous occasion, namely, a minimum of 45s. per cent. per annum on the sum assured for whole life policies and 42s. per cent. per annum for endowment assurances, with as much as 80s. per cent. per annum in some cases.

The progress of this Society in recent years has been quite remarkable. In the last eight years, total funds have increased from £8,704,000 to £28,118,000, annuities in force from £3,000 per annum to £999,000 per annum and the net new business, including sinking fund assurances, from £1,739,000 to £8,061,000. Last year new life assurances constituted a fresh record at £4,667,000, against £4,659,000; new sinking fund assurances, however, fell from £4,794,000 to £3,394,000. Annuity consideration moneys, although still very large at £1,998,000, were £513,000 smaller than in 1936. The net rate of interest earned on the entire funds, excluding reversions, was 6d. per cent. higher at 4 9/8 per cent.

Total assets increased from £26,045,000 to £30,147,000, of which 36 per cent. consist of mortgages and policy loans. The distribution of investments shows no special change. British Government securities, debentures, preference and ordinary stocks all increased, in line with the progress of the funds. The Society was faced with a large depreciation on the valuation of its Stock Exchange securities. The chairman states, however, that, after fully meeting the depreciation and writing down the investments to within mean market values on December 31, 1937, the investment reserve of £100,000 is maintained intact. A dividend at the rate of 4s. 9d. per share per annum, free of tax, will be paid for the three years following December 31, 1937, on the company's called-up capital of 200,000 £5 shares, £1 5s. paid.

Employers' Liability Assurance Corporation.—The report of this company is always awaited with special interest. Much the greater part of its business is derived from overseas—mainly from the U.S.A.—and the report affords guidance to the experience likely to be revealed at later dates by the composite offices. Total premium income increased from £6,906,000 to £7,144,000, consisting of £390,000 in the fire account, £337,000 in the accident account and £6,417,000 in the general branch, which includes motor insurance and workmen's compensation. Thus, the general branch is much the most important. Though premium income in this branch increased by £209,000 claims increased by only £27,000 to £3,763,000, including a considerably increased provision for outstanding claims. The fall in profits is, therefore, to be attributed to a worse claims experience. Commission and expenses increased by £127,000 (some £44,000 being due to increased foreign taxes) while an increase of £132,000 took place in the provision for unexpired risk against a decrease of £21,000 a year earlier. The reserve for unexpired risk in the general branch is 40 per cent. of the main volume of premium income, but no reserve is held for a portion in which the risk had

expired at the close of the year; the net effect is that the reserve for unexpired risk amounts to 35.7 per cent. of total premium income against 34.8 per cent. in 1936. The underwriting results are shown:—

	1936		1937	
	Amount	Percent-	Amount	Percent-
	Premiums	age of	Premiums	age of
Fire	<u>27,757</u>	7.6	<u>37,352</u>	9.6
Accident	15,878	4.8	2,531	0.1
General	209,994	3.4	112,590	1.8
Exchange profits	2,529		...	
Gross surplus...	224,402		152,473	
British taxes ...	125,000		<u>72,000</u>	
Net trading surplus	99,402		80,473	

Total assets have increased from £10,958,000 to £11,559,000. Total investments in stocks and shares appear at £7,244,000, of which over £3 millions consist of Dominion and Foreign Government securities. Taking market values at the exchange rates ruling on December 31, 1937, there is a depreciation of £589,000, compared with an appreciation of £138,000 at the end of the preceding year.

The character and distribution of the Stock Exchange securities remain materially unchanged. In 1936 a note to the balance sheet stated that after converting the currency liabilities and assets other than the investments at exchange rates ruling on December 31, 1936, the surplus of £138,000 was reduced to £51,000. On this occasion it is declared that the depreciation of £589,000 would be increased by £17,000 on the basis of exchange rates on December 31, 1937. The book value of the company's holding of the Clerical, Medical and General Life Assurance Society shares once again appears at £486,019—a figure far below its true value. The reserve held in respect of the Merchants' Marine Insurance Company, Ltd., is unchanged at £400,000, but £50,000 has been transferred from profit and loss to write down the holding of that company's shares to £75,000. The dividend for the third successive year is 70 per cent. and costs £205,000, compared with net interest earnings of £246,000.

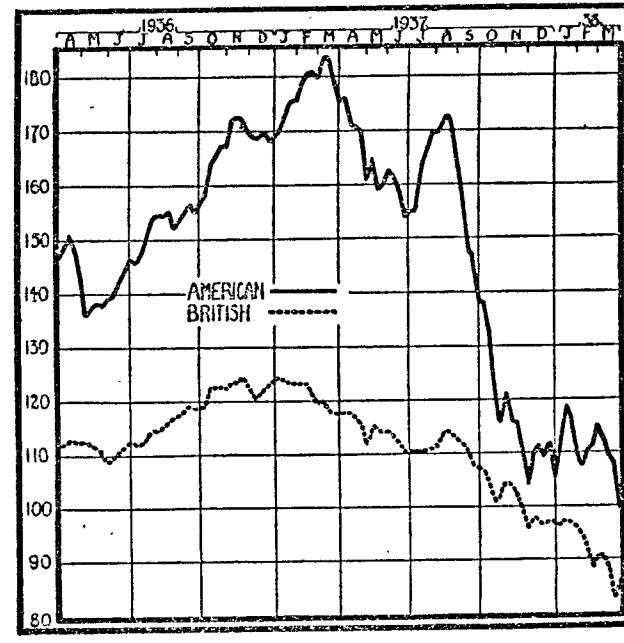
Investment

Course of Share Values.—The month of March will be remembered as one of the most difficult and depressing in Stock Exchange annals. Its *dramatis personæ* were Herr Hitler and President Roosevelt, and their influence was wholly on the side of the bears. Between the President, who appeared not to know his own mind, and the Fuehrer, who knew his mind too well, the position of investors on both sides of the Atlantic was indeed unenviable. As the chart on this page shows, the downward course of ordinary share prices in London had as steep a gradient as at any time since recession began, fifteen months ago. Wall Street, after a deceptive appearance of steadfastness at the time of the invasion of Austria, gave way subsequently on bitter disappointment over the absence of any thaumaturgic sign from Washington, or any evidence whatever of the hoped-for

BRITISH AND AMERICAN INDUSTRIAL SHARE VALUES DURING THE PAST TWO YEARS

(July 1, 1935=100)

British: "Financial News" Index of 30 Ordinary Shares
American: "Standard Statistics" Index of 50 Common Stocks



spring revival in business. From the viewpoint of the chart theorist, last month's break in Wall Street was even more significant than the persistent depression of London. For whereas British equity values have been making new low records for the present depression, ever since the "resistance point" of last November was abandoned early this year, the curve of Wall Street crisis remained above last year's low point until the end of last week. Undoubtedly, trade factors alone cannot induce much contemporary support for market prices. Even in Great Britain, evidence of the reality of industrial recession continues to accumulate. Nevertheless, in the absence of psychological disquietude, whose origin is predominantly political, the markets might be capable of making a stand, somewhere near their present levels. But of surcease from political fears, there is as yet no sign.

Wall Street's Collapse.—Wall Street's demoralisation is now complete. A dubious recovery trend during the winter months, based upon the possibility of some evidence of business recovery in the spring, has given way to widespread despair, in which the expectation of any improvement in trade conditions finds no place.

Last week's obvious signal, when major breaks occurred with a rising turnover, has proved accurate, and this week trading has increased with every major fall in the indices. Monday's minor rally proved wholly deceptive, for it was followed by a fall of more than five points in the Dow Jones industrial average, with a turnover of nearly 1 1/2 million shares. Heavy sales in the closing stages of Wednesday's session brought the index to within four ominous points of the 1935 "low" of 96.71. Political fears and the passing of the Reorganisation Bill have no doubt played their part in this week's heavy losses. But the collapse appears to be based, in major part, on the lack of any evidence of industrial improvement, and it has, in all probability, been heightened by the restrictions on bear operations. It is precisely in such circumstances that the bears provide a cushion for disorderly retreat—a point which, if paradoxical, was certainly overlooked when the short-selling regulations were introduced. Wall Street is thus exposed to the full force of cash selling, based on the anticipation of a severe fall in industrial earnings this year. And in the circumstances of to-day, the market's attitude appears wholly reasonable.

C.E.B. Finances.—The tenth annual report of the Central Electricity Board, on which we comment on page 8, contains a highly important section on finance. Out of total borrowing powers of £60 millions, the Board has obtained consents for a total of £52 1/2 millions. Stocks

THE STANDARD BANK OF SOUTH AFRICA LIMITED

Bankers to the Imperial Government in South Africa; and to the Governments of Northern Rhodesia, Southern Rhodesia, Nyasaland and Tanganyika

CAPITAL Authorised and Subscribed	£10,000,000
CAPITAL PAID UP	£2,500,000
RESERVE FUND	£3,000,000
CAPITAL UNCALLED	£7,500,000
	£13,000,000

BOARD OF DIRECTORS
 William Reiersen Arbuthnot, Esq.
 Rt. Hon. the Earl of Athlone, K.G.
 Rt. Hon. Lord Balfour of Burleigh
 Stanley Christopherson, Esq.
 Edward Clifton-Brown, Esq.
 Brigadier-General Sir Samuel Herbert Wilson, G.C.M.G., K.C.B., K.B.E.

General Manager in South Africa—Milton Clough
 Deputy General Manager in South Africa
 R. W. Normand
 Assistant General Managers in South Africa
 J. F. Gardner W. Gore W. A. Coombs J. T. Jurgens
 London Manager—Ralph Gibson Secretary—H. Dales

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 and 77 KING WILLIAM STREET, LONDON, E.C.4
 London Wall Branch: 63 LONDON WALL, E.C.2
 West End Branch: 9 NORTHUMBERLAND AVENUE, W.C.2
 New York Agency: 67 WALL STREET
 HAMBURG AGENCY: 49 SCHAUBENBURGER STRASSE
 Over 370 Branches, Sub-Branches, and Agencies in SOUTH, EAST and CENTRAL AFRICA

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The Bank has over 370 Branches in Africa, and Agents and Correspondents throughout the world. The closest touch with Trade and Industrial conditions is maintained, with special attention to Commercial and Credit Intelligence. This service is available to Exporters, Importers and others wishing to develop trade with South, East and Central Africa.

THE STANDARD BANK MONTHLY REVIEW is sent post free on application. It gives the latest information on all South, East and Central African matters of Trade and Commercial Interest.

to a nominal amount of £53½ millions have been issued, of which £52,793,003 is outstanding. Inspection of the report reveals that the Board has been able to cover the service on its capital with greater success than it originally estimated. The Board began to trade in 1933, and its operating basis will be largely completed when the North-East Area is fully connected next year. In view of the gradual completion of its schemes, the Board originally estimated that trading losses for the first five years were possible. Already, however, the Board has covered the interest and sinking fund obligations on its stocks almost entirely from revenue. The balance of "revenue—general purposes" account amounted to £2,014,508 last year, compared with £1,686,944 in 1936. Including interest and unemployment grants, total revenue for general purposes amounted to £2,089,493—the revenue and capital charges in respect of standardisation of frequency are, of course, self-balancing. Of this sum, interest charged to revenue absorbs £1,212,644, and redemption funds some £535,032. An amount of £382,922 for interest on two stocks (which was, in fact, covered but for £41,015 by revenue) has been charged to capital, and the credit balance carried forward has been increased from £1,419,614 to £1,761,431, which is available to cover interest and redemption obligations—incidentally, on an increasing scale—in future years.

* * *

In the following table we set out the various stocks issued by the Board, the amounts allocated for general purposes, and their current return:—

Stock	Issued	Allocated to General Purposes	Latest Date for Interest from Capital	Price	Yield per cent. to Redemption
4% 1959-89	3,000,000	2,400,000	Dec. 31 1936	104½	3 15 d.
5% 1950-70	10,000,000	7,150,000	1937	110½	3 18 d.
4½% 1951-73	6,000,000	4,620,000	1938	108½	3 14 d.
5% 1955-75	7,000,000	4,725,000	1939	114½	3 16 d.
4½% 1957-82	10,000,000	7,000,000	1939	109½	3 16 d.
3½% 1963-93	8,000,000	5,200,000	1940	98½	3 11 d.
3¼% 1974-94	9,500,000	5,630,000	1941	91½	3 13 d.

The unallocated balance of these stocks is covered by a levy in respect of standardisation of frequency on the electricity supply industry. On the latest trading results, the "general purposes" obligations may be regarded as well covered. It is true that the Board has the incubus of an unduly high over-all rate of interest on its debt. But it is well ahead of its trading estimates, and would not appear markedly vulnerable to an industrial setback.

* * *

Lord Craigmyle's Resignation.—Beyond the bounds of Leadenhall Street there will be widespread regret that Lord Craigmyle has been impelled, on medical advice, to resign the chair of the Peninsular and Oriental Steamship Company. Since Lord Craigmyle, as the Hon. Alexander Shaw, joined the board of the P. & O. in 1920, more especially since he became deputy chairman and a managing director in 1927, and most of all since he followed Lord Inchcape as chairman in 1932, he has carried responsibility for the affairs of one of the greatest shipowning organisations in the world, in the most difficult period to which mercantile shipping annals bear witness. At a time when depression has overset less soundly financed concerns, the centenarian P. & O. has improved its services and its fleets, overhauled its capital accounts and reinstated a moderate dividend on its deferred stock. The truism that shipowners are born and not made was never better instanced than by Lord Craigmyle's decision to place substantial orders for new tonnage only a few months before a dramatic change of conditions raised prices to a level which he unhesitatingly described as uneconomic. Lord Craigmyle, who will retain his seat on the board of the P. & O. and the British India Steam Navigation Company, will be succeeded as chairman of the P. & O. by his close associate in management, Sir William Currie.

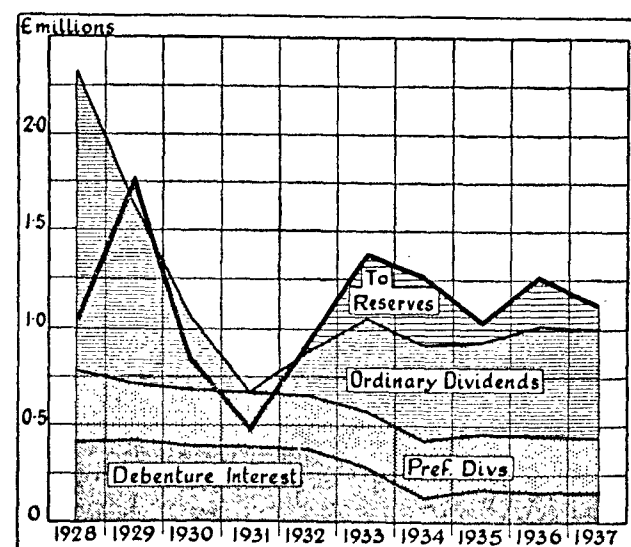
Company Notes

Dunlop Rubber Accounts.—It is again necessary to pay respect to the detail and clarity of the Dunlop Rubber report, with its full consolidation of earnings and assets, and its distinction between current and non-recurring revenues. Aggregate profits of the company, including its share of net profits of all subsidiary and sub-subsidiary companies, after depreciation, increased appreciably last year from £2,200,392 to £2,478,000, and together with credits not attributable to the earnings of the two years, total revenues advanced from £2,219,156 to £2,503,926. After deducting taxation, subsidiaries' preference dividends, and the parent company's share of undistributed profits, the balance available for the latter increased from £1,663,555 to £1,750,260. This figure is confirmed by the company's own profit and loss account, which shows that, in addition to trading profits and dividends received, the company also obtained a substantial repayment of £127,930 (against £11,035) from the Dunlop Plantations company in respect of preference dividend guarantees, and also a net dividend of £10,279 from the German company covering the year 1936. In the following table, these items are treated as special credits. On this basis, it will be seen that the 9 per cent. dividend was covered by earnings of 10.8 per cent. Including the credits, however, earnings were almost unchanged at slightly over 13 per cent. Our table follows, together with a ten-year earnings chart:—

	Years to December 31,		
	1935	1936	1937
Net profit	1,848,775	2,011,768	1,957,661
Depreciation	386,459	351,248	337,610
Taxation	419,761	394,900	495,815
Directors' fees	8,000	8,000	8,000
Interest and fees	171,119	160,848	159,243
Preference divs.	288,281	285,938	281,250
Ordinary stock:—			
Earned	575,155	810,834	675,743
Paid	478,914	571,853	562,479
Earned %	9.6	12.8	10.8
Paid %	8	9	9
To reserves	100,000	250,000	250,000
Repaid by Plantations Co.	Cr. 5,047	Cr. 11,035	Cr. 138,209*
Carry forward	589,940	589,956	591,429

* Of which £10,279 from Deutsche Dunlop Gummi.

DUNLOP RUBBER PROFITS 1928-37



For a year in which rubber prices fluctuated between a "high" of 1s. 1½d. and a "low" of 7d., these results are satisfactory, for they have been struck after "a substantial write-down" in the valuation of raw material inventories. Since the group as a whole held stocks, at or below cost, of £8,859,843 at the end of December, compared with £7,332,013 at the end of 1936, the further

fall in rubber prices cannot be overlooked by the ordinary stockholder. The report records, moreover, that trading conditions in the home and several overseas markets were favourable during "the greater part" of 1937, a phrase which suggests that the subsequent course of business has been less satisfactory. The five-year conspectus of reserves clearly reveals the conservative considerations which have governed dividend policy since 1933. Total reserves, in fact, now stand at £5,409,329 in the Dunlop books, compared with £5,146,355 in 1936 and £4,346,887 in 1933. An international trading company of this sort, however, has every justification for careful financial policy. Perhaps it is not without significance that the entire reserve provision for 1937 is earmarked for contingencies. Autarky in Central Europe, war in the Far East, depression in the United States and a significant set-back in the British motor industry, appear to warrant this gesture. The ordinary stock units have fallen further to 26s. 9d. to yield £6 15s. per cent.

* * *

Mersey Power.—This undertaking depends more than most electric supply companies on a relatively small range of industries for its prosperity. Last year these industries were extremely active, and applying our standard rate of depreciation, it would seem that "true earnings" available for the ordinary capital would have covered the 8 per cent. dividend nearly twice. The latest profits are analysed below:—

	1935	1936	1937
Revenue from sale of current	235,947	269,929	305,188
Net profit	129,755	140,440	163,119
Depreciation	55,000	57,500	75,000
Debt service	8,750	11,706	11,707
Pref. dividend	33,000	33,000	33,000
Ordinary shares:—			
Earned	33,005	38,235	43,412
Paid	34,754	37,236	39,718
Earned %	6.7	7.8	9.0
Paid %	7.0	7.5	8.0
Carried forward	3,511	4,510	8,204

The position of the company under a possible reorganisation of distribution is not very clear. Indeed, it might well be affected prejudicially to a greater extent than any other public company of substantial size, with the possible exception of the Edmundsons group. The company is not a Power Company as ordinarily understood—that is, it has no powers granted in perpetuity by Act of Parliament, but operates instead under a group of Special Orders. Some of the latter have a comparatively short period to run, and it might be that, if those Orders which have the shortest unexpired period provide the more generously to total profits, a reorganisation might tend to reduce divisible earnings. In this sense, the long-term outlook of the company, therefore, may be less assured than its excellent figures might suggest. There is one point of interest to collectors of financial *curiosa*. The Board of the Mersey Power Company now consists of three directors; two are human, the third is the Mid-Cheshire Electricity Company, Ltd. Such is the versatility of British company law.

* * *

Midland Electric.—Both the number of consumers and the output of this undertaking showed a handsome increase last year. New tariffs came into operation at the beginning of 1936, and entitled the corporation to increase its rate of dividend for that year. Net earnings for 1936, as the following table shows, were substantially increased, and on normal grounds a further advance might have been expected last year, since the reduction in tariffs would have taken effect in expanding consumption. The very modest increase in net earnings shown in the following table must be regarded as somewhat surprising.

	1935	1936	1937
Consumers connected	36,200	43,552	51,102
Increase (%)	27.5	20.3	17.3
Units sold (millions)	119	142	161
Increase (%)	17	19½	13½
Revenue from sales of energy	434,668	500,328	565,168
Operating profit*	138,053	165,746	192,408
Sinking funds	21,491	29,701	36,464
Debt interest	4,937	11,769	19,500
Income tax	13,475	12,663	23,284
Preference dividends	10,850	10,638	10,463
Ordinary shares:—			
Earned	87,300	100,975	102,697
Paid	57,866	64,050	63,000
Earned (%)	12.2	14.2	14.6
Paid (%)	8	9	9

To special purposes and contingency fund	7,700	8,906	9,911
Reserve account	20,000	20,000	25,000
Carried forward	36,243	44,262	49,048

* Including investment income.

The corporation's franchise has been extended to 1973, and it operates under a sliding scale which relates charges to dividend payments. Its £1 ordinary stock units stand at 38s. 9d., to yield £4 13s. per cent.

* * *

From the Chair.—A seasonal spate of company meetings this week has produced several chairmen's speeches of outstanding interest. Sir P. Malcolm Stewart's addresses to Associated Portland Cement shareholders are invariably challenging, and his speech on Wednesday ranks among the most effective protests ever made on behalf of coal consumers against high prices. As the cement industry consumes one ton of coal for every two tons of cement it produces, adequate and cheap supplies are obviously essential for the Associated group. Sir Malcolm roundly declared that the coal industry, as protected by the selling schemes, was neither efficient nor operated to the best advantages of consumers, workers and shareholders. Even those who would not go so far as to say that "there is no justification for the exorbitant prices ruling for coal," would contrast, at any rate, the position of the coal industry, with its statutory supports, and the cement industry, which, as Sir Malcolm showed, has secured progressive economies by its own exertions during many years. Sir Malcolm suggested, however, that increased coal costs may in part be offset by further operating economies, and also by the increase of 3s. per ton in cement prices introduced last December. Sir Malcolm, in fact, is "definitely hopeful" about cement in the current year—in marked contrast to his reading of the outlook for the brick industry at the recent London Brick meeting. He emphasised, also, the potential advantages of Associated Cement's acquisition, jointly with Tunnel Cement, of the Alpha company. This step appears to convert a co-operative selling organisation into a tightly-controlled unit, occupying a major place in the cement industry.

* * *

At this week's International Nickel meeting, Mr Robert Stanley struck a rather guarded note, appropriate enough in view of the fact that nickel consumption in the United States during the last quarter of 1937 fell by 44 per cent. compared with the previous nine months. He also disclosed that in time of depression part of the company's

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refined copper output will be put into stocks. This explicit reference to the working of the European control scheme is of direct importance to shareholders in the Rhodesian mines. The chairman of British Aluminium declared that the 1938 report should make as satisfactory a showing as the very favourable 1937 figures. The key factor in this company's situation is the progress of the Lochaber hydro-electric developments towards completion, but the new alumina works at Newport are also scheduled to reach the producing stage later this year. Mr W. L. Hichens, at the Cammell Laird meeting, referred to the decline in mercantile shipbuilding business, but showed that at present the company has fifteen ships and one set of machinery on order. The chairman referred favourably to the position of English Steel Corporation and Metropolitan-Cammell, in which joint interests are held with the Vickers group. All the English Steel works are expected to be busily employed during the current year. The outlook for Metropolitan-Cammell appears to be favourable, but Cammell Laird itself is not entitled to receive any dividend on its holding in respect of 1938, under the terms of the 1934 reconstruction scheme.

* * *

Canadian Pacific Report.—The full report for Canadian Pacific Railway confirms the broad conclusions on the preliminary results published in our issue of March 19th. In view of the crop failure in Saskatchewan last year, it is evident that the company did well to increase its gross earnings by 4.7 per cent. to \$145,085,558. Mineral, timber and manufactures, in fact, more than offset the fall in agricultural tonnage. Both maintenance and transportation expenses, however, increased in greater proportion—the former by 5.5 per cent. and the latter by 5.4 per cent. In part, these increases reflected heavier traffic, and in part higher materials and wage costs. The operating ratio, accordingly, was nearly $\frac{1}{2}$ per cent. higher at 83.64 per cent. An increase of \$431,136 in net railway earnings, however, appears insignificant compared with an increase in "other income" amounting to almost \$5 millions, to which dividends from the holding of Consolidated Mining and Smelting stock and net steamship earnings each contributed about one-half. Neither base metal nor shipping conditions are so favourable now as they were a year ago, yet their part in the realisation of distributable profits is highly material. From one persistent source of expenditure, however, Canadian Pacific will obtain some relief this year. The "Soo" line is now in process of reorganisation, and, as a result of various financial measures, the direct and indirect liability of Canadian Pacific for interest guarantees will be reduced by \$2,900,820, to about \$1,275,000. These arrangements will stem a persistent drain on Canadian Pacific revenues, and the potential savings are equivalent to over 2 per cent. on the preference stock in a full year. On the question of charges for lines abandoned, however, the report is less explicit. The largest item in a total charge of \$2,495,362 amounted to \$1,433,109 for picking up 41.3 miles of track, but no indication of future property retirements is given. In view of the extremely adverse crop conditions last year—grain handlings were only 61 per cent. even of the 1931-36 average, and were responsible for a fall of \$5,869,000 in gross revenues for this class—the company may be said to have done relatively well. Unless Nature is wholly ungenerous, there should be some improvement in grain traffics this year. But with little prospect of relief in costs, and the likelihood of some fall in "other income," dividend possibilities are still obscure. In the circumstances, a quotation of 32½ for the preference stock seems rather to look on the bright side.

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Mining Notes

Anglo-American Corporation.—Last year this company's diamond and copper interests enjoyed considerable prosperity, while its Witwatersrand gold subsidies (as we show in the next note) showed improved results as a whole. An expansion of £428,770 to £1,677,300 in the Corporation's revenue is thus readily understood. A charge of £250,000 (against £100,000) has been made for taxation, but new issue expenses amounted to less than £2,000 compared with nearly £48,000 in 1936. Consequently, the Corporation was able to pay 40 per cent. upon its increased ordinary share capital of £2,450,000, compared with 30 per cent. in respect of 1936 and 20 per cent. on £2,000,000 in the previous year. Towards the close of last year the capital was increased by the acceptance of an offer, by a group led by the British South Africa Company, for 700,000 cumulative preference and 300,000 ordinary shares for a cash consideration of £1,250,000. The proportionate dividend on the preference capital required £10,500. This issue is in due course to be converted into £350,000 preferred stock, and consolidated with the existing issue. Premiums amounting to £750,000 are brought into the appropriation account, from which the round sum of £1,000,000 is transferred to reserve, increasing that fund to £4,000,000. At the date of the balance sheet the company's cash assets amounted to no less than £8,510,800. Shares and investments show an increase from £5,781,200 to £6,920,700 at cost, less amounts written off. The surplus of assets over liabilities totalled £8,936,400. Unfortunately the recent trend both in the diamond and copper industries is such that shareholders can scarcely look for a repetition of these record results. Anglo-American Investment Trust, whose assets comprise shares and debentures in various diamond enterprises, including De Beers and the Diamond Corporation, showed a profit of £577,800 as compared with £263,400 in its initial period of operation. Expectation of a dividend of at least 4s. per share was justified in the event; this rate compares with 5 per cent. in respect of the initial period. Investments appearing in the balance sheet at £5,181,600 had a market value considerably in excess of that figure. The outlook for the Trust appears to be very comparable to that of Anglo-American Corporation.

* * *

Anglo-American Group.—Of the four producing subsidiaries in the Anglo-American group, whose latest results are analysed in the accompanying table, Brakpan and West Springs paid larger dividends last year than in 1936. Record tonnages were milled by Brakpan and Springs, but in the latter case this factor was more than

ANGLO-AMERICAN GROUP RESULTS									
	Working Dividends	Profit	Amount	Per	Carried	Ore Reserves			
	£	£	£	cent.	Forward	Quantity	Value		
					£	Tons	dwt.		
Brakpan :—									
1935	1,303,610	603,750	52½		86,150	5,857,170	6.29		
1936	1,319,200	661,250	57½		96,000	6,690,350	6.12		
1937	1,340,410	690,000	60		96,050	7,081,100	5.76		
Daggafontein :—									
1935	1,518,960	765,630	42½		91,170	6,401,200	6.60		
1936	1,558,410	853,130	48½		74,840	7,413,020	6.59		
1937	1,622,340	853,130	48½		73,860	7,867,610	6.58		
Springs :—									
1935	1,809,700	838,500	53½		62,320	10,110,960	6.07		
1936	2,008,820	819,000	52½		53,110	10,123,020	5.73		
1937	1,985,050	819,000	52½		62,050	9,654,420	5.57		
West Springs :—									
1935	392,620	184,650	10		233,040	4,678,680	4.76		
1936	425,010	190,000	10		198,370	4,700,040	4.92		
1937	513,560	241,880	12½		115,180	4,552,610	5.14		

offset by a decline in average yield. The increase in earnings of Daggafontein was absorbed by larger provisions for taxation and Union Government participation in profits. A rather substantial falling off in Springs' ore reserve is attributed chiefly to the amount of dead work carried out in the southern section of the mine. The consulting engineer records that the position will not show any material change

until ore is being developed on a substantial scale in this section. At West Springs, the width of the ore body increased sufficiently to raise the value of the reserves as a whole, although the reduced development footage was reflected in the tonnage. Towards the year's capital expenditure, £70,000 was provided by the issue of 35,000 shares at 40s. and some £88,000 from profit and loss. This year's outlay, while expected to be heavy, should fall below the 1937 amount. Both Brakpan and West Springs benefited from the treatment of ore obtained from advance development work carried out for South African Land Company. This source of revenue, however, will cease after the middle of the current year. All the reports stress the point that prospects for 1938 depend largely upon the adequacy of the labour force; last year a marked shortage was experienced.

* * *

Among the mines not yet in the producing stage, it may be noted that South African Land and Exploration up to the end of last year had borrowed £641,240 out of the £1,250,000 agreed to be advanced by the Anglo-American Corporation in anticipation of a share issue at not more than 75s. Erection of the reduction plant is nearing completion. The accounts of East Daggafontein, in which Daggafontein is largely interested, show £206,200 in surplus cash assets, and a total of £406,100 remains uncalled. Crushing is expected to start early in 1939.

* * *

Union Corporation Group.—Beginning at 116,000 tons in January, 1937, the quantity of ore milled monthly by East Geduld rose to 144,000 tons in the corresponding month of the current year, on the completion of the plant extension programme. Net capital expenditure last year amounted to £67,440, and since future outlay under this heading is to be charged against working costs, it may slightly affect the average. The company has been adversely affected by a change in the assessment of profits by South African Revenue authorities. Of the 1936 earnings, some £423,750 was debited to profit and loss for taxation, and £97,500 was also provided against any possible additional liability. In addition, the Union Government's share of profits (as adjusted) absorbed £168,540. In respect of 1937, taxation amounted to £807,470, but no participation in profits was due to the Government owing to the increase in taxation over the scale in force at the date of signature of the lease agreement. Development footage amount to 37,790 feet—a fall of 13,530 feet from the 1936 total—but a large addition was made to the ore reserves. East Geduld now holds 120,000 Grootvlei shares—the maximum it is entitled to subscribe for—which, together with certain smaller items, appear in the balance sheet at £106,500. An increase in tonnage treated by Geduld Proprietary was offset by some decline in yield, and the company's resources had to provide for the payment of a 10s. call on the holding of 80,000 Grootvlei shares. The latter, together with rather more than one-third of the issued capital of East Geduld, are valued for balance-sheet purposes at £584,540. Net dividend receipts were £10,000 higher at £330,640, reflecting the increase in the East Geduld distribution. The progress of both concerns since 1935 is illustrated in the following table :—

	Working Dividends	Profit	Amount	Per	Carry	Ore Reserves			
	£	£	£	cent.	Fwd.	Quantity	Value		
					£	Tons	dwt.		
East Geduld :—									
1935 ...	1,500,720	776,880	113½		91,330	7,950,000	6.5		
1936 ...	1,609,390	855,000	117½		90,100	9,000,000	6.3		
1937 ...	1,782,960	877,500	118½		108,060	10,100,000	6.2		
Geduld Proprietary :—									
1935 ...	1,466,050	1,022,600	70		296,290	9,000,000	5.2		
1936 ...	1,413,270	1,095,640	75		312,230	9,100,000	5.0		
1937 ...	1,354,380	1,095,640	75		252,490	9,100,000	5.0		

On last year's dividends, East Geduld yield approximately 5 per cent., and Geduld Proprietary about 9½ per cent. The former company has yet to reach, while the latter

has probably passed, its zenith. Being in liquidation, Modder Deep does not issue a report, but the statistics given in the Union Corporation statement show a working profit of £107,220, against £241,100 in 1936. The distributions again totalled 1s. 6d. per share. Development on the Kimberley and Black reefs is stated to have given erratic but, on the whole, encouraging results.

* * *

Among the developing concerns, the directors of Grootvlei announce their intention of increasing the capacity of the treatment plant from 80,000 tons formerly projected, to 120,000 tons monthly, the balance of £310,000 available at the date of the balance sheet, together with the proceeds of the 300,000 shares recently issued at 75s., will suffice for the purpose. Operations with the initial treatment installation of 60,000 tons capacity is expected to start in the autumn. The capacity of the Van Dyk plant is also to be raised from 60,000 to 80,000 tons per month, additional resources being provided by the recent offer of 500,000 new 10s. shares at 21s. Milling with the first unit is to be commenced almost at once.

* * *

"Johnnies" Group Results.—Since the majority of the Rand goldmining subsidiaries of the Johannesburg Consolidated Investment Company have reached their prime, the showing made by the latest reports cannot be considered unfavourable compared with those of the preceding year. Several of the companies complain of shortage of labour, although this was to some extent remedied towards the close of the period. In the case of Government Areas, whose dividend most markedly reflected the process of the decline, it is noteworthy that the Government's share of the profits absorbed £1,700,850, a decrease of 11½ per cent. as compared with the 1936 amount, the reduction in the case of the dividends being about 18 per cent. Shareholders have suffered in somewhat greater degree than the Union Government. Reduced capital outlays, however, enabled the company to carry forward a balance of £80,040, compared with £35,500 brought in. The report affords no confirmation of recent market rumours of favourable developments upon the Kimberley reef. The value of the ore reserves shows a further fall, and some further diminution in dividends must be expected this year. Incidentally, the computations are in all cases based on gold at 140s. per fine ounce and current working costs.

* * *

Sales of certain property and township stands enabled the Langlaagte undertaking to pay a bonus distribution of 5 per cent. to supplement the 5 per cent. dividend declared in December, compared with 7½ per cent. in June. As shown in the following table, working profit fell off sharply. The consulting engineers state that "reclamation is of increasing importance." Incidental work raised average costs by over 1s. per ton. Profit of New States Areas fell a little short of the previous year's total, but did not entail any cut in the dividend. In this case also, the probable effects of a reduction in ore reserve values must be considered. Of last year's profits, the Union Government took £1,158,130, a total slightly less than in 1936. The consulting engineers intimate that the major development programme is nearing completion,



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but "considerable exploratory work in areas of lower percentage payable remains to be done." Considerably less exploratory work was carried out last year; 16,560 feet were sampled as compared with 28,100 feet in 1936; and the payable percentages were respectively 42.4 and 54.6. We set out below the working profits, dividends and ore reserve positions for the constituent mines in the group:—

		Working Profit	Dividends	Ore Reserves
		£	Amount	Quantity Value
			Per Cent.	Tons Dwt.
Government Areas	1935	3,873,250	1,680,000	120 11,457,000
	1936	3,343,570	1,540,000	110 11,024,000
	1937	3,018,780	1,260,000	90 10,247,000
Langlaagte Estates	1935	353,950	304,000	20 1,230,000
	1936	313,960	227,970	15 1,205,000
	1937	223,100	265,970	17½ 1,115,000
New State Areas	1935	1,891,370	378,510	25 4,114,000
	1936	1,842,450	454,210	30 4,190,000
	1937	1,812,830	454,210	30 4,203,000
Randfontein	1935	1,581,500	812,710	20 14,895,000
	1936	1,789,380	1,015,890	25 14,057,000
	1937	1,609,550	914,300	22½ 14,100,000
Van Ryn Deep	1935	584,220	359,070	30 3,443,000
	1936	561,300	299,220	25 3,430,000
	1937	557,690	299,220	25 3,433,000
Witwatersrand Gold	1935	150,680	93,930	20 1,471,000
	1936	137,420	105,660	22½ 1,614,000
	1937	139,630	117,410	25 1,620,000

Particular interest attaches to the development position of Randfontein. The footage shows an increase to 220,250 feet; irrespective of subsidiary development and of the total footage sampled in all sections, 69,600 feet, equal to 61½ per cent., proved payable, averaging 9.7 dwts. over 30 inches. For 1936 the corresponding figures were 63,490 feet; 59.7 per cent.; and 9.3 dwts. over 30 inches. Taxation required £453,020, against £568,000, and capital expenditure £197,020, against £211,770, leaving the increased amount of £401,360 to be carried forward. Capital outlay this year should again be less than in 1937. Van Ryn Deep virtually succeeded in maintaining the results of the previous year, a satisfactory achievement, since a large proportion of the tonnage mined was from sources not included in the ore reserve estimate at the end of 1936. Although the least important producer of the group, Witwatersrand Gold provides a modest, but exceptional, increase in earnings and dividends and carries forward a larger sum.

West Rand Consolidated.—Records in output, earnings, and in percentage extraction were established last year by West Rand. Operating profit totalled £1,198,400 against £1,144,300 in 1936. Taxation absorbed £474,800 compared with £420,100, but there was no appropriation for capital expenditure, which in 1936 required the modest amount of £12,500. Distributions on the ordinary shares again amounted to 25 per cent., while the payment of £7 1s. 8d. per deferred share absorbed £177,100 against £171,100 in respect of the payment of £6 16s. 10d. per share in 1936. Although development footage was reduced by 7,600 feet to 101,200 feet, ore reserves increased slightly to 10,630,000 tons, the average value of 4.4 dwts. being the same as in the three preceding years. It should be noted that reserves are calculated on the basis of gold at 140s. per fine ounce, while the majority of other companies take 130s. Further extensions to the treatment plant are proceeding and will raise the monthly capacity of the mill to 220,000 tons, an increase of approximately 600,000 tons per annum over last year's total. No indication is afforded whether the object in view is expansion of profits or their maintenance by the treatment of lower grade ore. On the basis of the dividends for the past three years, West Rand Consols ordinary yield fully 8 per cent. irrespective of allowance for Dominion income-tax, and may be regarded as attractive. The deferred shares are largely held by General Mining and Finance Corporation.

New Kleinfontein.—Of last year's record working profit of £312,390, some £106,190 was appropriated for expenditure on capital account. Accordingly, the advance in the dividend from 16½ per cent. to 20 per cent. did not

reflect the full expansion in earnings. Shortage of native labour restricted development work; the ore reserves, however, amount to 2,777,540 tons, and show an expansion of 208,220 tons. The consulting engineer anticipates a fresh advance in earnings this year. In view of this prospect and of the new capital issue, which will strengthen the financial position, shareholders would appear to be justified in anticipating larger distributions for the current year.

African and European.—The preliminary figures show that a rather spectacular falling off in earnings occurred last year, for profits amounted to no more than £478,840, compared with £807,900 in 1936. Thanks to reduction in the special appropriations, the reduction in dividends is not comparably severe, but the balance distribution of 5 per cent. makes a total of 10 per cent. for the year, compared with 15 per cent. for the three previous years. A transfer of £125,000 from exploration reserve and smaller items increases the general reserve to £1,000,000.

Other Company Results.—This week's company results are smaller in total than of late, but our usual analysis of profit and loss accounts appearing on page 65 includes some 55 companies. In addition to a number of important miscellaneous industrials, our list includes *Royal Mail Lines* and several store companies. The results are discussed on page 31, under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings will be found in this issue from page 43. The chairman's remarks at the *International Nickel, Associated Portland Cement and British Aluminium* meetings are reviewed on page 25, while the *Mercantile Bank of India* meeting is referred to on page 20. At the *National Bank of India* meeting the chairman referred favourably to the inauguration of provincial autonomy in India and reviewed economic prospects in the Bank's territory in detail. The chairman of the *Chartered Bank of India*, Mr A. d'Anyers Willis, made special reference to the effect of war upon Chinese finances and banking. At the *Bank of Australasia* meeting, Sir John Sanderson discussed the report of the Commission on Australian banking and currency, and uttered a warning against the imposition of rigidity in banking. Stressing the progress of the *Halifax Building Society*, Sir Enoch Hill pointed out that the balances on 191,632 mortgages out of the total of 239,147 were each below £500. Sir Courtauld Thomson discussed the increasing cost of motor claims at the *Employers' Liability* meeting. The resumption of dividends at 4 per cent. was reported at the *Banco di Roma* meeting. Criticism of official policy regarding air-raid shelters was voiced at the *Richard Costain* meeting. The chairman of *King Line* stated frankly that the outlook for tramp shipping was not very encouraging at the moment, but added that the industry, thanks to co-operation, was now better able to meet adverse conditions. The importance of the petroleum import line limit, which has recently been challenged, was stressed by the chairman of *London and Thames Haven Oil Wharves*. The chairman of *Maple and Company* reviewed the progress of the undertaking at home and abroad. The projected tin buffer pool scheme was endorsed by the chairman of *Ex-Lands Nigeria*. Substantial benefits from the amalgamation with Automatic Electric Company were reported at the *Automatic Telephone and Electric* meeting. *British Ropes'* satisfactory profits last year did not reflect the full benefit of increased capital, and the chairman expressed every confidence in the company's future. Record output and volume of work in hand were reported at the *Ericsson Telephones* meeting. New acquisitions and a forecast of future development plans were among the matters discussed at the *Law Land Company* meeting. Mr Eric Macfadyen disclosed that *Ledbury Rubber* had made forward sales of 134,000 lb. at over 11d. per lb. At the *Lanadron Rubber* meeting he stressed the secular expansion in rubber consumption. The chairman of *Bekoh Consolidated Rubber* reported that 268,800 lb. of rubber were sold forward at an average price of 11½d.

THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT
APRIL 5 APRIL 7

SELLING on Wall Street and Amsterdam has been responsible as much as anything for London's discouraging behaviour this week. It is true that there are few domestic pointers which are calculated to attract new business, and until budgetary uncertainties are out of the way, a cautious attitude in the gilt-edged market is easily to be understood. But the volume of support which the market can count on is scarcely able to take account of small selling of a regular nature, and of the further reduction in commitments before the next wave of political uneasiness. Not until mid-week was there a rally, and this brought no substantial recovery in prices.

Quiet conditions in the *gilt-edged market* at the opening were soon upset by a steady volume of selling, partly on Continental account, and on Wednesday morning a rather severe break was threatened. The market, however, recovered sufficiently to close fractionally better on the day, and maintained most of the improvement on Thursday. It was again noticeable that undated issues were most affected in the setback early this week.

A sharp recovery occurred in *Czechoslovakian bonds* at first, on anticipations of the coupon payment due on Friday, but the gain was not fully held. French issues were heavy in mid-week, and among Far Eastern bonds, Japanese were specially affected by the military and economic news. All South American issues declined further.

Little support was evident for *home rail stocks*, and the traffics comparison, although based on a holiday week last year, proved particularly depressing. Great Western ordinary lost as much as 1½ on Wednesday, and most of the marginal preference issues were also sold. Argentine rail issues remained almost unsupported, following the new weakness in the free peso and the discouraging trade outlook.

Industrial shares could find no relief from their heaviness of spirit. Wall Street's retreat and Continental selling played their part, but the main factor was lack of interest from the general investor. Erratic downward movements occurred throughout the international group. Among steel shares, Whitehead and Dorman Long were responsive to selling, and few shares, apart from Cammell Laird, were able to share in the mid-week improvement. Richard Thomas issues were again depressed. Electrical equipment shares were moderately sold, but prices reflected a greater volume than actually occurred. Small losses were also characteristic of the aircraft group, which had previously withstood general influences, but motor shares (particularly the heavy group) and engineering issues fell further.

The mid-week rally assisted selected store shares, like Woolworth and Harrods, to the extent of a few pence, and tobacco shares also staged a small rally. The brewery list, however, re-

mained dejected, and bank and insurance shares were generally marked lower. Uncertain conditions and reactionary prices prevailed throughout the miscellaneous industrial list.

Oil shares were irregular and unsatisfactory. On Monday prices tended to sag, although turnover was better, but after a slight improvement renewed weakness developed under the pressure of continued Continental sales, which did not slacken until mid-week. The pronounced weakness of the commodity price on the quota decision had its due effect on rubber shares. Prices were marked down, and the volume of selling increased considerably. The appearance of a few bargain-hunters in mid-week hardly affected the general trend.

Mining markets shared the general weakness. In Kaffirs there was no marked selling pressure, but sentiment was affected by movements in Wall Street and prices sagged all round. Under the stimulus of a little Cape support, quotations in mid-week recovered from their worst, especially for the developing mines. Rhodesian copper and tin shares were consistently dull. Shares of silver producers fell on the abrogation of the U.S. silver purchasing agreement with Mexico.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains	Corr. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Mar. 25	6,860	9,420	86.0	127.9
Mar. 28	8,325	6,860	85.1	127.7
Mar. 29	7,335	11,440	84.1	127.7
Mar. 30	7,460	10,935	83.8	127.7
Mar. 31	7,155	10,840	84.3	127.7
1938 High...	...	...	97.2	131.0
Low ...	...	...	79.4	126.9
			Jan. 12	Feb. 4
			Mar. 16	Mar. 17

* Approx. total recorded in S.E. List. † 1928 = 100.

ACTUARIES' INVESTMENT INDEX

The Actuaries' Index of 151 industrial ordinary shares had fallen to 65.2 on Tuesday last (March 29th), a drop of over 4 points in five weeks (the index on February 22 being 69.4), and comparing with 86.5 at the end of March 1937. The corresponding yields are 5.65, 5.22 and 4.09 per cent. Since March 22, 1938, however, the decline in the index has been only 0.3. Fixed interest stocks have also fallen in the past month, the index of 2½ per cent. Consols being down by no less than 7.5. Industrial debentures and preference have fallen in a smaller degree. We give below the usual monthly particulars of fixed interest securities and ordinary share indices:—

Group (and No. of Securities)	Prices (Dec. 31, 1937 = 100)		
	Mar. 30, 1937	Feb. 22, 1938	Mar. 29, 1938
<i>Fixed Interest</i>			
2½% Consols (1) ...	136.3	138.2	130.7
Misc. ind. deb. (13) ...	120.5	121.8	121.3
Misc. ind. pref. (26) ...	114.2	115.6	113.2
<i>Ordinary</i>			
Insurance cos. (10) ...	125.4	118.1	110.8
Building materials (6) ...	97.1	82.3	75.0
Electrical manuf. (12) ...	150.7	119.7	112.4
Iron and steel (17) ...	79.3	50.8	57.1
Oil (4) ...	103.5	77.8	67.1
Home rails (1) ...	78.0	61.9	57.8
Breweries, etc. (20) ...	111.8	128.3	120.6

Group	Yields (%)		
	Mar. 30, 1937	Feb. 22, 1938	Mar. 29, 1938
<i>Fixed Interest</i>			
2½% Consols ...	3.27	3.23	3.41
Misc. industrial deb. ...	4.12	3.91	3.93
Misc. industrial pref. ...	4.55	4.25	4.35
<i>Ordinary</i>			
Insurance cos. ...	3.41	3.59	3.83
Building materials ...	5.47	6.86	7.36
Electrical manuf. ...	4.04	5.32	5.97
Iron and steel ...	4.25	6.82	7.34
Oil ...	4.56	6.42	7.48
Home rails ...	2.84	5.25	5.67
Breweries, etc. ...	4.41	5.16	5.49

New York

A SMALL rally on Monday, fed by wishful thinking on the subject of industrial recovery, gave Wall Street its only relief this week. On Tuesday a 5½ point fall in the Dow Jones index proved that the market was quite incapable of resisting the deterioration both in the underlying business situation and in the technical position of the market. An oversold market is no longer a steadying influence on the course of quotations, and while a few optimistic operators were sufficiently courageous to place a few buying orders on Wednesday morning, heavy selling in the last hour depressed prices further. Copper and steel issues proved vulnerable throughout the week, but utilities made the best of the Senate's tax bill changes, after the confirmation of the "Death Sentence" Act by the Supreme Court. *Iron Age* estimates that steel activity has improved from 34 per cent. of capacity to 35½ per cent. this week, but scrap prices have fallen further. Further falls have occurred in the bond market, affecting second grade rail issues in particular.

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

	WEEKLY AVERAGES			
	1938		1937	
	Low Mar. 30	High Jan. 12	Mar. 16, 1938	Mar. 23, 1937
347 Ind'l. ...	75.9	101.5	92.3	85.7
32 Rails ...	19.0	31.4	24.6	21.3
40 Utilities ...	57.7	78.8	68.0	64.6
419 Stocks ...	63.7	86.4	77.4	71.9
Av. yield %	8.35	5.37	5.40	5.47
	High	Low		

* 50 Common Stocks.

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

Mar. 24	Mar. 25	Mar. 26	Mar. 28	Mar. 29	Mar. 30
97.9	92.6	91.0	91.7	86.1	85.1

High: 116.9 January 11th. Low: 85.1 March 30, 1938.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
Mar. 24	890	5,910	104
Mar. 25	1,630	7,419	347
Mar. 26*	1,980*	4,720*	272*
Mar. 28	1,250	6,210	278
Mar. 29	1,723	8,830	341
Mar. 30	1,670	10,160	342

* Two-hour session.

Company Results of the Week.—

Two industrial offers have been made this week. *Odhams' Properties* have issued £185,000 5 per cent. first mortgage debenture stock at par and 285,000 5s. ordinary shares at a premium of 75 per cent. The stock is part of an authorised total of £1,250,000, of which £802,778 is already issued, and is secured on leasehold premises and the copyright licence of *The People*, which is published by Odhams Press under licence. The revenue of the property, in fact, consists of rents and royalties from Odhams Press, whose profits record in recent years is satisfactory, and whose payments to the property company have been fixed on a basis sufficient to pay 12 per cent. on the latter's preference and ordinary shares. The issues are to provide for the cost of new buildings in London and Manchester, and the yield on both debenture stock and ordinary shares appears reasonable in relation to the profits record of Odhams Press and its arrangements with Odhams Properties. An offer for sale of 500,000 1s. ordinary shares of *C. Lindley and Company*, at 75 per cent. premium, has also been made. The company deals in tools and engineering supplies, and the yield basis of 11 per cent. is shown on average profits over the past four years. Profits, however, have risen steeply in the past three years, and the possibility of fluctuations in earnings will tend to limit the appeal of the shares to the specialist investor. Statements for information

March was a thoroughly unsatisfactory month on the Amsterdam Bourse. During the first week, business was quiet, but prices were reasonably firm, despite occasional irregularity. M. Chautemps' resignation was without effect, and quotations were at first deceptively resistant to the annexation of Austria, apart from a short-lived decline in Government bonds. On fuller realisation of its significance, however, a rapid deterioration set in, a particularly bad session being experienced on Wednesday, March 16th. Fears of immediate and serious political conflict then died down, prices steadied, and a modest volume of public buying came in evidence. A few dull and quiet days were then followed by a comparatively rapid and serious decline in the last ten days of the month, 'in sympathy with Wall Street, and occasional rallies were quite unable to check the collapse.

	Mar. 2, 1938	Mar. 30, 1941		Mar. 2, 1938	Mar. 30, 1941
2 1/2% Dutch	89 1/2	84 1/2	A. K. U. ...	42 1/2	30 1/2
5 1/2% Ger.*	26 1/2	25 1/2	Ford Motor	31 1/2	26 1/2
Philips Lp.	308 1/2	243 1/2	Del. B. To.	254 1/2	212
Neth. Ship.	120 1/4	98 1/2	Ryl. Dutch	360	287 1/2
Lever Bros.			Hand. Am.	453 1/4	381 1/4
& Unilever	148 1/16	131 1/4			

* Without transfer certificate

* Without transfer certificate

PUBLIC OFFER
Odhams Properties Limited.—
Issue of £185,000 5 per cent. first mortgage debenture stock at par and 285,000 5s. ordinary shares at 8s. 9d. Stock redeemable at 102½ by 1971 by drawings, or from 1950 on notice. Properties leased to Odhams Press, who pay also for licence to publish "The People." Odhams Press profits, after

**STOCK EXCHANGE
INTRODUCTIONS**

Land Revenues Trust, Limited.—Particulars of 115,000 5 per cent. redeemable cumulative £1 preference shares. Redeemable at par April, 1956, or thereafter up to October, 1976.

Newcastle-upon-Tyne and Gateshead Gas Company.—Particulars of issue of £250,000 3½ per cent. debenture stock redeemable at par July, 1963, or from 1958 on notice. Interest ranks with debenture stocks and mortgages.

Nuneaton Corporation.—Particulars of issue of £250,000 3½ per cent. stock, redeemable at par November, 1958, or from 1953 on notice. Proceeds to repay existing loans. Estimated population, 47,940. Rateable value, £236,992; rates, 15s. Total debt, March, 1937, £1,214,591.

Company Results of the Week.—**PRIMITIVA GAS COMPANY** of BUENOS AIRES are paying 24 against 2 per cent., net profits having risen from £162,275 to £186,026. Although currency revenue rose, the loss on exchange was lower than in 1936, owing to the improvement in rates. **ROYAL MAIL LINES** have benefited from increased passenger and cargo business, and although operating costs were higher than in 1936, net profits rose from £631,087 to £743,055. **UPSONS, LTD.**, boot and shoe retailers, have increased the dividend from 12 per cent. to 13 per cent., net profits being 10 per cent. higher at £178,155. **JOHN LEWIS AND COMPANY** repeat the 12 per cent. dividend. Net profits of £241,592 have improved by some £8,000. The report points out that the separate businesses of John Lewis, Peter Jones, and Knight and Lee are now part of the company, and the profit and loss accounts consolidates their results. **RIVER PLATE TRUST LOAN AND AGENCY COMPANY** have earned £22,500 more at £221,626. This improvement is largely due to a non-recurring item of interest on mortgage loans and to the receipt of dividend arrears. **DAILY MIRROR NEWS-PAPERS** and **SUNDAY PICTORIAL NEWSPAPERS** are maintaining their dividends, but net profits of £336,384 and £218,882 respectively are lower than in 1936. **SMITHFIELD & ARGENTINE MEAT** have earned £80,378, against £49,933, and the carry forward is substantially increased in view of changing conditions. A better year has also been experienced by **UNITED GLASS BOTTLE**, whose net profits amount to £230,545, against £171,583. An increase in turnover has raised the profits of **A. REYROLLE AND COMPANY** from £174,287 to £207,667, the 12½ per cent. dividend being maintained on an increased capital.

(Continued on page 63)

THE Paris market was irregular and nervous last month, and deteriorated on political unsettlement at home and the annexation of Austria. The month started quietly with a nominal volume of business, in which internationals varied with movements in the franc. A tendency to greater activity was then checked by the Cabinet crisis, though M. Chaumet's resignation was eventually received with calm. After the Austrian crisis, the Bourse was much depressed by the foreign situation, and registered further disappointment that a National Front Government had not been possible at home. Unsettlement increased and there was steady selling, though neither quotations nor the volume of sales reached panic levels. M. Blum's financial proposals and a recrudescence of strikes were further disturbing influences, and it became apparent towards the end of the month that the technical position had also deteriorated.

(Incorporated in the Union of South Africa.)

CAPITAL:	Registered and Issued	£2,150,000
in 4,250,000 Ordinary Shares of 10s. each and 25,000 Deferred Shares of £1 each.		

DIRECTORS :

SIR GEORGE W. ALBU, Bart. (Chairman)			
LEOPOLD ALBU.	PAUL STRAKOSCH.	A. G. GILL.	C. S. McLEAN.
C. S. GOLDMAN.	J. FRIEDLANDER.	S. C. BLACK.	T. SHEARER.

EXTRACT OF ANNUAL REPORT TO 31st DECEMBER, 1937.

[illegible]

Ore Reserve.—With gold at a selling price of 140s. per fine ounce, and with working costs at present-day level, the fully developed ore reserve, as re-calculated at the 31st December, 1937, amounted to **10,333,000 tons** of an average value of **4.4 dwts. over 44 inches**. (1938: 10,403,000 tons at 4.4 dwts. over 44 ins.)

General.—As a result of minor alterations and extensions to the Reduction Plant, the tonnage crushed for the year was increased by 60,000 tons to a total of 2,650,000 tons. Work is at present in hand on a further extension, which, when completed, will provide a monthly crushing capacity of 220,000 tons.

Copies of the full Report and Accounts can be obtained from the London Secretary, Winchester House, Old Broad Street, London, E.C.2.

CANADIAN PACIFIC RAILWAY COMPANY

FIFTY-SEVENTH ANNUAL REPORT

OF THE DIRECTORS OF CANADIAN PACIFIC RAILWAY COMPANY

YEAR ENDED DECEMBER 31, 1937

To the Shareholders:

The accounts of the Company for the year ended December 31, 1937, show the following results:—

INCOME ACCOUNT

Gross Earnings	145,085,557.62
Working Expenses (including taxes)	121,343,310.59
Net Earnings	23,742,247.03
Other Income (after providing for depreciation of steamships and hotels)	11,629,711.05
Fixed Charges	35,371,958.08
Balance transferred to Profit and Loss Account	9,462,284.04

PROFIT AND LOSS ACCOUNT

Profit and Loss Balance December 31, 1936	138,532,703.39
Dividend of 1 per cent. on the Preference Stock, declared from the earnings of the year 1936, paid April 1, 1937	1,372,569.21
	\$137,160,134.18
Balance of Income Account for the year ended December 31, 1937	9,462,284.04
	\$146,622,418.22

DEBIT:

Amount credited investment reserve being equivalent to advances made in January and July, 1937, to Minneapolis, St. Paul & Sault Ste. Marie Railway Company to make up deficiency in amount available to meet interest obligations guaranteed by Canadian Pacific Railway Company	3,849,184.37
Loss on lines abandoned and on property retired and not replaced	2,495,361.76
Miscellaneous—Net Debit	327,084.26
	6,671,630.39

Profit and Loss Balance December 31, 1937, as per Balance Sheet \$139,950,787.83
NOTE.—Subsequent to the end of the year, a dividend of 2 per cent. on the Preference Stock, amounting to \$2,745,138.42, was declared from the earnings of the year 1937, payable April 1, 1938.

The balance of Income Account available for transfer to Profit and Loss Account was \$3,433,100 greater in 1937 than in 1936.

RAILWAY EARNINGS AND EXPENSES

The comparative results of railway operations were as follows:—

	1937	1936	Increase
Gross Earnings	145,085,558	138,562,763	6,522,795
Working Expenses (including taxes)	121,343,311	118,281,652	6,061,659
Net Earnings	23,742,247	23,311,111	431,136

Working expenses, including taxes, amounted to 83.64 per cent. of gross earnings in 1937, as compared with 83.18 per cent. in 1936, or, excluding taxes, 80.69 per cent. as against 80.13 per cent.

Gross earnings for the year increased \$6,522,795 or 4.7 per cent. The increase during the first half of the year was 7.6 per cent., but, owing largely to the crop failure in Saskatchewan, the increase in the last six months was only 2.3 per cent. The decrease for the year in earnings from grain and grain products was \$5,869,000, or more than 26 per cent.

The grain handlings in 1937 suffered a further severe drop to 94 million bushels, constituting only 39 per cent. of the 1925-1930 average, and but 61 per cent. of even the 1931-1936 average. Not since 1908 has there been a year in which the grain handlings were lower than in 1937, although the acreage sown to grain has more than trebled in the interval. Moreover, the unfavourable crop conditions on the prairies has an adverse effect on the earnings from all other classes of traffic handled to and from that territory.

Passenger earnings increased \$967,693, or 6.2 per cent., the largest increase in one year since the low point was recorded in 1933. All classes of passenger travel contributed.

Freight earnings increased \$4,999,575, or 4.7 per cent., the large reduction in grain traffic being more than offset by continued improvement in traffic from mines, forests and manufactures.

Working expenses increased \$6,091,659, or 5.3 per cent. Of this increase \$2,243,788 resulted from the progressive restoration of deductions from basic rates of pay of employees. The rate of deduction generally in effect at the beginning of the year was 10 per cent. and one-tenth of this was restored on each of the first days of February, April, June, August, October, and December. Effective April 1st, the rate of deduction for senior officers was reduced from 15 per cent. to 10 per cent.; for the Directors and members of the Executive Committee from 20 per cent. to 15 per cent.; and for the President from 35 per cent. to 30 per cent.

Maintenance expenses increased \$2,602,963, or 5.5 per cent. Notwithstanding higher wage rates, the cost of maintaining way and structures decreased \$670,765. This was due in part to smaller expenditure for removal of snow and ice and in part to the fact that the expenses in 1936 included \$1,605,000, the Company's proportion of the cost of providing work at the request of the Dominion Government for 5,000 unemployed men transferred from relief camps which were being closed. Maintenance of equipment expenses increased \$3,273,728, of which \$1,302,000 represented increased charges for the retirement of rolling stock. Repairs were heavier owing to the increase in traffic, and costs were augmented by a substantial rise in material prices and by the higher wage rates.

Transportation expenses increased \$2,689,357, or 5.4 per cent. The ratio of transportation expenses to gross earnings in 1937 was 36.2 per cent., as compared with 36.0 per cent. in 1936, this in-

crease being more than accounted for by the partial restoration of wage deductions. While the average freight train loading decreased slightly from 1,557 tons in 1936 to 1,544 tons in 1937, the average speed of trains was greater, and gross ton miles per train hour increased from 25,370 to 25,745 tons.

OTHER INCOME

Other income, after provision for depreciation of steamships and hotels, increased \$4,998,340.

Dividend income increased \$2,633,669, due mainly to additional dividends amounting to \$2,523,750, received from the Consolidated Mining and Smelting Company of Canada, Limited, which, by reason of much higher prices for lead and zinc enjoyed a prosperous year.

Net income from interest, exchange, separately operated properties and miscellaneous increased \$381,737.

Net earnings from ocean and coastal steamships, after deducting \$3,894,469 credited to depreciation reserve, were \$2,458,832, an improvement of \$2,472,895. The volume of passenger and freight traffic increased substantially on both Atlantic and Pacific Oceans. Passenger earnings from regular voyages showed an improvement in all classes, and the more settled conditions in the Mediterranean permitted the Company to secure a much larger number of passengers for the world cruise of the "Empress of Britain." While cost of supplies, of shore labour and of repair work was somewhat higher, a larger part of the increased gross earnings was carried into net earnings. During the year your vessels completed 201 voyages, in the course of which they steamed 1,418,660 miles and made 1,320 calls at 96 different ports.

Net earnings from hotel, communication and miscellaneous properties decreased \$489,962. Net earnings from hotel operations, before depreciation, increased \$46,608, but pursuant to the policy of providing for obsolescence of hotels outlined in last year's report an amount of \$1,257,598, being an increase of \$637,504, was appropriated for hotel depreciation. Net earnings from communications increased \$150,465.

FIXED CHARGES AND GUARANTEED INTEREST

Fixed charges increased \$128,236, which was more than accounted for by increase in interest on equipment obligations due to the acquisition of additional modern rolling stock.

As a result of the filing on December 31st last, by the Minneapolis, St. Paul & Sault Ste. Marie Railway Company (Soo Line) of a petition for reorganization under Section 77 of the Bankruptcy Act of the United States, certain bond interest guaranteed by your Company and payable January 1, 1938, became a direct liability. The amount of such interest, together with the interest on Soo Line notes secured by bonds guaranteed as to interest by your Company, was deducted from Income Account.

PROFIT AND LOSS ACCOUNT

An amount of \$3,849,184, being equivalent to the advances made to the Soo Line in January and July to make up the deficiency in the amount available to meet its interest obligations, guaranteed by your Company, was charged to Profit and Loss Account and credited to investment reserve.

The necessary adjustments in the property investment account were made for all property retired during the year. Charges aggregating \$2,495,362 for property retired and not replaced were made against Profit and Loss Account.

DIVIDENDS

After taking into consideration the disappointing result of the operations during the latter part of the year, the large disbursements which the Company will have to make during the first half of the current year as a result of its interest guarantee on obligations of the Soo Line, and the general uncertainty as to the prospects for 1938, your Directors decided to declare a dividend of two per cent. on the Preference Stock from the earnings of 1937, payable April 1, 1938.

LAND ACCOUNTS

During the year 129,751 acres of agricultural lands were sold at an aggregate price of \$1,330,149, an average of \$10.25 per acre, including 6,180 acres of irrigated land at an average of \$50.57 per acre and the remainder at an average of \$8.23 per acre.

Both sales and collections were somewhat better than in 1936. For the first time since 1929 the cash receipts from lands, including interest on deferred payments, exceeded land expenditures including taxes, irrigation, immigration and colonisation, and interest on note certificates. In view of the adverse crop conditions, the Company continued the policy of making concessions to farm contract holders in Western Canada. Interest rebated during the year amounted to \$960,360 and adjustment of principal and further interest concessions for cash payments amounted to \$966,556, bringing the aggregate concessions to contract holders for the period 1932-1937, inclusive, to \$11,477,082. Proof of the soundness of the policy followed by the Company in the early adoption of voluntary concessions to farm contract holders is found in the satisfactory public relations created and in the fact that, notwithstanding the subsequent legislation for farm relief enacted by the Dominion and Provincial Governments, your contract holders have continued to meet their obligations as voluntarily adjusted without taking advantage of the moratoria available to them.

PENSIONS

The contributory pension plan which became effective January 1, 1937, has been very favourably received by the employees, and at the end of the year approximately 93 per cent. of those eligible had elected to contribute.

The total contributions of officers and employees to the Trust Fund during the year amounted to \$1,772,110. In accordance with the Pension Rules, these moneys are being invested from time to time in Dominion Government securities or securities guaranteed by the Dominion Government. As was anticipated in respect of the early years of operation, payments on account of pensions from the Trust Fund were negligible.

The Company's pension disbursements totalled \$2,374,209 and were included in working expenses.

GREAT LAKES SERVICE

For some years the Company participated in a rail, lake and rail freight service connecting points in Eastern Canada and New England with Chicago and Milwaukee, via Windsor, Ontario, in which the portion of the haul between Windsor and Chicago was performed by an independent steamship line. In the spring of 1937 the connecting lake line announced the discontinuance of its Lake Michigan service, and the Company, in order to maintain its participation in this important traffic between the East and the Middle and Western United States, applied to the Interstate Commerce Commission for permission to establish a service with its own vessels between Port McNicoll, on Georgian Bay, and Milwaukee and Chicago. The Commission in a decision issued on October 4, 1937, authorised the Company to operate the service, but it was not then possible to commence operations before the close of the season. The new service will be commenced at the opening of navigation, will be performed with existing steamers of the Company, and will be designated as the "Canadian Pacific Great Lakes Line."

LONDON HOTEL SITE

The negotiations in regard to the lease of the Berkeley Square site, referred to in the last annual report, have been satisfactorily concluded. The buildings have been demolished, and the lessees have commenced construction of an office building in keeping with the character of this property in the West End of London. In order to enable the transaction to be completed, the leasehold interests in three additional lots have been extinguished. The site has been leased for a period of two hundred years from June 24, 1937, at an increasing rental, reaching a maximum payable in the eighth year and thereafter, which will give the Company a satisfactory return on the capital invested. The lessees are granted the option, on giving six months' notice prior to June 24, 1941, to purchase the freehold at a price that will return to the Company a sum in excess of the amount paid for the property.

FINANCE

There were issued and sold during the year £827,400 Perpetual 4 per cent. Consolidated Debenture Stock, the proceeds of which were used to redeem £750,000 Algoma Branch 5 per cent. First Mortgage Bonds of the Company, which matured July 1, 1937.

On February 1, 1937, the Company entered into an Equipment Trust Agreement with The Royal Trust Company as Trustee, under which \$16,080,000 Equipment Trust Certificates were issued, guaranteed as to principal and interest by the Company. This issue, designated as Series "D," maturing in equal semi-annual instalments from August 1, 1937, to February 1, 1952, inclusive, is payable as to

one-half of the principal amount in lawful money of Canada, bearing interest at three per cent. per annum, and as to the other one-half in currency of the United States of America, bearing interest at two and one-half per cent. per annum. Under this agreement new equipment costing \$16,080,943.50 was purchased by the Trustee and leased to the Company. The certificates were further secured by the pledge of \$4,020,000 Consolidated Debenture Stock, a proportionate amount of such Stock being returnable to the Company on payment of each instalment.

The balance of the rolling stock under the Hire-Purchase Agreement with the Dominion Government, referred to in previous annual reports, was delivered towards the close of the year, and the formal agreement has been executed. The principal amount owing to the Government under this Agreement is \$5,730,000, repayable in equal annual instalments from 1938 to 1950, inclusive. The interest rate was finally set at three per cent. per annum and accrues from May 11, 1938.

During the year equipment obligations to the amount of \$2,486,000 were redeemed by the Company and Consolidated Debenture Stock to the amount of \$134,000 pledged under Series "D" was released and cancelled. An amount of \$2,316,000 was deposited with the Trustee of the Equipment Trust, maturing July 1, 1944, and of that amount \$1,877,869 was expended by the Trustee under the terms of the Trust Agreement in the purchase of new equipment to be leased to the Company. Serial 3 per cent. Collateral Trust Bonds to the amount of \$1,000,000 were redeemed and on such redemption Consolidated Debenture Stock to the amount of \$1,250,000 was released and cancelled. Twenty-year 4½ per cent. Sinking Fund Secured Note Certificates to the amount of \$306,000 were purchased by the Trustee and cancelled.

For the purpose of defraying in part the capital cost of extensions and improvements of the property of the Company heretofore made and to be made, of refunding maturing obligations, and providing generally for the capital and other requirements of the Company, your Directors recommend that they be given your authority to issue Consolidated Debenture Stock, not exceeding in the aggregate the amount which the Company is by law empowered to issue, and to sell or pledge the same or any part thereof as circumstances and market conditions may warrant.

STOCK HOLDINGS

The holdings of the Capital Stocks of the Company in December, 1937, were distributed as follows:—

	ORDINARY	PREFERENCE	Percentage of Ordinary and Preference Stocks combined
No. of holders	Percentage of Stock	No. of holders	Percentage of Stock
Canada	26,044	149	56
United Kingdom and other	19,733	28,051	95.09
British	15,890	44	26
United States	4,002	600	4.09
Other Countries	65,669	26,843	6.01

Your Directors desire again to acknowledge their grateful appreciation of the efficiency and loyalty displayed by the officers and employees of the Company in relation to all matters affecting its interests.

For the Directors,

E. W. BEATTY,
President.

Montreal, March 14, 1938.

GENERAL BALANCE SHEET, DECEMBER 31, 1937

ASSETS		LIABILITIES	
PROPERTY INVESTMENT:	\$	CAPITAL STOCK:	\$
Railway, Rolling Stock, Inland Steamships, Hotel, Communication and Miscellaneous Properties	791,499,758.41	Ordinary Stock	335,000,000.00
Improvements on Leased Railway Property	95,702,731.91	Preference Stock—4 per cent. Non-cumulative	137,256,921.12
Ocean and Coastal Steamships	104,720,644.49		472,256,921.12
Stocks, Bonds and Other Securities of Leased, Controlled and Jointly Controlled Railway Companies and Wholly Owned Companies—Cost	197,939,694.64	PERPETUAL 4 PER CENT. CONSOLIDATED DEBENTURE STOCK	486,924,223.74
	1,189,882,829.45	Less: Pledged as collateral to bonds and equipment obligations	191,436,000.00
OTHER INVESTMENTS:			295,488,223.74
Miscellaneous Investments—Cost	26,991,206.52	BONDS AND EQUIPMENT OBLIGATIONS	204,554,000.00
Advances to Controlled and Other Companies—Net	28,034,551.42	Less: Securities and cash deposited with Trustee of 5 per cent. Equipment Trust	9,721,857.24
Mortgages Collectable and Loans and Advances to Settlers	3,504,628.92		194,832,142.76
Insurance Fund Investments	8,257,688.35	TWENTY YEAR 4½ PER CENT. SINKING FUND SECURED NOTE CERTIFICATES (1944)	30,000,000.00
Deferred Payments on Lands and Town sites	37,368,989.34	Less: Purchased by Trustee and cancelled	10,091,100.00
Unsold Lands and Other Properties	28,969,370.90		19,908,900.00
	133,184,438.45	CURRENT LIABILITIES:	
CURRENT ASSETS:		Audited Vouchers	5,051,168.93
Material and Supplies	17,789,856.92	Pay Rolls	3,003,610.98
Agents' and Conductors' Balances	5,522,113.59	Miscellaneous Accounts Payable	2,301,069.90
Net Traffic Balances	411,685.00	Accrued Fixed Charges and Guaranteed Interest	3,942,601.29
Miscellaneous Accounts Receivable	5,705,505.43	DEFERRED LIABILITIES:	
Cash	25,226,283.59	Dominion Government Unemployment Relief	4,060,982.71
	54,652,444.53	Miscellaneous	401,757.52
UNADJUSTED DEBITS:			4,462,740.23
Insurance Prepaid	111,815.78	RESERVES AND UNADJUSTED CREDITS:	
Unamortised Discount on Bonds	3,206,496.90	Rolling Stock Reserve	8,261,411.09
Other Unadjusted Debits	1,024,032.90	Hotel Depreciation Reserve	4,196,979.42
	4,342,315.58	Steamship Depreciation Reserve	43,977,790.22
		Insurance Reserve	8,257,688.35
		Contingent Reserves	7,462,266.57
		Investment Reserve	23,508,829.69
		Unadjusted Credits	4,268,233.86
			99,933,219.19
		PREMIUM RECEIVED ON CAPITAL AND DEBENTURE STOCK (less discount on bonds and notes written off at date of issue)	66,457,375.31
		LAND SURPLUS	74,523,291.73
		PROFIT AND LOSS BALANCE	138,950,787.83
			\$1,382,062,058.01

AUDITORS' CERTIFICATE:

We have examined the Books and Records of the Canadian Pacific Railway Company for the year ending December 31, 1937, and having compared the above Balance Sheet therewith, we certify that in our opinion it is properly drawn up so as to show the true financial position of the Company at that date, and that the Income and Profit and Loss Accounts correctly set forth the result of the year's operations.

Montreal, March 11, 1938.

E. A. LESLIE,
Comptroller.

PRICE, WATERHOUSE & CO.
Chartered Accountants.

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937				Prices, Year 1938				Prices, Year 1938				Prices, Year 1938				Prices, Year 1938				Prices, Year 1938																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
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British Funds				Consols 2 1/2% 1957				Do. 4% (alt. 1957)				Conv. 2 1/2% 1944-49				Do. 3% 1948-53				Do. 3 1/2% after 1961				Do. 4 1/2% 1940-44				Do. 5% 1944-64				Fund. 2 1/2% 1952-57				Fund. 2 1/2% 1952-57				Fund. 3% 1959-69				Fund. 4% 1960-90				Nat. D. 2 1/2% 1944-45				Victory Bonds 4 1/2%				War L. 12 1/2% 1952				Local Loans 3%				Austria 3 1/2% 1933-53				India 2 1/2%				Do. 3%				Do. 3 1/2%				Do. 4 1/2% 1958-68				Dom. & Col. Govts.				Austr. 5% 1945-75				Canada 4 1/2% 1940-60				Nigeria 5% 1950-60				N. Zealand 5% 1946				Queens. 5% 1940-60				S. Africa 5% 1945-75				Foreign Governments				Arg. 4 1/2% Stg. Bds.				Austria 7% 1957				Do. 4 1/2% 1934-59				Belg. 4 1/2% red. by 1970				Bulgaria 7 1/2%				Brazil 5% Fd. 1914				Chile 6% (1929)				China 5% (1912)				Do. 5% (1913)				Czechoslovakia 8%				Denmark 3%				Egypt Unified 4%				French 4% (British)				Ger. 7% Dawes Ln.				Do. 5 1/2% Young Ln.				Greek 6% Stab. Ln.				Hungary 7 1/2%				Japan 5 1/2% 1936-65				Do. 6% (24) red. 1959				Norwegian 4% 1911				Peru 7 1/2% 1922				Poland 7%				Roum. 4% Con. 1922				U.K. & Arg. C. 3%				Corporation Stocks				Birham 5% 1946-56				Bristol 3% 1948-58				L.C.C. 3%				Liverpool 3% 1954-64				Midx. 3 1/2% 1957-62				Public Boards				C. Elec. 5% 1950-70				Lon. Pass. Transport				4 1/2% "A" 1985-2023				5% "B" 1965-2023				"C" 1956 or after				Met. W.B. 5%				P. of Lond. 5% 50-70				British Railways				G.W. Ord.				L. & N.E.R. Def.				Do. 5% Pref. Ord.				Do. 5% 2nd Pf. 1955				Do. 4% 1st Pf. 1955				L.M.S. Ord.				4% Pf. 1923				2 1/2% "A"				Do. 5% 2nd Pf. Ord.				Do. 5% Pf. Ord.				Dom. & Foreign Ry.				Antagostea Ord.				B.A. Pref. Ord.				B.A. Gt.Stm.				B.A. West. Ord.				C. Arg. Ord.				Can. Pac. Com. \$25.				Costa Rica Ord.				Nitrate Ry. (Chile)				San Paulo Ord.				Taltal Ry. Ord. 1/5				Banks and Discount				Alexandria 12 1/2% 1 pd.				Bk. of England 12 1/2%				Barclay B. Ord.				Barcl. (D.&C.) A 1/2				Bk. of Aust. 15/4				Bk. of Mont. \$100				Bk. of S.W. 12 1/2%				Brit. Overseas A 1/2				Chtd. of India 15/4				Com. Bk. of Aus. 10/-				District B. 11/2 pd.				En. S. & Aust. 15/3p.				Hambros 110/22 1/2 p.				Hong. & S. \$125				Lloyds 15/4 1 pd.				Martins 120/22 1/2 p.				Midland 11/2 pd.				Nat. Dis. 12 1/2 pd.				Nat. of Egypt 10/-				N. Ind. 12 1/2 pd.				N. Prov. 15/4 1 pd.				Roy. Bk. of Scotland				St. of S.A. 120/25 pd.				Sun. Ins. 11/2				West. 15/4 1 pd.				Insurance				Alliance 11/2, fully pd.				Atlas 15/4 1 pd.				Com. Un. 11/2, fully pd.				Gen. Acc. 11/2, fully pd.				Lon. & Lanc. 15/4 1 pd.				N. Brit. & Mer. 11/4 1 pd.				Pearl (11/2), fully pd.				Phoenix 11/2, fully pd.				Sun. Lf. Ass. 11/2, fully pd.				S.U. & N.I.A. 120/25 pd.				S.L.L. Ass. 11/2, fully pd.				Investment				Anglo-Amer. Deb.				Anglo-Celtic Ord.				Com. Un. 11/2, fully pd.				Debenture Corp. Stk.				For. Amer. & Co. Def.				Guardian Investment				Ind. and Gen. Ord.				Invest. Trust Def.				Lake View Ind. 10/-				Mercantile Inv.				Merchants Trust Ord.				Metropolitan Trust				Scottish Inv. 5/-				Scottish Mort. & Co.				Trustees Corp. Ord.				United States Deb.				Financial Trusts, & Co.				Argentine Land & Co. 10/-				Brit. Afr. 15/- by pd.				Charterhouse Inv. 11/2				C. of Lond. R. Pty. 11/2				Daily Mail & Gen. 11/2				Dalgety 120/25 pd.				Forestal Land 11/2				Hudson's Bay Co. 10/-				Java Invest. 11/2				Peru. Corp. Pref.				Primitive Hold. 11/2				Staveley Trust 11/2				Sun. Plst. 11/2				Breweries				Ansel's Brewery 11/2				Barclay Perkins 11/2				Bass Ratcliff Ord. 11/2				Charrington & Co. 11/2				Crown Oil 11/2				Distillers Ord. 11/2				Guinness Ord. 11/2				Ind. and Co. Ord. 11/2				Meux's Ord. 11/2				Mitchells & Co. 11/2				Simons's Cape 11/2				Simons's (H.&G.) 11/2				S. African Bws. 11/2				Taylor Walker Ord. 11/2				Walker (P.&R.) Can. 11/2				Wapnet Corp. 11/2				Iron, Coal and Steel				Allied Ironfound. 11/2				Babcock Wilcox 11/2				Baldwins 4/-				Bolsover Coal Ord. 11/2				Brown (J.) Ord. 11/2				Butterley Co. Ord. 11/2				Cammell Laird 5/-				Colvilles Ord. 11/2				Consent Iron Ord. 6/8				Cory, Williams & Co. 11/2				Dorman Long Ord. 11/2				Do. Pref. Ord. 11/2				Firth Brown 11/2				Guest Keen & Co. Ord. 11/2				Hadfield's 11/2				Hudders Collieries 11/2				Lambert Bros. Ord. 11/2				Ocean Coal & Wilson 11/2				Pease and Partners 10/				Powell Duffryn 11/2				Shearman & W. 11/2				Shippley Coal. Ord. 11/2				S. Durham 11/2				Steel & Iron 11/2				Stanton Iron 11/2				Staveley Coal, etc. 11/2				Swan & W. 11/2				Swan, Hunter 11/2				Thomas (Rich.) 6/8				Com. Bk. of Aus. 10/-				District B. 11/2 pd.				En. S. & Aust. 15/3p.				Hambros 110/22 1/2 p.				Hong. & S. \$125				Lloyds 15/4 1 pd.				Martins 120/22 1/2 p.				Midland 11/2 pd.				Nat. Dis. 12 1/2 pd.				Nat. of Egypt 10/-				N. Ind. 12 1/2 pd.				N. Prov. 15/4 1 pd.				Roy. Bk. of Scotland				St. of S.A. 120/25 pd.				Sun. Ins. 11/2				West. 15/4 1 pd.				Insurance				Alliance 11/2, fully pd.				Atlas 15/4 1 pd.				Com. Un. 11/2, fully pd.				Gen. Acc. 11/2, fully pd.				Lon. & Lanc. 15/4 1 pd.				N. Brit. & Mer. 11/4 1 pd.				Pearl (11/2), fully pd.				Phoenix 11/2, fully pd.				Sun. Lf. Ass. 11/2, fully pd.				S.U. & N.I.A. 120/25 pd.				S.L.L. Ass. 11/2, fully pd.				Investment				Anglo-Amer. Deb.				Anglo-Celtic Ord.				Com. Un. 11/2, fully pd.				Debenture Corp. Stk.				For. Amer. & Co. Def.				Guardian Investment				Ind. and Gen. Ord.				Invest. Trust Def.				Lake View Ind. 10/-				Mercantile Inv.				Merchants Trust Ord.				Metropolitan Trust				Scottish Inv. 5/-				Scottish Mort. & Co.				Trustees Corp. Ord.				United States Deb.				Financial Trusts, & Co.				Argentine Land & Co. 10/-				Brit. Afr. 15/- by pd.				Charterhouse Inv. 11/2				C. of Lond. R. Pty. 11/2				Daily Mail & Gen. 11/2				Dalgety 120/25 pd.				Forestal Land 11/2				Hudson's Bay Co. 10/-				Java Invest. 11/2				Peru. Corp. Pref.				Primitive Hold. 11/2				Staveley Trust 11/2				Sun. Plst. 11/2				Breweries				Ansel's Brewery 11/2				Barclay Perkins 11/2				Bass Ratcliff Ord. 11/2				Charrington & Co. 11/2				Crown Oil 11/2				Distillers Ord. 11/2				Guinness Ord. 11/2				Ind. and Co. Ord. 11/2				Meux's Ord. 11/2				Mitchells & Co. 11/2				Simons's Cape 11/2				Simons's (H.&G.) 11/2				S. African Bws. 11/2				Taylor Walker Ord. 11/2				Walker (P.&R.) Can. 11/2				Wapnet Corp. 11/2				Iron, Coal and Steel				Allied Ironfound. 11/2				Babcock Wilcox 11/2				Baldwins 4/-				Bolsover Coal Ord. 11/2				Brown (J.) Ord. 11/2				Butterley Co. Ord. 11/2				Cammell Laird 5/-				Colvilles Ord. 11/2				Consent Iron Ord. 6/8				Cory, Williams & Co. 11/2				Dorman Long Ord. 11/2				Do. Pref. Ord. 11/2				Firth Brown 11/2				Guest Keen & Co. Ord. 11/2				Hadfield's 11/2				Hudders Collieries 11/2				Lambert Bros. Ord. 11/2				Ocean Coal & Wilson 11/2				Pease and Partners 10/				Powell Duffryn 11/2				Shearman & W. 11/2				Shippley Coal. Ord. 11/2				S. Durham 11/2				Steel & Iron 11/2				Stanton Iron 11/2				Staveley Coal, etc. 11/2				Swan & W. 11/2				Swan, Hunter 11/2				Thomas (Rich.) 6/8			

Industry and Trade

Retail Trade Less Buoyant.—The widespread decline in general business activity is now beginning to find reflection in sales over the counter. Last February the value of retail sales, as recorded in this week's *Board of Trade Journal*, was only 4.4 per cent. higher than in the corresponding month last year. In December and January the increases compared with the corresponding months a year earlier were 8.3 per cent. and 6.2 per cent. respectively. An analysis of the returns shows that the improvement in the value of sales compared with February, 1937, was confined to food and perishable goods, the increase amounting to 8.1 per cent. This increase, however, is largely due to the rise in prices which has taken place during the past year. The value of the sales of general merchandise last February was actually 0.4 per cent. smaller than a year earlier. With the exception of October, 1937, and of certain periods affected by the varying dates of the Easter and Whitsuntide holidays, February is the first month since September, 1933, in which the value of sales of general merchandise was smaller than during the corresponding month a year earlier. In view of the increase in prices, the decline in the volume of sales of general merchandise was probably somewhat greater than the fall in the value of turnover suggests. Moreover, the decline in the sales of general merchandise between February, 1937, and February, 1938, was accompanied by an increase of 3.5 per cent. in the value of stocks at cost. In Central and West-End London the decline in the value of sales of general merchandise was as much as 7.3 per cent. In suburban London, sales were 2.2 per cent. lower than a year ago. While the remaining districts still showed a slight increase, the returns suggest that the demand for consumption goods is not being maintained.

Shipping Problems.—Prosperity's visit to British shipping was short. After rising from 90.6 (1898-1913 = 100) in June, 1936, to 169.8 in September, 1937, *The Economist* index of tramp shipping freight rates has fallen back to 118.9. The sharp increase in freight rates in 1936-37 was due to a sudden spurt in international trade. Since last autumn, however, the volume of world trade has declined almost as suddenly as it had previously risen. Moreover, the latest evidence suggests that world trade is still shrinking. The absence of a cheerful note in the annual report of the Chamber of Shipping is, therefore, scarcely surprising. As far as tramps are concerned, building and running costs have increased to such an extent that it is doubtful whether present freight rates, though still appreciably higher than two years ago, are sufficient to provide even for depreciation. In the case of liners the improvement in freight and passenger charges has been less marked. Moreover, liners are still seriously affected by subsidised competition, which keeps the supply of tonnage above demand. Tankers, on the other hand, are in a relatively more favourable position, for the increase in tanker freight rates in 1936-37, though not fully maintained, has been considerably greater than the rise in tramp rates. The report points out that the cost of building ships has risen by 40 per cent. or more during the past two years, while the cost of repairs has increased correspondingly. In his presidential address to the annual meeting of the Chamber of Shipping Mr W. A. Souter suggested that the true title for the history of British shipping in the past 100 years should be "The growth and decline of the British mercantile marine." Between 1840 and 1914, Britain's carrying capacity rose from 2.9 million gross tons to 18.9 millions, and her share of the world's tonnage rose from 30 per cent. to 44 per cent. Since then Britain's mercantile marine has fallen to 17.4 million gross tons, equivalent to 28 per cent. of the world's total tonnage. Moreover, in view of the downward trend of world trade

and the continued subsidisation of shipping in many other countries, the outlook for British shipowners is not altogether reassuring.

Tin Pool Criticised.—The meeting of the International Tin Committee, which was to have been held in Paris on April 5th, has been postponed. The reason is understood to be that Malaya's decision on the buffer pool proposals may not be known by that date. In the meantime, much criticism is being voiced of the buffer scheme itself (the proposed details of which were described in *The Economist* last week). It is being urged that, under the guise of a purely technical expedient, it makes a fundamental change of principle; for it ties the International Tin Scheme, for the first time, to a definite price range—and a high one at that. In the second place, the method of its canvassing and publicity—or lack of publicity—leaves much to be desired. Even now, there has been no official announcement bearing the *imprimatur* of the International Committee. After weeks of rumour the details of the scheme were allowed to become common knowledge, but only through an agency message of undisclosed authorship. Thirdly, the scheme, if applied, will involve disturbance in the industry and the market, both at the outset and later. On its inception, available market supplies of tin will need to be reduced if the price is to be brought up to the lower pool limit; while, ultimately, the fact that the pool will operate only in standard warrants will probably mean that consumers, particularly in America, who have hitherto been willing to pay a premium to obtain Straits tin, will have to take standard tin from the pool. Even more serious will be the opportunity and the incentive which the pool will give to private pools to operate like little fleas on the big flea's back. However "secret" the operations of the official pool, the main fact—namely, the price at which the pool will operate—will be everybody's knowledge. Finally, the "penal clause," under which a country which does not produce its buffer stock will forfeit its existing right to withdraw from the main scheme, is open to dual objection. It represents a form of extraneous pressure on Malaya, the area likely to be least enthusiastic over the buffer idea. And it removes, on behalf of a new expedient which is unnecessary to the working of the main scheme, one of the latter's essential safeguards at a time when its application may well become a matter of practical politics.

Rubber Committee Disappoints Market.—The International Rubber Regulation Committee sadly disappointed the markets this week. At its meeting on Tuesday the Committee—contrary to expectations—decided to leave the April-June quota unchanged at 60 per cent. of standard tonnages, and postponed its decision regarding the July-September quota until the end of May. The less optimistic operators had foreseen that the revision of the quota for the second quarter at this late date would present certain difficulties; but a sharp reduction in the third quarter's quota had been generally expected. It is scarcely surprising, therefore, that prices tumbled a sharp fall when the Committee's decision became known, and dropped to the lowest level since restriction began. Unless there is an unexpected improvement in American demand, it would be rash to assume that prices have reached bottom. Meanwhile, the I.R.R.C. has also announced its final recommendations for the renewal of the restriction scheme after the end of the present year. The Committee's provisional draft was outlined in *The Economist* of February 26th

(page 462), but the basic quotas have in certain cases been considerably increased and will now be as follows:—

	1939 Tons	1940 Tons	1941 Tons	1942 Tons	1943 Tons
Malaya	632,000	642,500	648,000	651,000	651,500
N.E.I.	631,500	640,000	645,500	650,000	651,000
Ceylon	106,000	107,500	109,000	109,500	110,000
India	17,500	17,750	17,750	17,750	17,750
Burma	13,500	13,750	13,750	13,750	13,750
N. Borneo ...	21,000	21,000	21,000	21,000	21,000
Sarawak	43,000	43,750	44,000	44,000	44,000
Siam	54,500	55,300	55,700	56,000	60,000
Total	1,519,000	1,541,550	1,554,700	1,563,000	1,569,000

These new quotas are substantially higher than those for the current year, the increases ranging from a mere 5 per cent. in the case of Malaya to 36 per cent. for Siam and 46 per cent. for Burma. Ceylon's new quota for 1939, arrived at after lengthy bargaining, is 28.5 per cent. greater than that for 1938, but, even so, it is by no means certain that she will accept the Committee's recommendation. If she persists in her demand for a higher quota, it will be necessary to call a conference of the signatory Governments. Truly the way of restrictionists on a falling market is hard.

Value of Agricultural Output.—Details of the value of agricultural and horticultural output in England and Wales last year, together with revised estimates for earlier years, are contained in the current issue of the *Agricultural Market Report*. Last year's aggregate showed an increase of almost 7 per cent. compared with the previous year's estimate, and was nearly 9 per cent. above that of 1930-31. The combined value of the output of livestock and livestock products has shown a continuous increase since 1931-32, and rose by a further £6,900,000 last year. Production of farm crops showed an increase of £3,800,000 in 1936-37, fruit and vegetables were up by £3,700,000, and glasshouse produce also showed a slight increase. Details are as follows:—

AGRICULTURAL OUTPUT—ENGLAND AND WALES
(Million £)

Commodity	1930-31	1932-33	1934-35	1935-36	1936-37
Cattle and calves	29.9	23.6	25.1	25.5	27.0
Sheep and lambs	15.6	14.4	15.9	15.0	15.6
Pigs	19.5	18.4	21.0	22.6	25.4
Milk and dairy produce	55.0	49.3	52.9	54.1	55.8
Eggs	15.7	15.4	15.3	16.3	15.9
Total*	142.3	128.3	138.2	141.4	148.3
Wheat	3.6	3.3	4.7	5.2	6.7
Barley	3.9	3.5	3.9	3.5	4.0
Oats	1.6	1.5	1.5	1.4	1.7
Potatoes	11.7	9.1	11.6	13.8	14.5
Sugar beet	6.8	4.2	7.2	5.7	5.9
Hops	0.9	1.6	2.2	2.1	2.1
Hay	3.0	1.7	3.2	2.9	3.2
Total*	33.2	26.4	35.9	36.0	39.8
Fruit	7.8	7.1	10.5	5.0	8.3
Vegetables	12.3	12.9	13.3	15.0	15.4
Total*	20.1	20.0	23.8	20.0	23.7
Glasshouse produce, etc.	7.1	7.8	8.1	8.5	8.8
Grand Total ...	202.7	182.5	206.0	205.9	220.6

* Including other items.

Poultry and eggs were the only items in the first group which failed to record an increase last year, and gains were also general among farm crops. These changes are, of course, the result of alterations in both quantity and price. In terms of volume, production was about unchanged in 1930-31 and 1931-32, but exceeded the output of these years by 18 per cent. in 1934-35. This gain was reduced to 12 per cent. in 1935-36, but recovered to 17 per cent. last year.

Further Fall in Prices.—The downward trend of wholesale commodity prices continues. In England, *The Economist's* complete index number has fallen during the

past fortnight by 1.0 per cent. and the primary products index by 2.6 per cent. The Irving Fisher complete American index number has declined by 0.5 per cent., and *The Economist's* index number of American primary products has fallen by 4.1 per cent. In spite of the depreciation of the franc, the past fortnight has witnessed a slight decline in French wholesale prices. The British and American indices are now substantially lower than they were a year ago, but in March, 1937, prices were practically at their peak:—

SEPTEMBER 18, 1931=100

Date	The Economist Indices		Price of Gold (sterling)	U.S.A., Irving Fisher	France, Statistique Générale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsamt	
	British Complete Index (sterling)	Primary Products						
		British (sterling)						American (dollar)
1936 Dec. 30th	131.3	163.9	187.3	166.7	123.8	113.0	116.3†	95.4
1937 Jan. 27th	134.2	164.2	184.5	167.0	131.0	115.9	...	95.7
Feb. 24th	136.3	168.2	185.5	167.4	131.8	116.8	124.3	96.2
Mar. 31st	144.3	181.9	199.7	167.4	137.3	121.8	126.2	97.5
Apr. 28th	142.0	169.9	183.5	165.4	135.6	120.5	128.7	97.0
June 2nd	142.7	170.2	178.9	165.6	134.3	119.8	133.2	97.5
June 30th	139.5	165.9	176.8	165.7	134.1	119.8	134.2	97.5
July 28th	140.2	167.1	171.8	164.5	133.8	130.8	137.1	97.9
Aug. 25th	137.9	164.4	165.3	164.2	133.0	133.3	137.1	98.1
Sept. 22nd	136.0	164.0	166.3	165.1	133.7	133.4	137.7	97.6
Oct. 20th	133.6	156.2	152.3	163.4	129.5	138.8	141.6	97.3
Dec. 1st	127.5	145.4	138.9	164.8	125.1	134.0	143.3	97.0
Dec. 29th	127.8	147.4	135.3	164.2	120.5	135.8	143.8	97.0
1938 Jan. 5th	128.9	148.2	136.8	164.5	120.6	137.4	143.6	96.9
Jan. 19th	127.8	146.5	137.7	164.3	120.9	138.1	143.5	96.9
Feb. 2nd	126.6	144.4	135.4	164.5	119.8	137.9	142.9	97.0
Feb. 16th	125.0	141.7	136.8	164.5	119.5	138.1	142.4	96.9
Mar. 2nd	125.1	143.1	138.7	164.5	120.3	138.1	142.5	97.2
Mar. 16th	123.9	140.8	134.8	164.5	119.3	139.9	...	97.2
Mar. 30th	122.7	137.0	129.3	164.6	118.7*	139.4*	...	97.2*

* These figures relate to March 23rd.

† Monthly average.

The following table shows the movements of the various groups comprised in *The Economist* index number:—

The Economist INDEX
(1927 = 100)

	Sept. 18, 1931	Mar. 31, 1937	Mar. 16, 1938	Mar. 30, 1938
Cereals and meat...	64.5	93.0	86.5	87.5
Other foods	62.2	70.4	60.2	60.1
Textiles	43.7	74.2	56.5	55.5
Minerals	67.4	113.2	95.4	93.2
Miscellaneous	65.8	87.0	77.6	76.1
Complete index	60.4	87.2	74.8	74.1
1913 = 100	83.1	119.9	103.0	102.0
1924 = 100	52.2	75.3	64.7	64.0

With the exception of rice, grain prices have hardened during the past fortnight. In the other food group, a sharp rise in tea balances declines in cocoa, butter and coco-oil. Among textiles, cotton has weakened after its previous rally, and flax has also cheapened. There has been a general fall in non-ferrous metal prices. The chief movement in the miscellaneous group was the sharp drop in rubber.

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A Vital Sugar Meeting.—Following the ratification by the United States of the international agreement, the International Sugar Council has decided to hold the meeting for which the market has been waiting ever since the beginning of the year. The decision is opportune since the London price has declined almost to 5s. per cwt.—against an average of 6s. 4½d. last year—and the market is in urgent need of a lead. The recent decline of prices to the lowest level since the autumn of 1936 is due partly to technical causes and partly to the deterioration of the statistical position. World production this year, according to Messrs Willett and Gray, is estimated at 30,830,000 long tons, against 29,920,000 tons last year. On the other hand, consumption, according to Mr F. O. Licht, is expected to decline from 29,533,200 to 29,125,500 metric tons. The requirements of the free world market in 1937-38, originally put at over 3,500,000 metric tons, may actually fall short of 3,300,000 metric tons. Since a number

of countries have relinquished part of their quotas, the total of these now amounts to 3,508,500 metric tons, against an original total of 3,611,000 metric tons; but an additional 150,000 tons will probably be exported by countries outside the agreement. Total exports to the free market may reach a total of at least 3,550,000 metric tons this season unless—as is generally expected—a cut in the quotas is agreed upon at the forthcoming meeting on April 27th. But a reduction of 5 per cent.—the maximum possible under the agreement—would probably still leave supplies in excess of free market requirements, unless the voluntary abandonment of quotas is greater than seems likely at present. Owing to the restricted nature of the free market, a slight excess of supplies has a disproportionately depressing effect on prices, and it is therefore being suggested that the powers of the Sugar Council should be increased. If this is not done the present agreement is likely to be no more successful than the Chadbourne scheme.

INDUSTRIAL REPORTS

REPORTS from industrial centres contain little evidence of the seasonal expansion usually so marked at this time of the year. There has been no improvement in the cotton industry, and in the wool textile trade no more than 50-60 per cent. of the machinery is running full time. The majority of wholesale and retail clothiers appear to be content to clear last season's surplus stocks. The iron and steel markets are reported to be a little more active, but the volume of new transactions remains small. The output of the tinplate industry has been reduced to 43.7 per cent. of capacity. The deterioration is reflected in exports of tinplates, which, at 3,971 tons last week, showed a decline of 4,500 tons from the corresponding week last year. The output of coal during the week ended March 19th was 5,001,200 tons, against 5,235,000 tons during the corresponding period last year. Moreover, the volume of new business remains small and prices show a downward trend. In South Wales, for example, collieries are now almost entirely dependent on their contracts. There are no indications of an early change in present industrial trends.

Coal

Cardiff.—Spot prices have been reduced on the Cardiff coal market for the more bituminous classes, and there has been a further decline both in foundry and furnace coke, while patent fuel is also about 6d. easier at 25s. 6d. per ton. For backward positions provisional prices are being maintained, although the volume of new inquiry is restricted. Collieries are almost entirely dependent on their contracts, and as these leave only a relatively small percentage of current production free for disposal, shipments compare favourably with those in the corresponding period last year. The Great Western Railway Company's returns for the week ended March 24th give a total of 404,200 tons, compared with 359,600 tons in the previous week and 390,858 tons a year ago.

The negotiations between the owners and the workmen's representatives over the wages question have not yet been concluded, but the terms provisionally arranged include the introduction of holidays with pay to operate as from the present year. There are certain qualifying conditions, and allowances for a week's holiday consist of £3 for adults, £2 for youths between 18 and 21, and £1 for boys under 18.

Newcastle-on-Tyne.—While the coal trade in this area remains fairly steady, inquiry for forward delivery is small, the export section being very disappointing. The Northumberland steam coal market is quiet. Home trade has fallen away, with the result that some collieries are having difficulty in clearing sized coals. The Durham section remains very steady; collieries producing gas and coking coals are comfortably placed, but those producing second-class bunkers would welcome more trade. Patent oven coke is a very quiet market, there being no inquiry from abroad despite lower prices.

Glasgow.—The Scottish coal market is dull. Business is slow, both in the home and export markets. Export prices are now down to the lowest point touched for a long time past, and it is learned that the selling agencies are to exercise stronger control in order to check the decline. Competition in foreign markets remains as keen as ever. Industrial demands are satisfactory on the whole, but business with gas and electricity works both local and through the coastwise trade, including London, is now tapering off. Supplies are now plentiful.

COAL OUTPUT AND EMPLOYMENT

District	Week ended March 12, 1938		Week ended March 19, 1938	
	Output	Wage-earners	Output	Wage-earners
Northumberland	294.0	45.5	294.0	45.4
Durham	705.6	118.0	715.8	117.9
Yorkshire	966.6	143.9	959.6	144.0
Lancs, Cheshire and N. Wales	370.7	68.8	364.9	68.7
Derby, Notts & Leicester	707.3	98.7	694.3	98.9
Staffs, Worcs, Salop & Warwick	426.7	67.8	413.1	67.8
South Wales and Monmouth	818.3	137.4	801.7	137.2
Other English districts*	124.5	22.5	125.0	22.5
Scotland	634.3	91.2	632.8	91.3
Total	5,048.0	793.8	5,001.2	793.7

* Including Cumberland, Gloucester, Somerset and Kent.

Iron and Steel

Sheffield.—The second quarter has opened quietly, business in forge and foundry iron being largely confined to small parcels for early delivery. Output is in excess of requirements and some

furnaces are being damped down. There is a minimum of forward buying, the majority of consumers being fully covered for the first half of the year. Demand for hematite mixed numbers shows some decline, but the requests for special qualities remain satisfactory. Bar iron business is limited.

The steel market, on the other hand, continues very active, though in some classes of material it is now rather less difficult to place business. There is a sustained demand for basic and acid billets, but a slight easing of the pressure for wire rods is reported.

Sheffield's steel production in February totalled 145,900 tons, an increase of 8,400 tons on the corresponding month of last year. There is a good flow of home and overseas orders coming into this district. A Sheffield firm has booked a £10,000 order for high-speed steel hacksaws. Machinery orders are more numerous. The special steel branches are very busy, and there is a heavy demand for armour plate and other material needed in connection with the national defence programme.

Middlesbrough.—Producers of Cleveland foundry pig iron and East Coast hematite have to take material into stock. An announcement is awaited from the Import Duties Advisory Committee of their decision on the application for the re-introduction of the import duty on pig iron.

In the steel trade, re-rollers report an easier position, with ample supplies of billets and sheet bars. The heavy steel departments in this area continue very active, but demand for sheets for the home trade is only moderate and export trade very quiet.

Good Durham blast-furnace coke is obtainable at 32s. 6d. per ton at the ovens, with the tendency, if anything, rather easier. Ore freights are unchanged, and ample supplies of foreign ore continue to arrive. Heavy steel melting scrap is in good supply, the official prices being unaltered.

Glasgow.—Steel makers are supplied with work for some months ahead for plates and sections, including a heavy tonnage of shipbuilding material. Re-rollers of light sections are less fortunately placed, in some cases the tonnage on books being very small. This situation has largely been brought about by the influx of Continental material prior to the increase of the

import duty on semis. In the light sheet trade the position is unchanged, home demand being well maintained while export business is quiet. All the manufacturing industries in Glasgow and neighbourhood report continued activity and many new inquiries are on the market. An important contract announced this week is one for ten locomotives for the Federated Malay States Railway placed with the North British Locomotive Company of Glasgow.

Cardiff.—The position in the tinplate industry has further deteriorated; during the week ended March 19th

production was at the rate of only 43.7 per cent. of capacity. Shipments were slightly better than in the previous week, 3,971 tons as against 3,269 tons, but they were 4,500 tons less than in the corresponding week last year. Stocks, at 10,524 tons, are much higher than they have been since September, 1937. The market for black sheets is relatively better, but production of pig iron and steel is declining. Prices are nominally unchanged.

Textiles

Cotton (Manchester).—No change for the better in market conditions can be recorded. Bearish sentiment has

tended to increase, and many traders are concerned at the further fall in commodity and share prices. Raw cotton news has been rather featureless, but prices have tended to sag, chiefly owing to unsatisfactory advices concerning world consumption. Speculation in raw cotton is at a low ebb.

The market in American yarns has been upset by the reduction in prices of medium ring qualities. Buyers have been afraid of reductions in other sections. It has been quite exceptional for contracts to be put through for anything more than retail lots. A dragging demand has been experienced in Egyptian descriptions. The financial difficulties of a large old-established

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RESERVE FUND - £3,000,000

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DIRECTORS' REPORT.

(Presented at the Eighty-fourth Ordinary General Meeting, 30th March, 1938)

The Directors have now to submit to the Shareholders the Balance Sheet and Profit and Loss Account of the Bank for the year ended 31st December last. These show a net profit, after providing for all bad and doubtful debts, of £673,785 3s. 5d. inclusive of £182,719 18s. 10d. brought forward from the previous year. The Interim Dividend at the rate of Fourteen per cent. per annum paid in September last absorbed £210,000. The amount now available is therefore £463,785 3s. 5d. and the Directors propose to pay a Final Dividend at the rate of Fourteen per cent. per annum less Income Tax; to add £35,000 to the Officers' Pension Fund; to set aside £40,000 on account of Contingencies; and to carry forward the balance of £178,785 3s. 5d. Sir William Henry Neville Goschen, Bt., K.B.E., Mr. Archibald Rose, C.I.E., and Mr. Edward Fairbairn Mackay, the Directors who now retire by rotation, present themselves for re-election. The Auditors, Mr. David Charles Wilson, F.C.A., and Mr. Henry Croughton Knight Stileman, F.C.A., again tender their services. By Order of the Court, J. F. DUNCAN, Secretary.

BALANCE SHEET, 31st December, 1937

LIABILITIES.		ASSETS.	
	£ s. d.		£ s. d.
Capital, Authorised and Issued, 600,000 Shares of £5 each, paid up	3,000,000 0 0	Cash in Hand and at Bankers	6,385,795 5 3
Reserve Fund	3,000,000 0 0	Cash (including Hongkong Government Certificates of Indebtedness for Surrendered Coin)	547,500 0 0
Notes in Circulation	1,688,859 13 0		6,933,295 5 3
Current and Other Accounts, including Provision for Bad and Doubtful Debts and Contingencies	34,188,152 2 2	Bullion on Hand and in Transit	226,290 7 11
Fixed Deposits	15,553,198 9 2	Government and Other Securities	20,449,064 17 1
Bills Payable	2,641,039 6 10	Securities Lodged against Note Issue	845,000 0 0
Acceptances on Account of Customers	2,682,248 4 2		21,294,064 17 1
Loans Payable, against Security, per Contra	2,641,686 13 4	The P. and O. Banking Corporation Ltd., 213,629 Shares of £10 each, fully paid, at Cost	2,316,745 14 9
Due to Agents and Correspondents	49,432 16 7	Bills of Exchange, including Treasury Bills	10,159,417 0 3
Sundry Liabilities, including Rebates and Exchange Adjustments	444,715 13 1	Bills Discounted and Loans	20,785,843 9 7
Profit and Loss	463,785 3 5	Liability of Customers for Acceptances, per Contra	468,248 4 2
		Due by Agents and Correspondents	25,210 16 9
		Sundry Assets	275,371 4 9
		Bank Premises and Furniture at the Head Office and Branches	1,594,611 1 3
			£64,139,098 1 9

PROFIT AND LOSS ACCOUNT for the Year ended 31st December, 1937

Dr.		Cr.	
	£ s. d.		£ s. d.
To Interim Dividend at 30th June, 1937	210,000 0 0	By Balance at 31st December, 1936	467,719 18 10
" Balance proposed to be dealt with as follows:—		Less Dividend for half-year to 31st December, 1937	£210,000 0 0
Dividend at the rate of 14 per cent. per annum for the half-year to date	210,000 0 0	Officers' Pension Fund	35,000 0 0
Others' Pension Fund	35,000 0 0	Contingencies Account	40,000 0 0
Contingencies Account	40,000 0 0		285,000 0 0
Carried forward to Profit and Loss New Account	178,785 3 5		182,719 18 10
			491,065 4 7
			£673,785 3 5

A. H. FERGUSON, Chief Manager.
W. B. WHITE, Manager.
G. H. TANKARD, Chief Accountant.

A. d'A. WILLIS
M. M. S. GUBBAY } Directors.
J. B. YOUNG

REPORT OF THE AUDITORS TO THE SHAREHOLDERS.
We have audited the above Balance Sheet and Profit and Loss Account with the Books, Vouchers and Securities in London, and with the certified Returns from the Agencies and Branches. In our opinion such Balance Sheet is full and fair and properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs, according to the best of our information and the explanations given to us and as shown by the Books of the Bank.

D. C. WILSON
H. C. K. STILEMAN } Auditors.
Chartered Accountants.

London, 16th March, 1938.

hosiery concern in Leicester have caused anxiety, as several Egyptian spinners are creditors for substantial amounts.

Unfavourable reports have again been received from cloth manufacturers. Turnover has consisted of small lots to meet urgent needs. A slightly more hopeful feeling prevails with regard to India. Some shippers have been asked to cable prices for cloths which have not been bought for some little time, and more sales have been arranged for Calcutta, Madras and up-country. Useful orders have been secured in mulls and tanjibs for Egypt. The position in West Africa is as bad as ever. Home trade purchases have not been of any importance, but clearances have continued on a rather freer scale. Depressing advices have been received from the weaving towns of Lancashire.

RAW COTTON delivered to Spinners (Thousand bales)

Variety	Week ended		Total Deliveries	
	Mar. 18, 1938	Mar. 25, 1938	Aug. 1, 1937- Mar. 26, 1937	Aug. 1, 1937- Mar. 25, 1938
American	23.7	23.7	798	868.0
Brazilian	3.8	4.0	241	210.2
Peruvian, etc.	1.5	1.6	103	81.5
Egyptian	5.6	10.8	268	240.6
Sudan Sakel	1.0	1.8	100	103.2
East Indian	10.2	11.3	315	273.8
Other countries	2.6	3.8	145	123.1
Total	48.4	56.0	1,970	1,863.4

Wool (Bradford).—Last Wednesday saw the end of the second series of Colonial wool sales. Prices were a little irregular, particularly when Russian competition for crossbreds ceased towards the end of last week. Still, the bulk of the offerings realised prices about equal to the close of the previous series, and any decline did not exceed 5 per cent. The home trade was a prominent buyer. The quality of the offerings was very good, and will probably prove to have been the best of the year. New clip wools from South America proved very acceptable, being bought freely by both the home and Continental trades, but America gave little support. Merino wool sold as well as could be expected, and at times prices were definitely in front of those ruling in Australia. The value of a spot market has again been proved, for all descriptions of combing wools, both merinos and crossbreds, made prices slightly in advance of what could be made for the combed article in Yorkshire and on the Continent.

Turning to consuming centres, trade does not show much improvement. It is doubtful if more than 50 to 60 per cent. of machinery is running full time, and many mills are still only working three days per week. It would almost

seem as if the present spring season's trade has missed altogether, the majority of wholesale and retail clothiers being content to clear last season's surplus stocks and so pave the way for a normal season's trade when the time arrives for the showing of new cloths for the spring of 1939. It looks as if the coming season's trade is going to be mostly in light-weight fancy woollen cloths, and sports wear is figuring prominently in the world of fashion.

THE COMMODITY MARKETS

THE past week has witnessed a further widespread decline in the prices of primary products both in this country and in the United States. The present downward trend of commodity prices is a reflection of the shrinkage in world economic activity and of the inability of producers to curtail their output proportionately. The growing conviction that a sustained revival of business activity in the United States is unlikely in the near future has hastened the decline.

The majority of commodities sensitive to changes in market psychology were marked down during the past week. Non-ferrous metals, rubber, oil-seeds, and sugar are all cheaper than a week ago. Wheat, exceptionally, remained firm.

In the United States the decline of prices is reflected in Moody's index of staple commodities (December 31, 1931 = 100) which fell from 145.3 to 142.1 during the week ended last Wednesday. A month ago the index stood at 151.2 and a year ago at 227.9.

Metals

Copper.—The cash price fell this week by £1 2s. 6d. per ton, to close on Wednesday at £38 1s. 3d. per ton—a new low level for the current year. The uncertainties of the political outlook, the weakness of Wall Street and of the United States copper market were the principal causal factors. Activity in the consuming industries in this country remains on a high level, but there was little demand. Meanwhile, unconfirmed rumours of a pending reduction in the production quotas have been circulating this week. So far the statistical position outside the United States remains sound, but if consumption begins to decline the producers may be inclined to take action.

Tin.—The cash price slumped by no less than £11 10s. per ton to the lowest level since 1933. The fact that tin is particularly dependent on American demand was the major cause, but there

is also a possibility that the Malayan Government will show greater opposition to the buffer pool and to the question of the standard tonnages than had previously been expected. No definite date has yet been fixed for the Malayan referendum, but the I.T.C. has decided to postpone its meeting originally fixed for April 5th until the Government of Malaya has reached a decision. If, as is likely, a substantial bull account has been built up in anticipation of the formation of a buffer pool, the market must be regarded as vulnerable.

Lead and Spelter.—Both metals shared the general decline this week, though, as may be seen from the table of wholesale commodity prices, the fall was less severe than in copper and tin. Reports of interference by the Mexican Government in the affairs of the foreign lead and spelter mining companies in that country may, perhaps, be discounted in view of the firm line taken by the United States Government in regard to American oil interests. Meanwhile, the United States market has displayed an easy tone.

SALES ON LONDON METAL EXCHANGE

Date	Copper	Tin	Lead	Spelter
1938	Tons	Tons	Tons	Tons
March 18	950	225	2,550	1,325
" 21	900	325	2,300	1,600
" 22	1,300	275	1,900	650
" 23	2,500	275	2,400	1,150
" 24	2,000	335	1,000	1,100
" 25	1,950	270	950	900
" 28	2,850	335	800	875
" 29	1,200	450	850	700
" 30	2,200	950	1,600	1,000

U.K. STOCKS

	Mar. 19, 1938	Mar. 26, 1938
Copper (Br. official w'houses):		
Refined	8,059	7,663
Rough	24,600	24,800
Tin (London and Liverpool)...	4,112	4,514

Grains

After the sharp decline of the previous week, the wheat markets have shown a firmer tendency during the past few days. Decreasing shipments from Argentina and the smallness of the interior movement are now attracting the market's attention, while Australian sellers appear to have recovered their nerve. Nevertheless, the Commonwealth has hitherto made less than normal progress with the disposal of the crop. Weather news is likely to have increasing influence from now on. Flour markets have also displayed a firmer tone. Maize was a rather quiet market, while barley prices were about unaltered compared with those ruling a week ago.

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 Quarters)

From—	Week ended		Season to	
	Mar. 19, 1938	Mar. 26, 1938	Mar. 25, 1937	Mar. 26, 1938
N. America	453	424	19,346	16,067
Argentina and Uruguay	246	156	14,629	5,520
Australia	482	302	8,287	8,702
Russia	102	87	11	4,483
Danube and dist.	136	129	6,994	5,368
India	10	36	982	1,079
Other Countries	32	24	1,110	576
Total	1,461	1,158	51,359	41,795
To—				
U.K.	217	218	12,462	10,591
" Orders"	247	178	13,843	8,525
France	7	9	904	627
Belgium	59	17	3,346	3,606
Holland	135	15	1,275	2,363
Italy	11	10	3,957	737
Greece	60	141	1,355	1,521
Scandinavia	60	35	1,343	1,521
Austria, etc.	36	30	1,369	1,473
Other European Countries	357	238	782	3,467
Ex-European Countries	272	267	10,723	7,724
Total	1,461	1,158	51,359	41,795

SALES OF BRITISH CEREALS

		Week ended	
		Mar. 19, 1938	Mar. 26, 1938
Wheat	cwt.	199,334	175,488
Barley	cwt.	65,172	38,954
Oats	cwt.	41,448	37,294

Other Foods

Provisions and Meat.—The official quotations for bacon on the London Provision Exchange showed a slight advance last week-end, but the market has since had a quiet tone. Hams were generally unchanged in price. Colonial grades of butter were in quiet request on Monday, but were firmer on Wednesday; Australian was slightly dearer and Danish a little cheaper on the

week. Dutch cheese was reduced in price, while other makes were steady and unaltered. The seasonal decline in egg prices was checked this week. At Smithfield market, English beef, mutton and pork were a little dearer, but imported meat was about unaltered.

★

Colonial Produce.—Raw sugar was again a rather easy market this week and prices fell almost to 5s. a cwt. The decision of the International Sugar Council to hold a meeting on April 27th is discussed in a Note in the Industry and Trade Section. The spot market in coffee was quietly steady, while some descriptions of cocoa were reduced in price. The tendency at the sales of Indian tea was quieter than last week and prices were lower in some instances. A similar weakening was apparent at Tuesday's Ceylon auctions.

(Continued on page 58)

THE NATIONAL BANK OF INDIA, LIMITED

Registered in London under the Companies Act of 1862 on the 23rd March, 1866

ESTABLISHED IN CALCUTTA, 29th SEPTEMBER, 1863

Subscribed Capital	...	...	...	£4,000,000	Reserve Fund	...	...	...	£2,200,000
Paid-up Capital	...	...	...	£2,000,000	Number of Shareholders	...	...	...	3,037

HEAD OFFICE: 26 BISHOPSGATE, LONDON, E.C.2

CALCUTTA
BOMBAY
MADRAS
KARACHI
CHITTAGONG
AMRITSAR
CANNANUR
DELHI

LAHORE
TUTUCORIN
COCHIN
RANGOON
MANDALAY
COLOMBO
KANDY
NUWARA ELIYA

BRANCHES:

ADEN
STAMER POINT, ADEN
ZANZIBAR
MOMBASA
NAIROBI
NAKURU
KISUMU

ENTEBBE
KAMPALA
JINJA
TANGA
DAR-ES-SALAAM
MWANZA

AGENCY:

GALLE, CEYLON ... Mesrs. CLARK, SPENCE & Co.

BOARD OF DIRECTORS:

R. LANGFORD JAMES, Esq., Chairman.
L. T. CARMICHAEL, Esq.
Hon. E. JULIAN HAWKE.

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W. SHAKESPEARE, Esq.

General Manager—E. H. LAWRENCE, Esq.
London Manager—R. L. HIRD, Esq.
Sub-Manager and Accountant—G. B. LINTON, Esq.

London Bankers:

BANK OF ENGLAND. NATIONAL PROVINCIAL BANK, LIMITED.
NATIONAL BANK OF SCOTLAND, LIMITED.
Solicitors—Messrs. SANDERSON, LEE & CO.

GENERAL BALANCE SHEET, 31st December, 1937

The Rupee Assets and Liabilities have been converted at the rate of 1s. 6d. per Rupee.

Dr.	£	s.	d.	Cr.	£	s.	d.
To Capital:							
Authorised and Subscribed, 160,000 Shares of £25 each, £4,000,000				By Cash on hand, at call and at Bankers	5,253,086	0	2
Paid up £12 10s. per share	2,000,000	0	0	By Bullion on hand and in Transit	50,066	3	1
To Reserve Fund	2,200,000	0	0				
To Current, Fixed Deposit and other Accounts, including provision for Bad and Doubtful Debts and Contingencies	30,466,945	14	4	By Indian Government Rupee Securities	5,303,152	3	3
To Bills Payable	662,635	17	10	By British Government Securities, Indian Government Guaranteed Debentures and other Securities (of which £500,000 War Loan lodged with Bank of England as security for Government Accounts)	10,000,378	3	0
To Acceptances for Customers	472,320	10	11	By House Property and Furniture at cost, less amounts written off	652,914	2	8
To Profit and Loss Account, as under	529,816	15	6	By Bills of Exchange, including Treasury Bills	4,525,842	10	2
	£36,332,027	18	7	By Discounts, Loans Receivable, and other sums due to the Bank	10,073,727	12	9
To Bills receivable, re-discounted, £2,681,201 18s. 7d., of which up to 14th March, 1938, £2,025,797 0s. 4d. have run off. Forward Contracts outstanding for the Purchase and Sale of Sterling Bills and Telegraphic Transfers, £9,325,711				By Customers for Acceptances per Contra	472,320	10	11
					£36,332,027	18	7

PROFIT AND LOSS ACCOUNT for the Year ended 31st December, 1937

	£	s.	d.		£	s.	d.
To ad interim dividend at the rate of 18 per cent. per annum for the Half-year ended 30th June, 1937	180,000	0	0	By Balance at 31st December, 1936	523,954	18	10
To Expenses of Management at Head Office and Branches, including Directors' Fees, £6,351 7s. 6d.	530,149	7	2	DEDUCT—			
To Balance	529,816	15	6	Dividend at the rate of 18 per cent. per annum for the half-year ended 31st December, 1936	£180,000	0	0
				Officers' Pension Fund	50,000	0	0
				Contingencies Account...	50,000	0	0
					280,000	0	0
				Balance brought forward	243,954	18	10
				By Gross Profits for the year ended 31st December, 1937, after providing for all bad and doubtful debts	996,011	3	10
	£1,239,986	2	8		£1,239,966	2	8

E. H. LAWRENCE, General Manager.
G. B. LINTON, Sub-Manager and Accountant.

R. LANGFORD JAMES,
J. A. SWAN,
W. SHAKESPEARE, } Directors.

REPORT OF THE AUDITORS TO THE MEMBERS.
We have audited the above Balance Sheet with the Books in London and the certified Returns from the Branches. We have obtained all the information and explanations we have required. In our opinion such Balance Sheet is full and fair, containing the particulars required by the Regulations of the Company, and is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.
London, 15th March, 1938.

COOPER BROTHERS & CO.,
W. A. BROWNE & CO., } Auditors.
Chartered Accountants.

AMERICAN WHOLESALE PRICES

	Mar. 23, 1938	Mar. 30, 1938		Mar. 23, 1938	Mar. 30, 1938		Mar. 23, 1938	Mar. 30, 1938
GRAINS (per bushel)—	Cents	Cents	METALS (per lb.)—cont.	Cents	Cents	MISCELLANEOUS (per lb.)—cont.	Cents	Cents
Wheat, Chicago, May	86½	86½	Tin, N.Y., Straits spot	41.10	38.90	Cotton, Am. Mid., Apr.	8.57	8.51
Wheat, Winnipeg, May	115½	123½	Lead, N.Y., Spot	4.50	4.50	Lard, Chicago, Mar.	8.57½	8.22½
Maize, Chicago, May	59½	60½	Spelter, East St. Louis, spot ..	4.25	4.25	Petroleum, Mid-cont. crude		
Oats, Chicago, May	30	30				33 deg. to 33-90, at well,		
Rye, Chicago, May	66½	64½				per barrel	116	116
Barley, Winnipeg, May	59½	60½				Rubber, N.Y., smkd. sheet spot	12½	11½
METALS (per lb.)—						Do. Do. Apr.	12½	10½
Copper, N.Y., Domestic spot ...	9.47½	9.27½				Sugar, N.Y., Cuban Cent.,		
Producers' export	9.75	9.55				96 deg., spot	3.00	3.00

BRITISH WHOLESALE PRICES

	Mar. 23, 1938	Mar. 30, 1938
CEREALS AND MEAT		
GRAIN, Etc.—		
Wheat—		
No. 2, N. Man. 496 lb.	52 3	56 9
Eng. Gaz. av., per cwt.	7 9	7 8
Liv. March, per cental	6 7	6 10
Flour, per 280 lbs.—		
Straits, d/d London	34 0	35 0
Manitoba, ex store	36 6	37 6
Barley, Eng. Gaz. av.	12 3	11 11
Oats	8 6	8 5
Maize, La Plata, landed, 480 lb.	33 0	34 0
Rice, No. 2 Burma, per cwt.	7 9	7 7½
MEAT—		
Beef, per 8 lbs.—		
English long sides	4 6	4 8
Argentine chilled hinds	3 11	3 10
Mutton, per 8 lbs.—		
English wethers	4 8	5 0
N.Z. frozen wethers	2 10	2 10
Lamb, per 8 lbs.—		
N.Z. frozen	4 8	4 8
Port. English, per 8 lbs.	5 8	6 6
BACON (per cwt.)—		
English	102 0	102 0
Danish	99 0	100 0
Dutch	96 0	100 0
Irish	104 0	104 0
HAMS (per cwt.)—		
Canadian	98 0	98 0
United States†	90 0	92 0
OTHER FOODS		
BUTTER (per cwt.)—		
Australian	114 0	115 0
New Zealand	115 0	115 0
Danish	122 0	116 0
CHEESE (per cwt.)—		
Canadian	77 0	77 0
New Zealand	69 0	69 6
English Cheddars	96 0	96 0
Dutch	57 0	54 0
COCOA (per cwt.)—		
Accra, f.f.	31 0	31 0
Trinidad	42 0	40 0
Grenada	43 0	40 0
COFFEE (per cwt.)—		
Santos sup. C. & f.	30 0	30 0
Costa Rica, medium to good	50 0	50 0
Kenya, medium	44 0	44 0
EGGS (per 120)—		
English (15-15½ lb.)	9 3	9 6
Danish (15½ lb.)	9 0	9 3
FRUIT—		
Oranges, Jaffa	8 6	8 9
" Brazilian	13 6	14 0
Lemons, Malaga	11 6	12 0
" Sicilian	14 6	15 6
Apples, Amer. (var.)	23 0	28 0
" (var.)	7 0	7 0
Grapes, Almeria	11 0	10 6
Grapefruit, Jaffa	8 0	7 0
LARD (per cwt.)—		
Irish, finest bladders	68 0	68 0
U.S.	51 6	50 0
PEPPER, per lb.—		
Black Lampong (in Bond)	0 2½	0 2½
White Muntok	0 4½	0 4½
POTATOES (per cwt.)—		
King Edward	6 0	6 0
SUGAR (per cwt.)—		
Centrifugals, 96%, prpt. shpm.	5 1½	5 0
Refined—London	18 7½	18 6
Yellow Crystals	22 10½	22 9
Cubes	23 4½	23 3

* March 17 and 24 respectively.
† and do not include the Government tax.

	Mar. 23, 1938	Mar. 30, 1938
SUGAR (per cwt.)—cont.		
Crushed	19 0	18 10½
Granulated	19 10½	19 9
Home Grown	19 12	19 0
TEA* (Auction Average) (per lb.)—		
N. India	13 65	14 16
S. India	15 97	16 58
Ceylon	16 89	17 15
Sumatra	11 79	12 25
Africa	12 64	12 79
Total	14 25	14 90
TOBACCO (per lb.)—		
Virginia stemmed and unstemmed, common to fine	0 8	0 8
Rhodesian stemmed and unstemmed	0 9	0 9
Nyasaland stemmed and unstemmed	0 7	0 7
East Indian stemmed and unstemmed	0 7	0 7
TEXTILES		
COTTON (per lb.)—		
Raw, Mid-American	4 95	4 86
" Sakellaridis, F.G.F.	8 26	8 04
" Giza, F.G.F.	7 31	7 09
Yarns, 32's Twist	10½	10½
" 40's Twist	10½	10½
" 60's Twist (Egyptian)	17½	17½
Cloth, 32 in. Printers, 116 yds.	18 0	17 10
" 36 in. Shirtings, 75 yds.	24 4	24 2
" 19 x 19, 32's & 40's	10 5	10 4
" 38 in. ditto, 38 yds.	9 5	9 4
" 18 x 16, 10 lb.	6 8	6 8
" 16 x 15, 8½ lb.	6 8	6 8
FLAX (per ton)—		
Native 1st mks., c.i.f. H.A.R.B.	18/6/3	18/1/3
Mar-Apr	17/7/6	17/2/6
Daisee 2/3 c.i.f. Dundee, Mar-Apr	17/7/6	17/2/6
SISAL, African, Mar-May	16 10	16 0
SILK (per lb.)—		
Canton	6 6	6 0
Japan	7 3	7 0
Italian, raw, fr. Milan	6 9	6 9
WOOL (per lb.)—		
English, Southdown, greasy	15½	15½
" Lincoln hog, washed	22	23
Queensland, scd. super combg.	13	13
N.S.W. greasy, super combg.	12½	12½
N.Z., greasy, half-bred 50-56	11½	11½
Tops—		
Merinos 70's average	28	28
" 64's	26	26
Crossbred 48's	16	16
" 46's	15½	15½
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	19 6	19 6
Durham, best gas, f.o.b. Tyne	21 6	21 6
Sheffield, best house, at pits	22 0	22 0
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d.d.	109 0	109 0
Bars, Middlesbrough	265 0	265 0
Steel rails, heavy	202 6	202 6
Tinplates	22 6	22 6
NON-FERROUS METALS (per ton)—		
Copper—		
Standard cash	39/3/9	38/1/3
Three months	39/6/3	38/2/6
Tin—		
Standard cash	184/10/0	173/0/0
Three months	184/12/6	173/10/0
Lead, soft foreign—		
Cash	16/1/3	15/18/9
English, pig	16/3/9	16/0/0
Spelter, G.O.B.—		
Spot	14/5/0	13/16/3
Aluminium, ingots and bars	100/0/0	100/0/0
" rolling billets	102/0/0	102/0/0
Nickel, home and export	180/0/0	180/0/0
Antimony, Chinese	55/0/0	67/0/0
Wolfram, Chinese	64 0	60 0
Platinum, refined	7 10	7/0/0
Quicksilver	64	64

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—

COMPANY MEETINGS

THE MERCANTILE BANK OF INDIA, LIMITED

PROFIT MAINTAINED DESPITE DIFFICULTIES

REPERCUSSIONS OF THE SINO-JAPANESE WAR

PROGRESS OF INDUSTRIAL DEVELOPMENT IN INDIA

BENEFITS OF CONTROL SYSTEMS TO RUBBER AND TIN INDUSTRIES IN MALAYA

SIR CHARLES INNES ON THE POSITION AND OUTLOOK IN THE FAR EAST

The forty-fifth annual general meeting of The Mercantile Bank of India, Limited, was held, on the 29th ultimo, at Winchester House, Old Broad Street, London.

Sir Charles A. Innes, K.C.S.I., C.I.E., chairman of the bank, presided.

The chief manager (Mr J. B. Crichton) having read the notice convening the meeting and the report of the auditors,

The chairman, after referring to the retirement of Lord Catto from the chairmanship and other changes in the board, said: I do not think that I need say very much about the accounts. I presume that as usual you will allow me to take them as read. (Agreed.) You will notice in the balance sheet that our deposits are up by £1,350,000 compared with last year, and that on the other side there has been an increase of about one million sterling in loans and advances. Our allocations to the pension fund, the premises account and contingencies are the same as last year. The figure which doubtless interests you most is the amount of net profit for the year. This is about the same as last year, in spite of our having had to provide for National Defence Contribution for nine months. You have heard so much of the recovery of trade that some of you may have expected a larger figure of profit. But the bank is an exchange bank mainly engaged in the financing of Eastern trade, and it is well known that the recovery of foreign trade has lagged behind that of home trade. Moreover we had special difficulties in 1937. The year indeed began well. In the first three months trade was active in most of the countries in which we operate, and indeed by March trade conditions in some of them had almost begun to approach the dimensions of a boom. But the second half of the year did not fulfil the promise of the first.

The first setback was associated with what is usually known as the "gold scare" in the spring. Then in August followed the invasion of China by Japan. You can readily imagine how this war disorganised the trade of China, and its repercussions were felt in almost every country in which we are established, particularly India and Malaya. Finally there came in the autumn the quite unexpected recession of trade in the United States of America. The effects of this recession were world-wide, but America so dominates the market in such commodities as rubber and tin that nowhere were they felt with greater severity than in countries like Malaya. I shall have more to say of these matters later. In the meantime I think I have said enough to show that having regard to all the circumstances of the year we may legitimately regard our net profit with satisfaction, and that we may congratulate Mr Crichton and his officers on the results they have shown. (Hear, hear.)

PROVINCIAL AUTONOMY AND BURMA SEPARATION

I turn now to the different countries in which we have branches, and I begin with India. The two outstanding events of the year were the inauguration of Provincial autonomy and the separation of Burma. Both measures imposed extra liabilities on Central revenues, the separation of Burma costing 251 lakhs and the inauguration of Provincial autonomy 198 lakhs. The military operations in Waziristan also caused heavy additional expenditure, and it is a testimony to Sir James Grigg's careful husbanding of Central revenues that after providing for these extra burdens he was not only able to make an immediate contribution of 138 lakhs for the financing of Provincial autonomy, but was also able to balance his budget for next year without any increase of taxation. He is to be congratulated on his achievement. It was made possible by the improvement of railway revenues and of Customs and Central excise receipts, though I regret to notice that all these sources of income deteriorated in the later months of the year.

Trade figures tell the same story. I am not setting out the Indian figures because the returns now published treat Burma as a foreign

country, and the figures are useless for comparison with those of previous years. But for external purposes India and Burma still constitute a joint currency system, and for purposes of comparison I have worked out the balance of trade in merchandise for both countries combined. They show exports valued at 220 crores and imports at 155 crores, and a favourable balance of trade in merchandise of 65 crores. These figures are considerably better than those of 1936, when exports were valued at 185 crores and imports at 124 crores. Indeed, they are the best figures since 1930, and they are the measure of the recovery since 1932, when trade reached its lowest ebb with exports of 138 crores and imports of 133 crores. The improvement in imports is especially gratifying as indicating increased purchasing power. There was a net export of gold from India alone of 16.36 crores. The average annual net export in the preceding six years was 48.93 crores, and it looks as if the stream of gold from India were beginning to dry up.

POST-WAR INDUSTRIAL PROGRESS

I was intimately concerned with the commerce and industry of India for a number of years, and the thing that impresses me most in the post-war economy of India—apart indeed from the network of motor-bus services all over the country—is the progress made in industrial development. I remember Sir Thomas Holland commenting in 1916 on the fact that not a single wire nail was made in India. One has only to read, in the last report of the Indian Stores Department, the long list of articles of Indian manufacture purchased for the Government to realise what strides have been made in the last twenty years. To take only a few obvious instances, India now manufactures all the sugar and matches and practically all the cement she requires, she has increased enormously her manufacture of iron and steel, and last year she imported only 599,000,000 yards of cotton piece-goods, against a pre-war average of 2,600,000,000 yards. I do not pause to inquire whether these developments are a good or a bad thing. They are going on, and the process will continue. It is significant that nearly one-fifth of India's imports from the United Kingdom in 1937 consisted of machinery and millwork.

India's progress in industrial development naturally has affected her trade with the United Kingdom, but there is still room for a great and profitable trade between the two countries. Apart from her raw materials, there are certain classes of manufactures for which India has special advantages, and on the other hand she is in need of many things which this country, with its highly specialised industries, can supply. It is to be hoped, therefore, that the protracted negotiations which have been going on will result in a trade agreement which will be advantageous to both countries. More than 30 per cent. of India's exports now go to the United Kingdom, a much greater proportion than in the pre-slump years, and the experience of the great depression should have brought home to India, as it has to other countries, the importance of the great British market.

IMPORTANCE OF AGRICULTURE

In spite, however, of industrial development, India still remains predominantly an agricultural country and, as Lord Catto was never tired of impressing on you, her prosperity ultimately depends on the prosperity and purchasing power of her agricultural population. It is satisfactory therefore that the agriculturists obtained better average prices in 1937 for what are usually known as their cash crops, though the price of raw cotton fell away at the end of the year, mainly owing to the bumper American crop, but also partly to the fact that Japan had to curtail her purchases. It is also satisfactory to find that in all provinces the new governments are placing agricultural uplift in the forefront of their programmes. Progress must be slow of course. There are many difficult

problems to solve, including those of malnutrition, fragmentation of holdings and agricultural credit, and the Ministries are already finding it difficult to square their programmes with the hard facts of finance. But the raising of the purchasing power of a population of some 350,000,000 by even a few rupees per head would make such an enormous difference to the trade of the world that for this reason alone, apart from all others, it is a goal worth working for. There was a good deal of labour unrest during the year, strikes being frequent, and also in one province some agrarian unrest. But it may be hoped that this is merely a temporary phase.

INDIA'S INDUSTRIES

I have left myself little time to deal with the great Indian industries. The tea industry has had a prosperous year, thanks to a skilfully managed restriction scheme, and though its labour problem still remains acute, the coal industry after a long period of depression is getting more remunerative prices. The cotton mills have also done well. The feature of the year for them was a large increase in exports both of yarn and cloth due partly to the pre-occupation of Japan with the war with China and partly to the stoppage of the Chinese mills. I have no good account to give of the great jute industry. For reasons into which I have not time to go, the mills entered some time ago upon a period of unrestricted competition. It is true that they succeeded in getting a record off-take for their products, exports of manufactured goods having risen to 1,031,000 tons in 1937 against 912,000 tons in 1936 and 669,000 tons in 1934. But they received very low prices for their goods. Indeed, prices are now at an uneconomic level, and moreover stocks especially of hessians are piling up. Negotiations are now proceeding for a curtailment of working hours by agreement, and everyone who has the interests of the industry at heart sincerely hopes that they will be brought to a successful conclusion, or that some other agreed solution of the present difficulties will be found.

BURMA, SIAM AND CEYLON

In Burma the new constitution has so far worked smoothly. The price of paddy is the barometer of Burma's prosperity, and I am glad to say that in 1937 the cultivator got a higher average price than in any of the preceding five years. Unfortunately the new crop was badly damaged by untimely rains in December, and prices, too, show a tendency to sag. The trade returns for separated Burma for the nine months ending December last show exports at 36.90 crores and imports at 17½ crores. Exports to India were valued at 18.53 crores and were 50 per cent. of the total. The figures are interesting as showing the dependence of Burma on the Indian market, and it is also worth noticing that of 90 lakhs of Treasury bills sold by the Burma Government only nine lakhs were placed in Burma. The balance was sold in India. I take this opportunity of offering my respectful congratulations to the Government of Burma on its new Trade Journal.

The trade figures for Ceylon in 1937 make good reading. Exports at nearly Rs. 332,000,000 were above the level of 1930, the last pre-slump year, while imports at nearly Rs. 243,000,000 were better than in any year since the slump began. The healthiness of the position is shown by the fact that the island had a favourable balance of not less than Rs. 89,000,000.

Tea is the island's most important product. Indeed, shipments of tea constitute more than 50 per cent. of the exports, and I am glad to say that producers had a comparatively prosperous year. They have certainly benefited from the Restriction scheme, and in 1937, in spite of increased quotas, the average price of Ceylon teas increased by 9 cents a lb. Exports of rubber, which come next in order of importance to those of tea, increased both in quantity and in value, but for reasons which I will explain when dealing with Malaya, the price of rubber fell heavily in the second half of the year, and it has been necessary to reduce drastically the export quotas. There was a similar fall in the price of coconut products, which constitute the third great export from Ceylon. At the end of the year they were selling at less than half the price touched in the opening months of the year, and this is a serious matter for the island as the bulk of the capital of the indigenous population is invested in coconuts.

The increase of imports is satisfactory, and may be taken as an indication of the slow return of prosperity to the island. The United Kingdom and India are the chief sources of supply, and both increased their trade with Ceylon, but it is significant that in cotton piece goods Lancashire is losing ground to India. Prospects for the coming year are hardly as good as they were a year ago, owing to the drop in the prices of rubber and coconut products and to the reduction of the rubber export quota. There is some complaint in the island about the increasing burden of taxation, and it is certainly the case that there is a lack of confidence in the share and

property markets in Colombo. But the Government are no doubt alive to the significance of warning signs of this kind.

MALAYA

I come now to Malaya, where we have several important branches. I am anxious not to weary you with too many statistics, but I must just mention that the gross value of the foreign trade of Malaya improved from \$1,151,000,000 in 1936 to \$1,603,000,000 in 1937, or by nearly 40 per cent., and was greater than in any year since 1929. Thus 1937 may be written down as a good year. But the prosperity of Malaya depends on the prosperity of the rubber and tin industries, and Malaya affords perhaps the best example of what I said earlier about the effect of American trade recession on other countries. As, of course, you know, rubber and tin are controlled by International Committees, and it is perhaps inevitable that from time to time these committees should come in for criticism. It is certainly true that they have not succeeded in preventing large fluctuations of prices. Nevertheless, it is well to remember that, broadly speaking, the control systems have been of great benefit to producers. Stocks have been reduced, supply and demand have been brought into better relation, and the control systems have contributed to the rise of prices from the low levels to which they fell in 1931. In that year Mr Rycie told you in his speech at the annual general meeting in 1932, the average price of rubber was only about 3d. per lb. and that of tin £118 per ton. In 1937 the price of rubber averaged about 9½d., and though it fluctuated violently, the price of tin did not fall below £180.

EFFECTS OF AMERICAN SITUATION

But control systems, however carefully managed, cannot legislate for a sudden and unexpected failure of demand, and it is here that the influence of America made itself felt. In the first six months of the year the consumption of rubber in the United States was excellent. The price rose till it touched 13½d. at the end of March, and the quotas were raised. But in the autumn came the unexpected relapse of trade in America. Consumption fell away and with it the price of rubber, which was at 7d. at the end of the year. The case of tin was much the same, and the price of tin, which was as high as £270 in August, was as low as £183 at the end of December. By the end of the year the stocks of both commodities had begun to rise again, and the control committees had to act. The rubber quota has been reduced from 90 per cent. to an average of 65 per cent. in the first six months of this year, and the reduction of the tin quotas has been equally drastic. It is to be hoped that the effect of these reductions will be to keep prices on a level fair both to producers and consumers. For unless this result can be achieved, producers are bound to suffer from the restriction of output. Let me take rubber as an example. Domestic exports from Malaya in 1937 amounted to 492,754 tons. If the quotas are maintained at 65 per cent. for the whole year, the permissible export in 1938 will be only 391,300 tons, and the diminution of production by 100,000 tons will obviously be a serious matter for producers, unless there is some compensating increase in the price they get for their product. Similarly the reduction of the tin quotas has already thrown a large number of miners out of work. I do not suggest that there is any likelihood of a return to the conditions of 1931, but unless there is a recovery in America I am afraid that there must be some setback in 1938 to the prosperity of Malaya.

I can deal only briefly with the import trade. Generally speaking purchasing power improved in 1938, and the value of imports was the greatest since 1929. All the main classes shared in the improvement, and a satisfactory feature was the increase of imports of cotton piece-goods from less than \$18,000,000 in 1936 to \$26,000,000 in 1937. Lancashire shared in this increase and had a good year, but the same significant fact emerged on which I commented when dealing with Ceylon. There was an even greater increase in the import of Indian piece-goods.

I must just mention here that as stated in 'the directors' report' we have registered a company in Penang under the name of the Mercantile Bank of India (Trustees) Limited in order that we may undertake the duties of executors and trustees in Malaya.

POSITION IN SHANGHAI

I am afraid that I cannot paint a very cheerful picture of Shanghai. It is true that the value of the trade of the port in 1937 at 913,000,000 Chinese dollars was only a million dollars less than in 1936, while the trade of China as a whole was actually greater in 1937 than in 1936. It increased from 1,647,000,000 Chinese dollars to 1,792,000,000 dollars. These are astonishing figures. They are due, of course, to the fact that there was a remarkable expansion of trade in the first seven months of the year. By the end of July imports had increased by nearly 37 per cent. and ex-

ports by 45 per cent. The year indeed opened under the most favourable conditions. Trade was booming, crops were promising, revenue was increasing, and China's currency and finance had been placed on a much better footing. The Government was firmly established in Nanking, and with its authority extending to all but the most remote parts of the country, there was a degree of unity hitherto unknown. The Shanghai Stock Market, which had been through a long period of depression, was moving steadily upwards, and on every side there were unmistakable signs of industrial recovery and trade expansion.

Then came the tragedy of the Japanese invasion of China. The first rumble of war occurred in the north, but hopes of a peaceful settlement were not dispelled till fighting broke out round Shanghai on August 13th. Fighting continued in parts of the Settlement and round Shanghai until November 10th, when finally the Chinese were driven from all surrounding areas. This was a period of great anxiety, our chief anxiety being for the safety of our staff and their families in Shanghai. Fortunately all of them came through unscathed, but business, of course, was carried on only under the greatest difficulties. The trade of Shanghai dropped from 394,000,000 Chinese dollars in the last five months of 1936 to 170,000,000 dollars in the corresponding months of 1937. It is even less now, for with Shanghai surrounded by Japanese forces no communication is possible with the hinterland, and export trade is virtually at a standstill. The recent imposition by the Chinese Government of exchange control added to the difficulties of the situation. That control, as you will have seen, has within the last day or two temporarily broken down. I can say nothing of the future except that with a return to normal conditions we are well equipped to resume our increasing share of financing the trade of Shanghai, and that past experience shows what astonishing powers of recuperation Shanghai has. But trade cannot recover until the war ends, and unfortunately there are no signs of an early termination of the struggle.

A REASONABLY GOOD YEAR

And that, ladies and gentlemen, is the end of my review, and if I have made myself plain you can see for yourselves what is the conclusion of the whole matter. We have had a reasonably good year, which would have been better had it not been for the untoward events to which I have referred, and the prospects for the coming year are not quite so encouraging as they were a year ago, particularly in view of the recent grave deterioration of the political situation in Europe. But there is no need for pessimism. We have learned to take the rough with the smooth, and I think I can say with some confidence that, thanks to the support which you have consistently afforded the board, your bank is in a strong position.

It remains only for me to express our obligations to Mr Crichton and his staff. We directors do our best for you as far as in us lies, but it is on them that the main burden rests, and whatever credit is due is due to them. You all know how much you owe to Mr Crichton. His unremitting devotion to the affairs of the bank is beyond all praise, and he is ably seconded by Mr Paton and Mr Cruden. We also owe a debt of gratitude to our managers in the East and to all our staff at home and abroad. (Cheers.)

The chairman concluded by moving the adoption of the report and accounts and the payment of a final dividend on the "A," "B" and "C" shares of 6 per cent., making 12 per cent. for the year, less income tax.

Sir Thomas Smith, Kt. (deputy chairman), seconded the resolution and it was carried unanimously.

The retiring directors and auditors were re-elected, and a vote of thanks to the chairman, directors and staff, proposed by Sir Alfred Watson and seconded by Mr F. G. Jones, concluded the proceedings.

BEKOH CONSOLIDATED RUBBER ESTATES, LIMITED

The eighteenth ordinary general meeting of the Bekoh Consolidated Rubber Estates, Limited, was held, on the 31st ultimo, in London.

Mr E. F. Slade, J.P., the chairman, said that in the 18 months covered by the accounts the Bekoh estates produced 1,283,894 lbs. of rubber, and the Coronation estate 922,036 lbs. in the nine months of actual working. The price received was 8-74d., as against 6-82d. per lb. the previous year. Costs were 1d. a lb. more than the previous year, owing entirely to higher coolie wages. The net profit was £34,330, and the amount brought forward from the previous year was £8,741. An interim dividend of 2½ per cent. was paid in March last year, and it was now proposed to pay a final dividend of 7½ per cent. and to carry forward £18,591.

It was unlikely that the current year's profit would be as good as in 1937. They must wait and see what they would be allowed to

produce for the whole year, and, what was more important still, what the consumption would be. They had 268,800 lbs. of rubber sold forward at 11½d. a lb. c.i.f., which was a great help, whatever the day-to-day prices might be. Transport, in his view, must constantly increase, especially road transport. Turning wheels meant wearing rubber and eventually, with restricted planting, he believed full output would be required. He could not fix a date for that, but he was optimistic.

The report was unanimously adopted.

BANCO DI ROMA

IMPRESSIVE FIGURES

The meeting of the Banco di Roma was held on the 24th ultimo. The report shows the great progress made in the struggle for economic self-sufficiency, and the tremendous amount of work which has been done for the consolidation of the Empire. The Banco di Roma, which had already opened eight branches in the Empire, has opened a further seven branches during the year, and is now established in all the most important centres. In Italy the Banco di Roma has opened another thirteen branches, and an exchange office inside the central station of Milan. It has also opened a branch at Baghdad, thus extending the network of its branches in the East.

The work done last year totals up to figures which are really impressive, and which give evidence of progress in excess of that attained in any previous year. For instance, deposits on current and savings accounts increased from Lire 982,348,882.83 (1936) to Lire 1,261,327,288.72, being an increase of Lire 278,978,405.89; balances due to correspondents increased from Lire 2,245,674,371.57 (1936) to Lire 2,796,285,837.12, an increase of Lire 550,611,465.55; cash and funds with the Central Bank from Lire 360,989,845.42 (1936) to Lire 392,154,377.74, an increase of Lire 31,164,532.32; portfolio and Treasury bills from Lire 1,471,052,780.56 (1936) to Lire 1,876,532,546.99, an increase of Lire 405,479,766.43; balances due by correspondents from Lire 1,012,400,505.06 (1936) to Lire 1,177,172,674.76, an increase of Lire 164,772,169.70; and secured advances from Lire 260,547,067.75 (1936) to Lire 499,266,759.22, an increase of Lire 238,719,691.47. Acceptances on behalf of customers also increased from Lire 6,775,692.95 (1936) to no less than Lire 114,143,612.27, being an increase of Lire 107,367,919.32, and only guarantees for third parties contract from Lire 172,003,824.17 (1936) to Lire 143,553,439.46, being a decrease of Lire 28,450,384.71.

The balance sheet, which is drawn up on the most rigid lines, closes with a profit of Lire 10,891,790.35, which makes it possible to resume the payment of dividends at the rate of 4 per cent. with the utmost confidence, and to transfer a further Lire 5,000,000 to internal reserves.

The meeting invited two other persons of note to join the board: S. E. l'On. Amedeo Fani and Senator Martin Franklin.

LONDON AND THAMES HAVEN OIL WHARVES, LIMITED

The fortieth ordinary general meeting of this company was held, on the 28th ultimo, in London.

Mr Thos. C. J. Burgess, the chairman and joint managing director, said that the profits amounted to £203,767. A dividend of 10 per cent., free of tax, was recommended. Last year he had stated that 1936 had been the closing of one stage in the company's history, and the beginning of a new one. Subsequent events had justified the remark, the contract between the company and the Shell interests having been terminated at the end of 1937, and no attempts had been made towards its renewal. Events had shown how wise the directors had been in taking a long view of the situation.

By virtue of the Mucking Line limit in the Thames beyond which low test petroleum in bulk had not been allowed to be carried by importing tank ships, Thames Haven had always been referred to as having a monopoly. That was quite untrue, and in the last 30 years there had been many attempts to get the import line for low test petroleum ships removed higher up the river. The matter had now come up again in a vital manner. Towards the end of 1937 it had been rumoured that the Anglo-American Oil Co. had made a proposal to the British Government which the Ministry of Defence evidently thought was one which should be promoted by all possible means. The directors, however, could not sit still and see the whole of their earning capacity taken away by what he would call an unholy alliance between Government Departments and world combinations. They felt if the shareholders did not support them that there was nothing for it but to realise that the time of their company's usefulness was past, and it was the intention of the directors to offer the most strenuous opposition to the shifting of the limit line.

The report was unanimously adopted.

BANK OF AUSTRALASIA

STRONG FINANCIAL POSITION

CONDITIONS IN AUSTRALIA AND NEW ZEALAND

SIR JOHN SANDERSON'S REVIEW

The 104th annual general meeting of the Bank of Australasia was held, on the 31st ultimo, at the Head Office, 4 Threadneedle Street, London, E.C.

Sir John Sanderson, K.B.E., in the course of his speech, said:—During the first six months (i.e., to April, 1937) of our financial year—and this includes the time of year when most of the exports from Australia and New Zealand are marketed—prices for wool, wheat and metals were definitely profitable, and our bank naturally had a share in this prosperity. For the subsequent half-year prices for nearly all commodities, excepting gold, suffered a sharp decline. Meat and dairy produce, which form a large proportion of exports from the Commonwealth and New Zealand, have been more fortunate in maintaining steadier prices.

BALANCE SHEET ITEMS

The total of the balance sheet has increased by £4,720,000 and now stands at the record figure of £55,846,000. Specie, bullion, Government notes and cash balances are more than doubled at £10,000,000, an increase of over £5,000,000. These represent rather less than 25 per cent. of our total liabilities to the public in respect of deposits. British Government, Australian and New Zealand Government and other securities stand at over £8,000,000. These, together with the aforementioned £10,000,000, represent 45 per cent., or 9s. in the £, of our total deposits. I think you will agree that this shows an unusually strong and liquid position. In fact, we would prefer to have larger funds in safe commercial advances if these were available.

As regards the profit and loss account, the total profit shown, after making a transfer to the credit of contingencies account, out of which account provision for all bad and doubtful debts has been made, is raised by £132,000.

Charges of management include an increase of £18,000 in Australian and New Zealand salaries and allowance, but, as most of you are aware, control over salaries is to a considerable extent removed from our hands by the awards of the Arbitration Courts in Australia and the Finance Act of 1936 in New Zealand. Rates and taxes, including National Defence Contribution, show a large increase of £96,500 to £269,700.

The net result of the profit and loss account is eloquent of the fact that, although its customers may be enjoying better times, it does not necessarily follow that the bank is doing measurably better in respect of profits. It has not been easy to maintain an adequate margin between the interest rates of deposits and advances.

Australia and New Zealand hold a prominent position in the world's markets, and in their endeavours to provide for their present standard of living and for their future prosperity rely upon maintaining a considerable margin of exports over imports. The trading banks are there to finance such endeavours—as they have done for over a century—and their success or otherwise depends largely upon their ability to obtain exchange. It is still not clear what the financial outcome of various experimental marketing schemes, with guaranteed prices, will be upon the national economy, but such action, particularly on the part of the New Zealand Government, deprives the banks operating in New Zealand of a considerable portion of their revenue-producing business and also of an appreciable portion of the London exchange which used to come to them from the proceeds of New Zealand exports paid for in this country.

WOOL, WHEAT, ETC.

Available estimates suggest that the wool clip for the year ending June 30, 1938, will exceed that of 1936-37, one of the largest on record, when it was round about 3,246,000 bales. The average price per bale realised was for 1936-37, £20 14s. 2d. (Aust.), but owing to the serious decline in prices during the past twelve months the average price per bale for the current year is likely to be substantially less.

The area under wheat in the Commonwealth increased from 12,000,000 acres in 1935-36, yielding 144,217,000 bushels to 12,342,000 acres in 1936-37, yielding 150,559,000 bushels. Figures for the year 1937-38 season indicate an acreage of 14,000,000 and a

probable yield of 175,000,000 bushels, of which it is estimated about 100,000,000 bushels will be available for export.

The production of gold in Australia continues to expand, the production in 1937 being 1,380,000 ounces, valued at £12,000,000 (Aust.), compared with 1,175,000 ounces for the previous year. Silver and lead are produced to the annual value of approximately £5,000,000 (Aust.).

EXCESS OF EXPORTS

For the year 1936-37 the excess of Australian exports over imports was about £36,000,000 sterling; against this, of course, there were commitments of about £25,500,000 sterling for interest on public debt payable in London, leaving a balance of £10,500,000 sterling, out of which any addition to London funds had to be provided. Owing to the large increase in imports and to the fall in the price of wool the 1937-38 figures are not expected to produce so good a showing.

The estimated population of Australia at June 30th last was 6,831,000. Recently an important official announcement has been made of the Australian Government's policy regarding immigration, and all who are interested in the progressive development of the country will fervently wish that success may attend the efforts of those who will be called upon to carry out the details which may be finally adopted.

Since the Lyons Ministry has been in power conversions in London to the extent of £198,500,000 sterling have, with the able assistance of Mr S. M. Bruce, the High Commissioner, been effected with a saving in interest of £3,256,000 sterling, or over £4,000,000 in Australian currency, per annum.

Since our last meeting of shareholders the report has been issued of the Commission appointed to enquire into the currency and banking organisation of Australia. The investigation lasted many months, and the result was not unfavourable to the trading banks, in that it recognised the services they had rendered to the community and did not favour their nationalisation.

Nevertheless, the report contained recommendations that were not greeted with unqualified approval, amongst them the granting of wider powers to the Commonwealth Bank in certain directions. In the event of a decision by the Commonwealth Government that, following the Commission's report, certain legislation is required, one may express the wish that the existing elasticity of the Australian banking system, which has stood the country in good stead for so many years, will be preserved. So far as possible the legislation should not seek to impose rigidity in cases where many authorities feel convinced can better be left to be treated by reason and good will rather than by compulsion.

NEW ZEALAND

The present Government in New Zealand has been in power since the General Election on November 27, 1935, when the Coalition Government was defeated. The next General Election will be held during this year. During the past year an important policy measure, "The Trade Agreement (New Zealand and Germany) Ratification Act," was passed. This Act provides for trade between New Zealand and Germany on a barter system. Under the agreement, which came into force on January 1, 1938, Germany undertakes to purchase New Zealand products to the full value of Germany's exports to the Dominion.

For the year ended June 30, 1937, wool exported from the Dominion was valued at £18,770,000 (New Zealand), an increase of £6,000,000 on the value for the preceding 12 months. Exports of butter for 1936-37 were 2,900,000 cwts., valued at just under £16,000,000 (New Zealand), and of cheese over 1,500,000 cwts., valued at nearly £4,500,000 (New Zealand).

Overseas meat exports to the United Kingdom for the year to September, 1937, included mutton carcasses, 1,750,000, and lamb carcasses, 9,000,000. For the 12 months ended December, 1937, New Zealand's total exports "of produce only" amounted to £66,713,000 (New Zealand), of which the United Kingdom took £50,724,000 (New Zealand), the next largest customer being the United States of America, with £4,796,000 (New Zealand), and Japan £3,132,000 (New Zealand). Her imports totalled

£56,000,000 (New Zealand), so that she had a favourable trade balance of £10,500,000 (New Zealand).

SYDNEY'S 150TH ANNIVERSARY

It is no exaggeration to say that conditions in Australia at the present time bear favourable comparison with those in any other country. In this happy atmosphere the 150th anniversary of the landing of Captain Phillip at Botany Bay was celebrated. The festivities in Sydney in connection with this important occasion in Australia's history have attracted visitors from all parts of the world and have contributed materially to a better understanding and a greater knowledge of Australia and her possibilities. All Australians must experience a thrill of pride in contemplating the material and other progress which has taken place during the past century and a half.

In their present wellbeing and in the contemplation of past achievement the people of Australia will, one feels confident, not relax their efforts nor lose sight of the necessity for ever-increased efficiency in order that this progress may be maintained.

NATION STRONGER AND MORE EFFICIENT

During the period of the financial and economic crisis Australia was subjected to a bitter experience. By a great national effort, and thanks to the character of her people, she overcame her difficulties and emerged a stronger and more efficient nation. Under the spur of necessity the Australian primary producers and the manufacturers found that it was possible to reduce costs of production by improving their methods and by utilising the most up-to-date means of working based on recent scientific research. As a result, in many industries Australian costs were brought closer to world export prices, and there was a welcome decrease in the need for extreme tariff protection. The operations of that remarkable enterprise, the Broken Hill Proprietary Company, at Newcastle and elsewhere, are an outstanding example of this.

Given a maintenance of the spirit that animated the people of Australia during the recent critical years, I have little fear of the future. It is essential, however, that there should be sound Government. There is little I can say on this subject without trenching upon political questions. I can, however, express appreciation of the sound and impartial investigations which are being made in respect of secondary industries by the Tariff Board and of the efforts which the Government is making in endeavouring to arrange treaties with foreign countries for the expansion of reciprocal trade.

THE WOOL AGREEMENT

I also desire to direct attention to the agreement which has been reached between representatives of the wool growers of Australia, New Zealand and South Africa for the purpose of promoting the interests of the wool industry in general. We are glad to welcome Dr Clunies Ross, the distinguished chairman of the body which has been established, with colleagues from New Zealand and South Africa—they are now making diligent enquiries in this country and on the Continent in respect of the very important task assigned to them.

Another point of unusual interest is the recent publication of the report of the commission appointed by the Federal Government to enquire into the existing state and future development of the Northern Territory of Australia. This extensive but very sparsely inhabited portion of the Commonwealth has sometimes been called Australia's "Heel of Achilles," and the report is one which, with obvious knowledge and courageous statement of facts, makes recommendations which must have a profound effect upon those who are charged with the administration of this particular area.

Sound internal policies must always be of great importance to the wellbeing of Australia and New Zealand, but we have to recognise that their future prosperity is at least equally dependent upon an improvement in the international political atmosphere and upon an amelioration of the world economic situation.

In addition to the maintenance of peace, the vital requirements are a payable price for exports and markets for what we hope will be an expanding production. Without an improvement in the world political and economic situation it is difficult to see how these things can be assured.

THE LATEST NEWS

I will conclude my remarks by reading a cable which the superintendent sends to give us the latest seasonal information:—"Season's prospects Australia fairly satisfactory, but rain urgently needed in some inland pastoral areas, particularly riverina. New Zealand conditions satisfactory, but autumn rains needed."

The report and accounts were unanimously adopted.

THE EMPLOYERS' LIABILITY ASSURANCE CORPORATION

ANOTHER YEAR OF PROGRESS

The fifty-seventh ordinary general meeting of this corporation was held, on the 30th ultimo, in London.

Sir Courtauld Thomson, K.B.E., C.B. (the chairman), said that the main features of their operations in 1937 were: Premium income had increased by £239,000 to £7,144,000; their home premiums were the largest in the history of the Corporation, and fire business had made a steady advance. The balance in the profit and loss account was £398,000, of which £152,000 represented the underwriting profit. While the accident and general accounts were not so profitable as in the two previous years, the fire account profit was good in amount and ratio.

On account of the United States investment situation and the exchange factors, their Stock Exchange investments had depreciated during the year. There was, however, a large appreciation in the value of their investment in their associated life company, the "Clerical, Medical, and General," which had once again produced record figures in new business and in total funds. After all outgoings the Corporation had carried forward £304,000, an increase of £71,000 compared with the previous year.

JUDGMENTS IN MOTOR ACCIDENTS

Their motor business, taken as a whole, showed a profit in 1937, but had been unfavourably affected by the experience in the United Kingdom. That was mainly due to the additional amounts which it had been necessary to provide for claims paid and outstanding, both on account of the higher standard of damages and in view of the recent House of Lords decision in the case of *Rose v. Ford*. That laid down that a person, or his legal representative, who was injured or killed in an accident through the negligence of another was entitled to claim for loss of expectation of life.

The chairman proceeded to quote some examples of verdicts for damages where injuries and other circumstances were comparable, as reported in 1927 and 1929, with others reported within the last nine months, as follows:—

1927. Bus conductor injured when bus came into collision with motor-lorry. Fractured skull. Insane. Awarded £850.—1938. Farm labourer run into by motor cycle while cycling. Head injuries, showing signs of insanity. Awarded £7,500.

1929. Master tailor cutter injured in collision between his motor cycle and a taxi. Leg amputated. Awarded £1,600.—1937. Road labourer, aged 36, struck by tram-car. Leg amputated. Awarded £5,000.

1929. Manager to firm of paper merchants knocked down by motor van while crossing road. Skull fractured. Mentally deranged. Awarded £1,475.—1937. Bricklayer, aged 32, earning £3 10s. per week, while cycling was run into by motor car. Injury to brain. Mentally affected. Awarded £6,542.

1929. Boy, aged seven, knocked down by lorry. Arm amputated. Awarded £660.—1937. Boy, aged nine, pinned against a wall by a car. Leg amputated. Awarded £4,750.

PROFIT AND LOSS AND APPROPRIATION ACCOUNT

Turning now to the profit and loss and appropriation account, interest, dividends, and rents, less income tax, amounted to £246,000. Adding the total underwriting profit of £152,000, they had a balance of £398,000 to carry to appropriation account. With the amount of £234,000 brought forward from last year, there was available for appropriation £632,000. They had provided £72,000 for the balance of British taxation in respect of the profits of the year, which included approximately £17,000 for National Defence Contribution. £50,000 has been applied to write down the amount at which their investment in the Merchants' Marine Insurance Company stands in the balance sheet.

The directors declared last September an interim dividend of 1s. 6d. per share, less tax, which absorbed £88,000, and recommend the payment of a final dividend of 2s. per share, less income tax at 4s. 9½d. in the pound. This would cost £117,000, making a total of £205,000 in respect of dividends for the year. The directors recommend that the balance of £305,000 be carried forward, an increase as a result of the year's trading of £71,000.

The outlook was overshadowed by the grave international situation. They must not under-estimate the dangers, but what were most needed by any nation in times of crisis were steadiness of outlook and resolution of purpose. We had demonstrated those qualities in the past. As far as the company was concerned, he believed that their outstanding position in North America was a source of strength and that they would be able to take advantage of the development in the future of that progressive continent.

The report was unanimously adopted.

NATIONAL BANK OF INDIA, LIMITED

SUCCESSFUL RESULTS—INCREASED PROFITS

MR R. LANGFORD JAMES'S SPEECH

The ordinary general meeting of the National Bank of India, Limited, was held, on the 28th ultimo, at the Wesleyan Hall, Bishopsgate, London, Mr R. Langford James (the chairman) presiding.

The General Manager (Mr E. H. Lawrence) having read the notice convening the meeting and the auditors' report,

The Chairman said:—On the liabilities side of the balance sheet current, fixed deposit and other accounts amount to £30,466,945, which is an increase of £439,264 over the previous year. Acceptances on behalf of customers are up by £141,500, while on the other side cash, bullion on hand and in transit appear as £5,303,152, against £5,411,233. British and Indian Government securities combined amount to £15,304,062, which is some three-quarters of a million pounds higher than in the previous balance sheet. Bills of exchange at £4,525,842 show a reduction of £283,592, and discounts, loans receivable, etc., at £10,073,727, a small increase of £68,881.

When we last met I remarked on the large percentage of our deposits represented by cash and securities which, although disclosing a very strong position, left us with a desire to see a greater proportion of our resources employed in the finance of trade. Since then, however, the improvement in trade conditions has not been substantial enough to furnish us with the outlet looked for, and the ratio remains at the high figure of 67 per cent. Total advances and bills of exchange together amount to £14,599,569, which is less than the figure representing our Government security investments to which I have already alluded.

PROFITS AND DIVIDENDS

The net profits for the year amount to £465,861 16s. 8d., which is an increase of £9,575 10s. 5d. over the previous year, and with the sum of £243,954 18s. 10d. brought forward the amount available is £709,816 15s. 6d. An interim dividend at the rate of 18 per cent. per annum, less income tax, was declared in September last and the directors now recommend the payment of a final dividend at the same rate. These together will absorb £360,000, and we propose to add £50,000 to staff pension funds and to place £50,000 towards reduction of premises account, carrying forward to next account £249,816 15s. 6d. As usual, all bad and doubtful debts have been fully provided for.

The slight improvement in our profits is to some extent accounted for by a reduction in expenses of management, which are £6,600 lower than in the previous year. You will no doubt regard it as satisfactory that we are able to maintain the dividend distribution at the rate of 18 per cent. per annum and at the same time to make a suitable allocation to the staff pension funds and to write £50,000 off premises account. In viewing the profits, however, it is necessary to bear in mind our large holdings of Government securities, to which I have just referred, the income from which will tend to decrease as the securities which bear high rates of interest reach maturity date, when it seems almost inevitable that the rate on the loans issued to replace them will be on a lower basis.

There has not been any notable change in money conditions in India. The bank rate in that country remained at 3 per cent. throughout the year. This rate has been effective since November 28, 1935, and for close upon three years prior to that date the rate remained at 3½ per cent. We have thus had five consecutive years of a low bank rate in India, a condition which is possibly without precedent in our generation.

INDIA'S FAVOURABLE TRADE BALANCE

India ended the year with a favourable trade balance of about Rs. 56 crores, which shows a fall of Rs. 24.37 crores when compared with the previous year. The value of gold exported during the year amounted to £13,708,000, against £24,870,000 in 1936. Trade, generally speaking, in that country has not been unsatisfactory—though the experiences of some of the leading industries are at present not of a very happy nature, and to these I shall refer later—but, with the multiplicity of banks now operating, all business is keenly competed for and an adequate return on the money employed in financing trade is not always obtainable. I might here mention that the bank is approaching its seventy-fifth birthday, and it has been our pride during the three-quarters of a century in which we have been established to build up business connections which it is our constant effort to maintain and to augment by according

reasonable facilities to sound enterprises in the spheres where we are engaged.

I referred last year to the fact that nationalisation is now as attractive in India as it is in other countries, and it is only to be expected that a growing proportion of the internal trade of India will be financed by the indigenous banks who, with an increased demand for banking facilities, will extend their branches and be well placed to deal with it.

An interesting point was brought out by Sir James Taylor, the Governor of the Reserve Bank, at that institution's annual meeting last month: he pointed out that the population of India was estimated to have been 370 millions in 1935, as compared with 319 millions in 1921, and that by 1941 the figure is expected to be in the region of 400 millions, an increase of roughly 80 millions in twenty years. According to Sir James, the area under cultivation is not keeping pace with the growth of the population, so that, as he puts it, "the pressure of population on cultivated land between 1921 and 1935 has increased by approximately 11 per cent." This being the case, it is only reasonable to conclude that, unless and until the lag between population and land under cultivation is corrected, the balance for export of foodstuffs and such necessities of life as cotton, after satisfying the internal needs of the country, must tend to decrease.

NEW REGIME IN INDIA

You may recollect that at our last meeting I mentioned that on the day following the Provinces would commence their autonomous career. A year has passed, and, in spite of one or two isolated instances of what may be regarded, perhaps, as somewhat unfortunate happenings, I think you will join with me in congratulating the various Provincial Governments on their handling of the tasks appointed to them. This excellent start should augur well for the future of the country.

So far as finance at the Centre is concerned, there is also cause for congratulation in that Sir James Grigg has been able to produce a balanced Budget without recourse to additional taxation, in spite of the heavy strain on the Government of India's finances caused by the grant of autonomy to the Provinces.

It has been customary at these meetings to review at some length conditions in the industries in which the bank is mainly interested. The cotton mills in the West of India have experienced better trading conditions and profitable working, though on a modest scale, has been more the order of the day than the losses to which their shareholders have unfortunately become so accustomed of late years. Japanese competition, which had made itself felt so acutely for some time past, has been less in evidence, possibly on account of the pre-occupation of that country elsewhere, though I understand that recently Japanese goods have been making their appearance in the bazaars again in greater quantity. A committee appointed by the Bombay Government to inquire into the question of the wages of workers in the cotton mills in that Province has recently recommended increases which will amount to some 12/14 per cent. of the wages bill. This can scarcely be a welcome imposition to an industry struggling to emerge from a long period of depression.

COTTON AND JUTE

With prices of raw cotton on such a low level the Indian grower has been experiencing anything but a happy time, and as his best customer, Japan, must perforce limit her purchases to a minimum for the time being, prospects for this large section of the community cannot be anything but uncertain.

The jute mill industry in Bengal is in no better case than it was when we met last year; in fact, it would not be an over-statement to say that its affairs have gone from bad to worse. The trouble is, as you are probably aware, over-production. The total number of looms in the mills has increased from 25,000 in 1908 to roughly 63,000 in 1937, and the position is, I believe, that the Calcutta mills are capable of satisfying the whole of the world's requirements of jute goods. For many years the mills who are members of the Indian Jute Mills Association maintained the prices of their products at an attractive level by working short time. Almost inevitably this led to the erection of additional mills, some of which have found it profitable to remain outside the association, thereby not binding themselves to its working hours. The effect of competition by these "outside" mills has been to raise stocks to a high level and profits have dwindled almost, if not entirely, to

ERICSSON TELEPHONES LIMITED

ANOTHER SATISFACTORY YEAR

The annual general meeting of Ericsson Telephones, Limited, was held, on the 30th ultimo, in London, Colonel Sir Harold A. Wernher, K.C.V.O. (the chairman), presiding.

The Chairman, in moving the adoption of the report and accounts, said that in each of his last three speeches, covering the years 1934, 1935 and 1936, he was able to report record order books, and it was gratifying for him again that morning to inform the shareholders that 1937 had provided them with further records for output, net profit and volume of work in hand. Their business with countries within the British Commonwealth had been very satisfactorily maintained, and at the moment they had in progress important contracts for automatic telephone exchanges for the Australian Post Office. It might not be out of place to mention one particular contract, because it was one which was of general interest; he referred to an order received from the Racecourse Betting Control Board involving the renewal of a substantial portion of the electric totalisator at Ascot Racecourse. The contract, which would be completed in time for the Ascot meeting this year, would not only give greater flexibility, but would materially increase the rapidity with which bets could be handled.

It was always a pleasure to him to direct their attention to the very efficient telephone service which had been developed in this country by the British Post Office. There used to be a tendency to criticise adversely any enterprise conducted by the State, but there could be no doubt whatever that the Post Office handled a great and difficult business with an efficiency and singleness of purpose which would do credit to any commercial organisation anywhere.

For the first three months of the year their sales were in excess of 1937, and they had a record volume of work in hand; furthermore, in the future they should reap the benefit of the increased capacity of the factory. Under normal trading conditions those facts alone would justify a very optimistic outlook. The available balance in the profit and loss account was £147,965, and it was proposed to pay a final dividend of 12 per cent. free of tax, making 18 per cent. free of tax for the year, plus a bonus of 7 per cent., also free of tax, and to carry forward £36,708.

The report was unanimously adopted.

BRITISH ROPES LIMITED

RECORD PROFIT

The sixteenth ordinary general meeting of British Ropes, Limited, was held, on the 30th ultimo, at Great Eastern Hotel, London.

Mr Herbert Smith (the chairman) said:—The ordinary share capital has been increased by £112,061 occasioned by the issue amongst the existing ordinary shareholders of 896,488 shares.

The reconstruction of the factory at Leith, which was destroyed by fire, was completed in 1937, and was formally opened last November. It is one of the most modern and best equipped plants of its kind in Great Britain; an extensive programme of adapting and renewing machinery and buildings at our other factories is well under way, and when completed they will be representative of the most modern and industrial practice.

I am very satisfied with the trading profits of our wholly-owned subsidiary, Rand Ropes, Limited. Production has commenced, but it will probably be some months before the works are running to normal capacity output. Our other subsidiary companies have enjoyed very satisfactory trading during 1937.

The profit for the year after all prior charges amounts to £256,759, as compared with £211,576 for last year. This improvement is more satisfactory, as the full benefit of the additional capital could not be reflected in the current year's profits. Home trading during the year has been satisfactory. During the early part of the year we were particularly busy, and although trade has since slackened off, I have every confidence in the future of the company, and in its ability to earn adequate profits and to maintain the payment of dividends.

The board of directors consider the company's trading and financial position justified the establishment of a pension scheme, which will apply to all male employees. During the last two years £15,500 has been set aside, and we propose to allocate a further £13,000 this year, making £28,500 in all to enable the scheme to be put into operation immediately.

The directors proposed to recommend a dividend at the rate of 25 per cent. per annum less tax on the ordinary shares and the placing of a further £25,000 to general reserve.

The report was unanimously adopted and the dividend was approved.

vanishing point. Negotiations between the association and the "outside" mills for joint action towards improving the position have been in progress for some considerable time, and I was pleased to learn from the address of Mr H. H. Burn, the chairman of the Jute Mills Association, at their recent annual meeting, that he considers prospects for a settlement have improved of late. The well-being of this, Bengal's premier industry, is of such material interest to the province that it is sincerely to be hoped an understanding may be reached at an early date.

TEA, RUBBER AND SUGAR

Tea companies, under the protection of the international scheme for the regulation of exports, continue to enjoy modest prosperity. The first five-year scheme concludes its life at the end of this month, and it is satisfactory to record that the Governments concerned, i.e. those of India, Ceylon and the Netherlands East Indies, have agreed to legislate for its continuance for a further period of five years, until March, 1943. It is acknowledged that the practical working of the scheme has been handled with great ability by the International Tea Committee, who have thereby earned the confidence of all sections of the trade. No efforts are being spared to find and cultivate new outlets for tea in the hope, of course, that eventually the day will come when demand will absorb supplies.

As regards rubber, the optimism in the early part of the year was reflected in the price, which reached 1s. 1½d. at the end of March, but by the end of December had receded to 6½d. The hopes of a maintenance of a satisfactory statistical position were not fulfilled, and although the world absorption in the region of 1,080,000 tons showed an increase over 1936, the additional releases under the regulation scheme more than offset this increase, and there was an addition to world stocks of about 60,000 tons. In the second half of the year the decline in the trend of absorption, coupled with increased exports from producing countries, was naturally reflected in the price.

The rubber industry is extremely susceptible to the ebb and flow of world prosperity and international trade, and recent events in international affairs have had a disturbing effect throughout the world. The rubber plantation industry, however, has been developed on a solid foundation, and the value of international co-operation is recognised in the regulation scheme and the International Rubber Regulation Committee deserves our thanks for its services in the interests of producers and consumers during a very difficult period. It is satisfactory to record that the Committee has recommended a renewal of the scheme for a further five-year period.

Sugar prices in India recorded a further substantial decline last year, and manufacturers have been experiencing anything but a happy time. Recently legislation has been passed in the two leading producing provinces, Behar and the United Provinces, the aim of which, while ensuring to the ryot a fair price for his cane, is to entrust fixing of the selling prices to a central organisation, with a view to the elimination of competition between sellers. It is hoped thereby to raise values gradually to a remunerative basis, a laudable object which, it is hoped, may come to fruition, but the inherent weakness in the scheme is that, being confined to two provinces, if it meets with success, it may also have the effect of encouraging competition from other districts. Broadly speaking, it appears to be acknowledged that, so far as internal consumption is concerned, production in India has reached saturation point. This being so, it is, perhaps, permissible to question the wisdom of the undertaking, recently given by the Government of India, that export of sugar from that country will be prohibited during this and the succeeding four years.

CONDITIONS IN BURMA

In Burma trading conditions during 1937 showed further improvement. Rice exports at 3,200,000 tons were slightly in excess of the previous year's figures and paddy prices ruled about 10 per cent. higher. There was a marked increase in exports to Europe, these totalling 714,000 tons as against 535,000 tons in 1936. Shipments to India were correspondingly smaller, due to better crop conditions in that country, while exports to other markets were well maintained. The 1938 crop estimates indicate that the current year's exports should be maintained at about the same volume as last year, but unfortunately the price level has fallen, and this is bound to have an adverse effect on general trade conditions in the country.

East Africa continues to enjoy moderate prosperity, though Uganda is being paid disappointing prices for her cotton and in Zanzibar the recent boycott of cloves by Indian merchants has led to an abnormal accumulation of stocks. These are being marketed under a Government scheme.

The report and accounts were adopted.

The retiring directors and the auditors were re-elected, and a cordial vote of thanks was passed to the chairman, directors, general manager and staff.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

TREND OF INTERNATIONAL TRADE

MR A. D'ANYERS WILLIS'S REVIEW

The eighty-fourth ordinary general meeting of the shareholders of the Chartered Bank of India, Australia and China was held, on the 30th ultimo, at the bank's premises, 38 Bishopsgate, London.

Mr A. d'Anyers Willis (the chairman) presided, and in the course of his speech said:—I need hardly remind you that the year under review has been a trying and difficult one for banks primarily concerned with the finance and trade of the East and Far East. Through this Far Eastern trade connection, with its wide ramifications, we are afforded business contacts with all parts of the world. You will appreciate, then, that the difficulties and uncertainties from which we suffer as a result of import or quota restrictions and of currency regulations are not necessarily confined to the countries where we are established. In our own field the most disturbing element has been the outbreak of hostilities in China during the second half of the year, for which no peaceful settlement is so far in sight.

INCREASE IN DEPOSITS AT CALL

The total of current and other accounts—in other words, deposits at call—shows a large increase of £4,336,802, whereas fixed deposits at £15,553,198 show a decrease of £2,779,707. Combining all deposits, there is an increase of £1,557,095. Cash in hand and at bankers has increased by £1,550,932, and is approximately 18·68 per cent. of our sight liabilities on current accounts. Bills of exchange at £10,159,417, show an increase of £1,920,027. Taking cash in hand and bills of exchange together, these two items represent 39·72 per cent. of all the sight liabilities of the bank, which I am sure you will agree with me is an exceedingly strong and liquid position.

The result of the year's trading is a net profit of £491,065, after providing for all bad and doubtful debts, against £496,682 a year ago, a decrease of £5,617. When you remember that last year we have had to provide a substantial sum for National Defence Contribution, I trust you will not consider the result unsatisfactory. We paid the usual interim dividend last September, which absorbed £210,000, leaving at our disposal £467,719. We propose to pay a final dividend at the rate of 14 per cent. per annum, to allocate £35,000 again to the officers' pension fund, to set aside £40,000 on account of contingencies—exactly the same as a year ago—and to carry forward £178,785.

INTERNATIONAL AND OVERSEAS TRADE

The national importance of this subject is, in my opinion, sufficient apology for the repeated references in my speeches to international and overseas trade.

It is, I suppose, only natural that manufacturers hitherto operating under a free trade system should, upon being able to benefit from a protected domestic market, lose some interest in overseas trade, particularly when exporting is so difficult owing to the fiscal and currency restraints now operative in various countries. The change to a modified protective system in this country was designed to alleviate a disability which was working to our detriment, but it was not intended that the limited protection which the domestic trade so acquired could dispense with the necessity of encouraging to the utmost our export trade, on which the health of our industrial structure must depend.

We all recognise the necessity for the prompt completion of the Government's re-armament programme, but the impetus it gives to industrial expansion cannot be regarded as a normal economic development.

PROMISE OF RECOVERY FALSIFIED

At the beginning of 1937 there was a feeling that world prosperity was at last returning. Commodity prices and freights were rising; the purchasing power of the primary producers was broadening, and there was a prospect of a sustained expansion in the world exchanges of produce and manufactures. This promise of recovery was disturbed in the first instance by a too rapid and unjustified advance in the prices of certain primary products caused by the baneful activity of speculators in the markets for these primary products. A warning sounded by the American Administration that measures might be necessary to curb this unwholesome speculation was followed by a lack of confidence in the price level then

ruling, and this lack of confidence deepened and became more widespread as clouds appeared on the political horizon.

In the summer came the Far Eastern crisis to add to an unstable economic situation in America the factor of apprehensiveness regarding the international situation. The British index of prices for primary products which stood at 163·9 at the end of December, 1936, rose to 181·9 by the end of March, 1937. Since then it has declined abruptly almost without a break till at the end of 1937 it had fallen to 147·4. The world is still hoping for a recovery in American business and trade activity, on which—as the U.S.A. is the largest individual consumer—the restoration of confidence in the general outlook for primary producers so greatly depends.

SITUATION IN CHINA

In the Far Eastern sphere of the bank's operations the year opened in an atmosphere of cautious optimism. Superficially, at least, the political situation in China seemed to be more hopeful than at any time since the inauguration of the Republic.

The outbreak of hostilities in the Shanghai district last August affected the Chinese commercial banks adversely and revealed that their assets were far from liquid, in many cases due to their large investments in the Chinese Government Internal Loans, and to advances against property. A situation immediately arose wherein the Chinese Government had to choose between inflation or the imposition of a moratorium upon the liabilities of the Chinese banks to the public. The latter alternative was decided upon and, as a result, the depositors were deprived of the use of their balances with Chinese banks except for small weekly payments.

As might have been expected, the prosecution of hostilities has adversely affected the national finances of China. The Chinese Maritime Customs and Salt Gabelle Services have been seriously interfered with by the Japanese. The ports of Shanghai, Tientsin, and Tsingtao, which contribute between them the major portion of China's Customs revenue, are in their hands, their control of the Customs administration in the two latter ports being practically complete. The Japanese are preparing to take over the Salt Gabelle revenues, and while, as in the case of the foreign loans secured upon the Customs surplus, an assurance is given that the rights of foreign bondholders in respect of British, American, French, and Japanese loans secured on the collections will receive consideration, the position is far from reassuring.

INDIA

Since I last addressed you, the inauguration of Provincial Autonomy in India has taken place, and although, as might have been expected, the working of the Constitution has not run altogether smoothly, no unwholesome political opposition has arisen which time, patience, and good will cannot overcome.

In the economic sphere, India, in common with other primary producers, profited by the general rise in commodity prices, which took a definite upward trend in the last quarter of 1936. The increase both in quantum and value of primary commodities substantially enhanced the purchasing power of countries producing them.

Coupled with the rise in value of raw products, there was a marked improvement in the international exchange of goods, and India's share in this respect showed marked expansion until the recession set in during the latter part of 1937. Owing, however, to larger imports of foreign merchandise, encouraged by the increased purchasing power of the people, India's favourable balance of trade in merchandise was comparatively smaller in 1937.

COTTON, JUTE AND TEA

The leading cotton mills in Bombay show some improvement as compared with this time last year, but this increased prosperity is by no means general. Many concerns both in Bombay and the Mofussil would appear to be in a rather worse condition than a year ago.

It is therefore surprising that the Textile Labour Inquiry Committee's report should have been adopted by the Bombay Government after only three days' consideration and ordered by them to be put into effect by the millowners as from February 1st. It is premature to forecast what will be the effect of wage increases of about 12 per cent. in Bombay and over 14 per cent. in one of the up-country

centres, but it is undoubtedly dangerous for a Government to dictate wages to an industry.

The Indian jute mills, both associated and non-associated, have unfortunately not experienced a happy year. It has not been possible so far for the associated mills to come to any agreement with the non-associated mills in regard to restriction—with the result that there is an over-supply of manufactured goods and, consequently, very severe competition with profits of all mills much reduced, if not to vanishing-point.

The present tea restriction agreement, which comes to an end to-morrow, has been extended for a further five years. Tea, after going through a difficult time, has, I venture to think, entered on a period of comparative prosperity.

MALAYA

Malaya is the world's largest producer, and the United States the largest consumer, of rubber and tin; in these circumstances it is inevitable that the fortunes of Malaya should be closely bound up with the trend of industrial activity in America, and this phenomenon has been strikingly apparent during the period under review.

Last year proved a very prosperous one for the Malayan tin mining industry. The present outlook is not so rosy as the current quota is only 70 per cent., which will be further reduced to 55 per cent. from April 1st, against 100 per cent. for the first quarter of 1937 and 110 per cent. for the remainder of the year. Also, since November, prices have remained well below £200 per ton.

The year 1937 opened with great promise, and the price of rubber rose to 13½d. at the end of March.

THE OUTLOOK

It is impossible to overlook the fact that, in the second half of 1937, business all the world over showed a marked recession, of which we had increasing evidence as the year drew to its close.

The United States of America—with their enormous purchasing power—are a very important factor in respect of any general world recovery, but until the authorities there have solved their industrial and agricultural problems—which are so much bound up with the serious question of unemployment—I fear that a real recovery in international trade is likely to be gravely retarded.

Under normal conditions the Far East is a very important field of the bank's operations, but until the present chaotic conditions there show some improvement, I think it only but right—without appearing to be unduly pessimistic—to sound a note of warning that the bank can scarcely look to being able to work profitably in China and Japan this year.

However, we have ample evidence in the past of the amazing recuperative powers of both China and Japan, and if the present most unfortunate state of affairs comes to a speedy end, I feel confident we should see a very rapid recovery.

In this connection I might mention in passing that, since we last met here, I have been elected by the directors of our affiliated institution, the P. and O. Banking Corporation, Limited, to be their chairman.

The policies and joint interests of the two banks are now co-ordinated and harmonised, and with their combined resources we shall be ready and able to cope with all business offered us when conditions in the Far East become more normal than they are at present.

TRIBUTE TO THE STAFF

As on former occasions, I desire to conclude my remarks by paying a sincere tribute to the efficiency and unfailing loyalty of our staff at home and abroad.

I should like, therefore, to assure the executive in London and every member of our staff—wherever stationed and however employed—that the directors, and, I feel sure, the shareholders as well, appreciate all they have done during the past year to maintain the high traditions which have always been associated with the Chartered Bank.

The members of our staff stationed in our China branches, who have suffered hardships in varying degrees as the result of hostilities, are especially deserving of our appreciation for the capable manner in which they have carried out their duties under very trying circumstances, and sometimes at great personal risk to themselves.

Shanghai stands out pre-eminently as the greatest sufferer. Intermittent bombing lasted for months after the outbreak in August, and although, fortunately, only slight damage was done to our property, and nothing untoward happened to our staff, I feel sure you will visualise with me the tremendous nervous strain which the situation has thrust upon Mr Murray, our Shanghai manager, and his colleagues. The disorganised trading conditions, the lack of social amenities and of opportunities for recreation have all contributed to make life very difficult indeed. (Applause.)

The report and accounts were unanimously adopted.

INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

NICKEL NOT AN ESSENTIAL WAR MATERIAL

REVOLUTION IN CHARACTER OF BUSINESS

The annual meeting of the International Nickel Company of Canada, was held, on the 29th ultimo.

Mr Robert C. Stanley (chairman and president) said that an examination of the annual report indicated that 1937 was in all respects the most productive year in the history of the company. Sales of nickel had increased progressively since 1932 and during the past year reached a total of 207,700,000 lbs., representing 86½ per cent. of the world's consumption.

Notwithstanding heavy disbursements, cash balances as at December 31, 1937, stood at \$48,871,395.90 as compared with \$44,871,895.34 as at December 31, 1936. He could not stress too strongly the advisability of maintaining substantial cash reserves. The wisdom of this policy had been proved by the experience of this company in the years 1921-22 and again during the recent years of 1932-33. Capital expenditures during 1937 amounted to \$7,924,204.19, of which \$4,829,765.62 was spent in Canada to increase mining, smelting and refining facilities. These extensions, necessary to meet an increasing world demand for nickel, had been completed. All plants were now running at or near rated capacity.

Shareholders had received copies of "The Nickel Industry in 1937," a summary of developments and of diversified usage of nickel in the various fields of world industry, transportation and communication. A careful reading of this review indicated quite clearly that the amount of nickel used for munitions of war was of minor importance to the company as contrasted with the rapidly increasing quantity used in peace-time industries. Over the past twenty years the company had expended approximately \$18,750,000 in research, development and publicity to create peace-time uses for nickel. The many new and diversified applications of nickel furnished convincing evidence that the company's exploitation of nickel for industrial purposes had been highly productive. It was, moreover, a fact that during this same period no attempt had been made by the company to promote the use of nickel for armaments.

ARMAMENTS TAKE LESS THAN 10% OF WORLD OUTPUT

Nickel was of minor importance in warfare as contrasted with steel, copper, zinc and lead. Not only did but a small fraction of nickel go into armament, but the percentage that did go into armament represented a negligible percentage of the total of all metals used for armament purposes. For example, no nickel whatever was used in rifle or machine-gun barrels or in bayonet steel. Nickel in bullet jackets had been replaced largely by "gilding metal," a less expensive alloy containing no nickel whatsoever. Nickel was used in large gun forgings, trucks, aeroplanes and in armour for battleships. The alloy steels used for the purposes enumerated contained only from 1 per cent. to 5 per cent. of nickel, and the amount of nickel so used was less than 10 per cent. of the world output. Thus nickel was not essentially a war metal, nor was it essential to war, whether gauged by the percentage of nickel which went into armament or whether gauged by the percentage of armament metal which was represented by nickel.

Even if it were possible to prevent any part of Canada's nickel production from ultimately finding its way into armament, this would not hinder armament production. Canada produced in 1937 about 90 per cent. of the world's nickel. The remaining 10 per cent. originated in New Caledonia, Norway, Germany, Greece, Burma, Brazil and Tasmania. Aside from these active sources of supply, there were potential supplies in Finland and Russia and known deposits in South Africa, Dutch East Indies, Alaska and Korea. The current production of nickel outside of the Dominion of Canada was sufficient to meet the total world requirements for armaments. Naturally, those non-Canadian fields would be further exploited if the restriction of Canadian output made such exploitation commercially profitable or nationally desirable. Moreover, if nickel should become less available to the steelmaker he would promptly, through metallurgical research, find substitutes which would result in the loss of industrial markets for nickel.

AMPLE RESOURCES

With unsettled conditions in nearly all countries it was impossible to conjecture what the immediate future held in store for the nickel industry. Possessing valuable resources, an experienced organisation, substantial cash reserves and a well-diversified world business, the company was fortunate in being fully prepared either to withstand another period of trade recession or to continue its expansion of recent years.

HALIFAX BUILDING SOCIETY

ANOTHER YEAR OF PROGRESS

SIR ENOCH HILL'S ADDRESS

The Halifax Building Society's great year of progress was discussed, on the 28th ultimo, by the President, Sir Enoch Hill, J.P., F.C.I.S., when he addressed the members at the annual meeting in Halifax.

As President, Sir Enoch reviewed the position at length and said: The total amount advanced upon new mortgages during the year was £20,943,616 6s. 1d. For four consecutive years the loans by the society have been maintained at the remarkable level of more than £20,000,000 per annum. Since its formation 85 years ago the society has advanced for home and property purchase no less than £277,084,479. The new borrowers enrolled number 33,795.

There has been an increase of £6,080,910 16s. in the amount due upon mortgages, and the total amount outstanding on mortgage securities is now £98,276,899 12s., the average amount owing per mortgage being only £410. The society's mortgage accounts continue to be eminently satisfactory.

The liquid funds, represented by investments in trustee securities and cash in banks and in hand, have been maintained at a high level and now amount to £23,634,393 2s. 4d., equal to 19.27 per cent. upon the total assets of the society. The investment share and deposit funds have increased during the year by £7,783,560 7s. 9d., to a total of £117,089,819 2s. 4d.

An increase of £8,298,431 4s. 7d. has been made in the total assets, which now stand at £122,626,007 10s. 7d. This is a very remarkable growth, in face of the fact that the investment departments of the society have been very considerably restricted. This great increase is not entirely due to new business, because more than 3 per cent. of the previous year's total has been added by the natural momentum of the society's business on the principle of a snowball gathering increase by its progress.

New accounts opened during the year number 94,912, and the total number of shareholders' and depositors' accounts open at the end of the period was 712,414, an increase of 29,799 accounts.

PROFIT AND ALLOCATIONS

The balance of profit for the year amounted to £3,034,531 13s. 2d., to which has to be added the balance brought forward from last year, namely, £67,342 7s. 10d., making a total of £3,101,874 1s. out of which the following appropriations have been made:—

	£	s.	d.
Interest to shareholders	2,473,217	10	3
Staff superannuation fund	50,000	0	0
General reserve fund	400,000	0	0
	£2,923,217	10	3

leaving a balance of £178,656 10s. 9d., from which the directors have allocated a bonus of 10s. per cent. to the paid-up shareholders, Class 1, and a bonus of 20s. per cent. to the monthly investing shareholders, amounting together to £112,488 16s. 8d., leaving a balance to be carried forward to next year of £66,167 14s. 1d. The above allocation is on the same basis as that of the preceding year and will make a total yield for the past year to the paid-up shareholders, Class 1, of £3 15s. per cent. and to the subscription shareholders of £4 5s. per cent., the income tax on both interest and bonus being borne by the society.

BENEFITS FOR MEMBERS

The society's members and depositors can with every justification be congratulated upon the practical pecuniary benefits which they have derived from their association with the society. In the year under review, interest and profit totalling £3,497,431 has been paid to or credited to the accounts of members, whilst in the last 10 years the total sum of £30,366,508, free of income tax, has been received by or credited to the society's members and depositors as a reward for their thrift, and for their discrimination in the selection of the Halifax Building Society as the home of their savings.

The total reserve funds and undivided profit now amount to £5,066,167 14s. 1d. This includes the reserve fund No. 2, now amounting to £750,000, specially provided to meet any losses on the realisation of properties falling into the possession of the society. Neither the general reserve fund nor the special reserve fund, No. 2, has been called upon to make good any such losses. These, as usual, have been borne out of the profits of the year, and they represented last year an almost negligible proportion of the mortgage interest earned, namely, less than 3d. in the £. It will be noted that the reserve funds are covered by the cash at banks and in hand.

TEN YEARS' PROGRESS

A true measure of the real progress of the Society is obtained by contrasting the business of the past year not only with the previous year, but over a longer period. On the date of the amalgamation of the two Halifax Societies the assets of the combined societies amounted to £46,981,482, compared with the present figure of £122,626,007, showing an increase in the ten years of £75,644,525. The total number of open accounts has increased in the same period from 329,224 to 712,414, or by more than 100 per cent. The total reserve funds and undivided profit on January 31, 1928, amounted to £1,461,200, compared with the present figure of £5,066,167, an increase of £3,604,967, or more than 246 per cent. This is a marvellous addition to the Society's strength. There is an equally gratifying increase in the same period in the earnings, which have risen from £2,362,917 to those of the present year of £5,263,114. The balance of the net profit, after meeting all the liabilities of the Society, may be said to have become standardised at over £500,000 per annum.

The Society enjoys the distinction of being the largest institution of its kind in the world, and the directors and members are naturally proud of the magnitude of its business. The balance sheet shows that the assets represented by small mortgages under £5,000 each amount to 87½ per cent. of the whole, and the large mortgages over £5,000 each amount to only 12½ per cent. of the whole.

Out of the total of 239,147 mortgages, 191,632 are in respect of mortgages where the balance does not exceed £500, a fact representative of the aim of the directors at all times to give every possible preference and encouragement to applications for advances for the purchase of small houses on convenient terms. Every known facility within the bounds of prudence is offered by the Society, and borrowers present and prospective are assured of helpful consideration in their applications.

BUILDING SOCIETIES' AIMS

The object of building societies has from their establishment been a two-fold one, namely, to encourage thrift by providing the best return with complete safety and accessibility for savings, and to offer the utmost facility and assistance to the home buyer by way of an economic mortgage. How far that double object has been achieved is shown by the figures I have just quoted. A change in policy, however, has gradually been adopted by a number of prominent societies, owing to the disposition of the Government to encourage house tenancy rather than home purchase. Whilst retaining all the benefits for the encouragement of thrift and savings, societies have, to some extent, widened their basis of investment and have made loans upon group properties affording a greater margin of safety and supported by an adequate degree of owners' capital, generally on the basis of not less than one-third of the cost and coming within the range of trustee investments.

The building of residential flats in London and in some large towns has been greatly developed in recent years, and must be accepted as providing a new fashion in living accommodation with some attractions compared with the individual house. In some places and in particular circumstances, flats may fill a real need, but, in my opinion, they will not solve the nation's housing problem satisfactorily. For more than a century and a half the building society movement has inculcated a love of hearth and home and nurtured and fostered carefully the instinct of home-ownership, which has had an immense influence upon the social life and well-being of our citizens.

Many problems remain to be faced in the future, and the political conditions of the European countries, and particularly the fear of war, have caused great anxiety and caution to our nation. Among these is the question of insurance of property against war risks, and the Building Society's Association has been in constant touch with the Government to secure, if possible, an official assurance that the responsibility for war damage, should it come, would be borne by the National Exchequer as part of the inevitable cost and loss of any possible war.

I conclude with an expression of profound thankfulness that in a year in which crisis has followed crisis in international political affairs, the people of Great Britain, in times of comparative prosperity, have been able to continue in the quiet and happy enjoyment of the homes which so many of them possess through their own initiative and which have been provided largely by building societies.

The report and accounts were unanimously adopted.

THE KING LINE LIMITED

DIVIDEND PAYMENT RESUMED

THE TRAMP SHIPPING INDUSTRY

STRENGTHENED POSITION

SIR VERNON THOMSON'S SURVEY

The forty-ninth annual general meeting of The King Line Limited was held, on the 29th ultimo, at Winchester House, Old Broad Street, London, E.C.

Sir F. Vernon Thomson, K.B.E., the chairman, presided.

The Secretary (Mr F. W. Matthews) having read the notice convening the meeting and the report of the auditors,

The Chairman said:—Gentlemen,—The directors' report and accounts for the year 1937—the forty-ninth year of the company's trading—having been circulated to the shareholders, you will, I hope, as customary, take them as read. (Agreed.)

For British tramp shipowners the year 1937 was the best trading year since 1929.

PROFIT AND DIVIDEND

The net profit of the King Line Limited for the year 1937, after providing for interest, the cost of Lloyd's surveys, and the premium of £16,650 on redemption of loan, amounts to £163,908. The directors have transferred to depreciation account the sum of £133,716, plus £49,312 surplus on sale of two steamers during the year. This £183,028 has been applied towards making good arrears of depreciation of the company's fleet, which had accrued owing to the world trade depression. An interim dividend of 4 per cent., less income tax, was paid in November, and the directors now recommend the payment of a final dividend of 4 per cent., less income tax, making a dividend of 8 per cent. for the year ended December 31, 1937, carrying forward the balance of £22,852.

Having regard to the fact that the shareholders of this old-established company have received no dividend for the last seven years, i.e. since 1929, it would have given the directors pleasure to have recommended an even more generous distribution, but in all the circumstances they deem it prudent to limit the dividend to 8 per cent. for the year.

It will be observed that during the last two years while profits have permitted of this being done the company has applied a very substantial portion of its profits to writing down the book value of its fleet. As you will know, it is essential over the course of the years to set aside adequate depreciation in order to provide for the vessels' replacement in due course, ships being a wasting asset.

BENEFITS OF GOVERNMENT SUBSIDY

Shareholders will recollect that during 1935 and 1936 a temporary subsidy was paid to British tramp shipping by the Government. In passing, it may be recorded that the whole of this most useful subsidy received by the King Line Limited was utilised towards making good the arrears of depreciation on their ships, and that no part of the subsidy was used by this company for the payment of dividends. The average level of freights during 1937 was such, I am glad to say, that under the Act no subsidy was payable in respect of that year.

Although in general opposed to subsidies, I gladly pay tribute to the beneficent effects of this temporary subsidy sought and granted in the exceptional circumstances of the recent world trade depression.

It may interest shareholders to know that notwithstanding the provision thus made for depreciation, at the end of 1937 there still remained about £63,000 arrears of depreciation calculated at 5 per cent. per annum upon the original cost of the company's fleet. However, most of the leeway lost during the great depression has now been made up. Although freights have unfortunately receded again to an unremunerative level, we have several voyages completing in 1938 at the satisfactory rates of freight of 1937.

THE COMPANY'S FLEET

The company now owns nine motorships and six steamships, of a total deadweight of about 121,640 tons. The average age of the fleet is 13½ years and the average age of the motorships is 9½ years. The whole stand in the company's books, after deducting depreciation and reserve fund, etc., at £3 14s. 2d. per ton d.w. Their market value to-day is in the aggregate considerably in excess of this.

With regard to the present-day high costs of new tonnage: these are, of course, affected by our national re-armament programme. Having regard to costs of raw materials and production generally, shipbuilders can no doubt justify their prices. Obviously shipbuilders are entitled to a reasonable return upon their capital and labour in common with other industries, but the problem for tramp shipowners is as to whether tonnage built at to-day's price could be profitably employed at about present freight rates. The answer to that I am sorry to say is quite definitely in the negative.

Shareholders will recollect that of the original loan to this company of £800,000 under the Loans Guarantee Act (Northern Ireland), £444,000 was outstanding at December 31, 1936, but the board are pleased to be able to report that the £444,000 was repaid during the year under review. Whilst happy to report having discharged the liability for this loan the directors are most appreciative of the facilities so courteously placed at their disposal by those administering the Loans Guarantee Act (Northern Ireland).

The company has no debenture or other indebtedness, and the balance sheet now submitted shows a sound position.

OUTLOOK FOR TRAMP SHIPPING

The outlook for tramp shipping at present is obscure and not very encouraging. Following the trade setback in the U.S.A., which developed in October, 1937, and the failure owing to frost of the wheat crop in Argentina, the shipment of which normally commences in January, and the much reduced Argentine maize crop owing to drought, the freight markets of the world have had a serious relapse. Argentina is the most important market for the employment of tramp ships. These untoward events, together with the tension and uncertainty of the international political situation, have produced in merchants and traders a marked lack of that confidence which is necessary for steady trade, with the result that demand has fallen off to such an extent that British tramp tonnage is again having to be laid up. But for the minimum freight rates instituted in 1935 and still in operation, world freight rates would now be upon an even lower basis.

It is not possible for anyone to speak dogmatically upon the subject, and there is ample scope for varying views, but my own impression, for what it is worth, is that the present setback in overseas trade is not likely to be permanent, but even if it were more or less so it is not likely to be so severe as the prolonged world trade depression from which the shipping industry emerged in 1936. Moreover, British tramp shipping as a whole, strengthened by the brief period of prosperity just experienced and by the adoption of the policy of co-operation, is now in a better position to meet adverse times.

For the time being the volume of world trade, which in 1937 is calculated to have been about 98 per cent. of that of 1929 as compared with 86 per cent. in 1936, probably reached its peak in the middle of last year. A permanent improvement in shipping is dependent upon a revival of international trade, and some relaxation of trade restrictions and the stabilisation of currencies would best promote this.

IMPORTANCE OF THE BRITISH MERCANTILE MARINE

The importance of the British Mercantile Marine to the nation cannot be too strongly emphasised. It is too often forgotten or taken for granted. In times like the present the British Mercantile Marine is of vital importance to the nation.

I shall be glad to answer any questions to the best of my ability, and now have pleasure in moving: "That the report and accounts, as submitted, be received and adopted, and that a final dividend of 4 per cent. be declared and paid for the year ended December 31, 1937 (making with the interim dividend paid in November last, 8 per cent. for the year), less income tax."

Mr Percy Cross seconded the resolution, which, in the absence of questions, was carried unanimously.

The retiring director, the Earl of Coventry, was re-elected, and Messrs James Brown and Sandeman having been reappointed auditors, the proceedings terminated.

ASSOCIATED PORTLAND CEMENT MANUFACTURERS, LIMITED

RECORD PRODUCTION

SIR P. MALCOLM-STEWART'S SURVEY

The annual general meeting of the Associated Portland Cement Manufacturers, Limited, was held, on the 30th ultimo, at 21 Tophill Street, London.

Sir P. Malcolm-Stewart, Bt., the chairman, in the course of his speech, said:—The total revenue for the year at £1,594,828 is down by £92,522, and the balance of profit at £934,228 compares with £929,617.

After paying the half-year's preference dividend and an interim dividend at 7½ per cent. on the ordinary stock the balance of £602,978 permits of the payment of the final dividend on the preference stock and of a final dividend of 15 per cent. on the ordinary stock, making 22½ per cent. for the year.

Trading conditions during the early part of last year were somewhat adversely affected by unfavourable climatic conditions. However, when these changed an improved demand was experienced, and at the close of the year we had made record deliveries of Blue Circle Portland Cement. The influence of increased turnover, though helpful, was insufficient to maintain the trading profits at last year's figure in the face of the increased cost of manufacture. It is insufficiently realised that there had been no alteration in the selling prices of Portland cement, which had remained unchanged since 1935, until the middle of December last, when prices were advanced by 3s. per ton. This advance had no practical effect on the year's trading. Our consistent policy of endeavour to thwart the tendency of rising prices, which are bound to curtail construction and building activity, is again demonstrated by our holding down prices during the year, despite the rising cost of production.

LOW PRICES DESPITE INCREASED COSTS

It is interesting to note that the wages paid by us have been advanced by some 180 per cent. since March, 1914, and this increase does not take account of the cost of decreasing working hours from 56½ to 48 per week. The price of coal is some 100 per cent. higher and iron and steel 66 per cent. to 116 per cent. higher, according to the class of material; yet the net price realised by us to-day for Portland cement in the home trade is only 4.5 per cent. higher than in March, 1914.

This is a bald statement, but there is much behind it. It reflects clearly and, I trust you will agree, satisfactorily the results obtained from the definite policy outlined to the shareholders in 1925 and since consistently carried out to the advantage of stockholders and all who serve the company, whatever their responsibilities or duties. In addition, consumers have benefited by the maintenance of low prices, which have, in turn, favoured the further uses of cement and thus increased turnover of the products we manufacture. The progress achieved is due primarily to a simple cause not cloaked in mystery. We have steadily increased the efficiency of our production; the beneficial results have grown cumulatively as progress has been effected. One by one the works have been tackled, precedence always being given to that works endowed with the best economic advantages.

PRICE OF COAL

By far the most serious influence on costs is the steep increase in the price of coal, which will be felt to a much greater extent in the current year. For every two tons of cement manufactured approximately one ton of coal is required. It was difficult under the control as recently exercised to obtain adequate supplies of the qualities of coal which long experience has shown are best suited to our requirements. This difficulty has now been largely eliminated, for which we are grateful to the Mines Department for the considerable fulfilment of the assurances given by the Secretary for Mines in the House of Commons with reference to this matter. It was not to be expected that the very low prices ruling for many years would continue indefinitely; indeed, we are not so selfish as to wish for a range of uneconomic prices resulting in miners being underpaid for their hard and dangerous work in winning coal. There is no class of worker better entitled to a really good return of its labour.

Further, we do not wish the shareholders in collieries to be deprived of a fair return on their capital, provided always the financial structure of the companies in which they are interested, and the valuation of their assets, are sound. I believe it would be found that

there is a wide gap between the prices in force to-day and such fair prices as could be fixed if the regulations affecting the coal industry were framed on the essential principle that conditions favouring the obtaining of maximum quantities from the mines most economically situated and with the highest efficient production prevailed.

JOINT CONTROL WITH TUNNEL OF ALPHA

The outstanding event to report was the completion of negotiations whereby on January 26th last an offer was made by us to acquire the 1,100,000 issued £1 ordinary shares of Alpha Cement, Limited, through an exchange on the basis of nine Associated Portland Cement Manufacturers, Limited ordinary shares for every 20 Alpha ordinary shares. This offer has already been accepted by the holders of over 99 per cent. of the Alpha ordinary shares, and the appropriate number of Associated Portland Cement Manufacturers' ordinary shares are in course of being allotted.

An important feature of this acquisition is that it is jointly entered into by ourselves and the Tunnel Portland Cement Company, Limited, who take up 26 per cent. of the Alpha ordinary shares and issue to us in consideration therefor 231,660 Tunnel Company non-voting "B" ordinary shares of 10s. each fully paid. However, the transaction rests on a much broader basis than that of a joint ownership of the equity in the Alpha company. The Tunnel, the Alpha and our companies are entering into a working agreement for a term of years, which provides for the co-ordination and for the closest co-operation of sales policies.

The purchase was completed on March 24th, and Sir Arthur Marshall and Mr Gowen are being elected directors of this company and the British Portland Cement Manufacturers, Limited; Mr Gowen will shortly be appointed an ex-officio member of the managing directors' committee of both companies.

I will now make a few remarks on the general prosperity we are enjoying. It is natural that much interest should be evinced as to whether we are on the crest of the wave, have not reached it, or have passed it. Perhaps the present position can be best realised if we imagine two waves influencing our prosperity, interlocked but with differential speeds of expansion and contraction of volume.

Let us assume one wave represents the volume of normal activity not at all or but little affected by the defence programme. This wave, I believe, has passed its crest. The other wave, representing the volume of activity more directly due to the defence programme, has hardly reached its crest. Because these waves are interlocked it is difficult to measure precisely the volume of each, but the contraction in volume of the first wave is more or less compensated for by the expansion in volume of the second wave.

It needs considerable optimism to assume that when the volume of the wave directly affected by the defence programme in turn contracts we shall be so fortunate at that period as to experience an increase in the volume of trade not so affected.

TRADING PROSPECTS FOR CURRENT YEAR

With regard to the prospects for the current year, I am definitely hopeful. We have so far experienced a further improved demand resulting in a satisfactory increase of deliveries of Blue Circle Portland cement to date as compared with those made during the corresponding period of last year. This has no doubt been partially helped by the exceptionally favourable weather conditions. We are now bearing the full brunt of the increased costs of production, packages and transport, and of the second advance in wages last year, which we were glad to make towards the end of the year through negotiations with the National Joint Industrial Council for the Cement Manufacturing Industry. However, the increase in selling prices will mitigate the effect of the higher cost. The outstanding influence on my forecast is the bright prospect of an increased demand for our products owing to the continued growth of public and other large-scale constructional work. These are the sources which create demand for large quantities of Portland cement and I am assuming they will not be contracted by Government action.

For the reasons stated I look forward confidently to submitting to you satisfactory accounts when, all being well, we meet again next year.

The report and accounts were unanimously adopted.

LAW LAND COMPANY, LIMITED

A SATISFACTORY YEAR

MR M. E. F. CREALOCK'S SPEECH

The fifty-fifth annual general meeting of the Law Land Company, Limited, was held, on the 30th ultimo, at Brettenham House, London, Mr M. E. F. Crealock (the chairman) presiding.

The Chairman, in the course of his speech, said:—Ladies and gentlemen,—Before proceeding to refer to the accounts I want to express the pleasure of the board, and particularly myself, in having secured the services of Mr Miles Thornewill as a director. It is perhaps unnecessary for me to tell you that Mr Thornewill is the deputy-vice-chairman of the Savoy Group of Hotels. The interests in this particular neighbourhood of the Savoy Hotel and ourselves are very closely linked up, and I look forward to considerable benefit in the future from this fortunate alliance.

Turning to the figures, you will observe that the gross rents for the past year are slightly higher than for 1936. Lettings have been very successful. Brettenham House and its adjunct, Duchy House, still suffer disadvantage by reason of the building of the new Waterloo Bridge, and although its approach from the south is definitely taking shape, it will be, I fear, some time yet before our difficulties will be passed. However, we have secured excellent tenants in both buildings, though—on account of the disturbance arising from work on the new bridge—the rents obtained are slightly below our schedule. Carrington House is fully let with the exception of two of the shops. Plans for dealing with this small remainder are well in hand.

INCREASING COSTS

Service costs have gone up very considerably due to the not entirely regrettable rise in wages. Repairs have been the cause of some anxiety in view of the rapid rise in all building costs, but we have succeeded in keeping our figure very near to the normal, and have managed to complete some much-needed and very successful work to lifts, heating systems, entrance halls, staircases and lavatories.

As a result of the year's work we are able to add to the Leaseholds Redemption account, the special reserve for depreciation of the flat properties, and, further, to set aside a sum to meet the new National Defence Contribution tax for the nine months to the end of 1937. Having done all that we consider prudent, almost to the extreme, we are still able to recommend the same dividend as that paid for some years, and to carry forward a sum nearly £1,000 higher than for the previous year. You will, I hope, agree with me in regarding this as a highly pleasing result. The balance sheet calls for no explanation, I think, but perhaps I may direct your attention to the fact that mortgages and loans show a reduction of £111,000, whereas properties show a decrease of only £74,500 compared with 1936.

BURDEN OF LOCAL RATES

It may be that I should make some reference to the additional burdens which must be borne by all commercial undertakings. In addition to the National Defence Contribution, for which we have made provision for the past year, the local authorities have given notice of very considerably increased demands. The expenditure on air raid precautions must, of course, be suffered without complaint as an absolute necessity, but when we come to examine the remainder of the increase in local rates we find that it is solely due to the demands made on the London boroughs by the London County Council. The authorities which have to satisfy these enormous and ever-increasing demands have the unenviable task of collecting the money and passing it on to the London County Council, and yet they have not the slightest control over the manner of its spending. It is surely time that a far closer examination was made by every ratepayer of the purposes to which the money extracted from him is put. My own opinion is that we are spending not only more than is necessary, but far more than is desirable on what are known as social services.

Four years ago the London County Council rate was 6s. 8½d. in the £, compared with the present demand of 8s. 3½d. As you know, the great bulk of this company's property is in the City of Westminster. That authority has kept its own expenditure within most carefully guarded bounds, but is helpless in face of the extravagance of the London County Council. Of the total rate of 10s. 4d. collected by Westminster it spends only 1s. 0½d., and has to pass the whole of the remainder on to the London County Council and the Metropolitan Police. Much the same story can be told of St. Marylebone and Chelsea, the only other two boroughs in which we have property. Four years ago the money extracted from Westminster by the London County Council was £3,400,000, compared

with £4,200,000 which the current rate will involve—an increase of £800,000.

SPECIAL DEPRECIATION RESERVE

Before leaving the figures I should like to make a short reference to the special reserve for depreciation of flat properties. When this reserve was created we had in mind the very sudden change in fashion. All the newly-erected blocks of flats in London contained rooms of a size which would not have satisfied the demands of a few years ago. There were also certain features which were not to be found in our older flats. We therefore took the precaution to provide for a competition which we might have difficulty in meeting, and this special reserve has now reached a total of £48,000. At the same time we have taken a bold course in dealing with our flats as they became empty, and this, together with the swing of the pendulum—tiny rooms and restricted space are no longer so popular—we have succeeded in completing some most satisfactory lettings.

FURTHER DEVELOPMENTS

Having dealt with the past and touched only lightly on our future prospects, I must now make more definite reference to the future. Although the leases of the majority of our office properties have upwards of twenty years to run, your directors have had in mind the competition arising from the erection of blocks of offices in parts of the West End, also near at hand. We have felt, therefore, that we should place ourselves in a position to meet this competition and do all in our power to stay a possible flight of business and professional firms from Central London to the West End. With this purpose we have acquired the leasehold interest of the Arundel Hotel and Maltravers House on the Embankment, and we are at present negotiating for a renewal of the leases of that and the adjoining properties so that we may be in a position entirely to remodel on modern lines the whole of the buildings, forming almost a complete island.

It may be some time before a start is made on this scheme, but we feel that we should do our best to put ourselves in a position to carry out some such scheme should occasion arise. We have also taken other steps with a view to insuring the continuance of your property in the neighbourhood of the Strand as the premier office-centre of London.

The report and accounts were unanimously adopted and a balance dividend of 5 per cent., making 9 per cent. for the year, was approved.

MAPLE AND COMPANY, LIMITED

IMPORTANT CONTRACTS

The forty-eighth annual general meeting of Maple and Company, Limited, was held, on the 30th ultimo, in London.

Mr C. C. Regnart (President) said:—I am pleased to report that during the past year your company has experienced successful trading, despite the difficult conditions which existed during the latter half.

The year opened in an extremely gratifying fashion; the turnover at first more than maintained the 1936 level, and, with the opening of our new premises in Birmingham in March, we looked forward with confidence to even more successful trade in 1937 and, at one time, had high hopes, not only of maintaining the dividend, but possibly of increasing it. Unfortunately, increased taxation was announced in the Budget, with the result that a decline followed, and it is common knowledge that in London the second half of the year proved to be less successful.

I am pleased to inform you that the business in Birmingham is now well established on a normal profit-making basis, and we look forward with confidence to the results of the current year.

In regard to the subsidiary companies, much the same experience as in London was felt in Paris. We are now carrying out two important contracts from this branch, one being a contract for decorating and furnishing a Royal Palace, and the other the building of the Australian War Memorial at Villers Bretonneux for the Australian Government, which their Majesties are unveiling at the end of June.

Our factories in Cheltenham continue to manufacture furniture of the highest grade, designed in our studios, and you will find in the showrooms many beautiful examples of the product of these factories. We have recently secured for the joinery section an initial contract in connection with the fitting of the Queen Elizabeth, sister ship of the Queen Mary.

During the year many important contracts have been executed—for instance, the bronze work for the new Bank of England, and then in connection with our Marsteel production, for which we have great hopes in the future, all the metal partitioning for the new Great Ormond Street Hospital and other public buildings.

The report was unanimously adopted.

RICHARD COSTAIN, LIMITED

IMPORTANT CONTRACT WORKS

AIR RAID PROTECTION

The fifth ordinary general meeting of Richard Costain, Limited, was held, on the 30th ultimo, at Friends House, Euston Road, London, N.W.

Mr R. Arthur Costain (the chairman), in the course of his speech, said:—There is a reduction in the net profits at £62,692, as against £71,025. In view of the extent to which the erection of Dolphin Square has occupied the services of the company, this is not a matter for surprise. The directors' report indicates the approaching completion of Dolphin Square and the satisfactory demand for the accommodation provided there. There is full justification for the claim that Dolphin Square, in its position on the River Front, with its 3½ acres of quadrangle and gardens, its provision for home life, recreation and entertaining, and for child welfare, will be found to reward the enterprise of your board.

We recommend a dividend of 5 per cent., less tax, carrying forward £28,875. The reserves will be increased by £14,272, and the carry forward reduced by £2,707. The amounts put to reserves and carry forward in the period of the company's existence would have been sufficient to provide, if distributed as dividend, an additional dividend at the rate of 5 per cent. for each year.

Contract works have been carried out by the company during the year, including work for the Iranian Government, London County Council, local authorities, and important companies, and the services of the company continue to be sought in this class of work. The sales of houses this year to the present date on our Elm Park Estate are distinctly better than at this date last year.

CONSTRUCTION OF SHELTERS

On the general outlook there is one aspect of the defence needs of the country that naturally has a bearing on the prospects for the building and contracting industry. Your directors early realised that when the Government's plans for air raid protection had matured there would be an immediate new call on the resources of the industry, and, after a personal study of Continental methods and structures, they made certain arrangements to enable us quickly to provide air raid shelters of proved efficacy. In conjunction with the Westminster City Council two types of shelter have been erected at Caxton Hall, London, for public inspection, and these have created public interest throughout the country.

There has been a great deal of hesitation in the placing of orders owing to uncertainty as to how expenditure of this kind would be regarded by the authorities in relation to income tax and local rating. The Board of Inland Revenue has now defined its attitude towards expenditure on air raid precautions, and it is anticipated that employers of labour, local authorities, and the public will quickly make up their minds as to the type of protection they are willing and able to provide. I am bound to say, however, that it has been a matter of surprise to me to learn that the Home Secretary in a speech at Bristol, referring to expenditure allowable for income tax purposes, indicated that those who had space available to dig deep and simply constructed trenches might regard such expenditure as allowable, while those who construct special shelters either standing separately or as an addition to an existing structure would be treated as having spent money on capital account.

I would point out that the inevitable result of this will be that the newer industrial works, having ample site accommodation on the outskirts of great cities or in the country, will be able, as an item of current expenditure, to provide for their employees excellent cover from the peril of bomb splinters, while those whose works and offices are situated in London and the crowded areas of other great cities, if they are not content with precautions of very doubtful efficacy against the explosive power and range of the modern bomb, and decide to provide effective splinter-proof shelters of the type most suited to the limited areas at their disposal, will have to build out of capital, with no tax relief whatever and an unknown further liability for rating. I would urge that the Government find without further delay some method of encouragement—and that of a retrospective nature—so that these vitally essential works shall not be delayed further through doubt or uncertainty.

The report was unanimously adopted.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to the Reporting Manager of THE ECONOMIST, 8 Bouverie Street, Fleet Street, London, E.C.4.

AUTOMATIC TELEPHONE AND ELECTRIC COMPANY, LIMITED

SUBSTANTIAL BENEFITS FROM AMALGAMATION

The annual general meeting of the Automatic Telephone and Electric Company, Limited, was held, on the 31st ultimo, at the Incorporated Accountants' Hall, Victoria Embankment, London.

Sir Alexander Roger, chairman of the company, presided, and, in moving the adoption of the report and accounts, said that they were in respect of the first full year's working, since the company had acquired the manufacturing and other business formerly carried on by the Automatic Electric Company, Limited. The benefits derived were substantial and already justified the amalgamation of the two companies. Coupled with the advantages which had accrued from a larger turnover, the directors were able to report a gross profit of £209,242, as against £149,283, and a net profit of £148,624, as against £133,564.

At the last meeting he had informed the shareholders that the company was spending about £100,100 on factory extensions to meet the demands of the company's principal customer, the British Post Office. Partial use of the extensions had been secured during the year, and when the plans were completed they would be able to increase production and cut down a great deal of night work and overtime.

ALLOCATION OF PROFITS

If shareholders approved the dividend of 7 per cent. on the cumulative preference stock, the transfer of £10,000 to general reserve, and a dividend for the year of 10 per cent. on both the ordinary stock and the deferred stock and shares—including the interim of 3 per cent. already paid on the ordinary stock—there would be £105,632 to be carried forward—an increase of £20,186.

Although additions had cost £139,599, the item freehold land, buildings and machinery showed an increase after depreciation of only £93,911. Patent rights and goodwill had been reduced still further to £134,157, and the many hundreds of patents and patent rights held throughout the world enabled the directors to say that that composite asset was conservatively valued.

In regard to Elexcel, Limited, a great amount of effort had been expended in developing the sales organisation and improving its production of cooking and heating appliances. The trade was subject to fierce competition, however, and the board proposed to limit their competition to products on which they would specialise for the immediate future, and by that concentration there was a reasonable hope of making a profit.

THE POST OFFICE

The expansion and development of the Post Office telephone system continued unabated. When they considered the system had increased by 50 per cent. since 1931, they could appreciate adequately the energy, foresight and ability displayed. The industry had taken its part, not only in technique and production, but also in popularising the telephone through the medium of the Telephone Development Association. One of the main problems now was to make the advantages of telephone service available to those classes of the population with lower income levels. Since 1928 the company had progressively reduced the price of equipment to the Post Office, which was now paying about £70 for equipment that would have cost them £100 in 1928, and that in spite of increased wages, increased cost of materials, increased taxation, and increased cost of social services. That striking contribution to telephone development could only have been borne by increased efficiency.

Prices of equipment supplied to the Post Office had been fixed for several years now through the agency of a specialist committee of representatives of the Post Office sitting in conjunction with a committee of the manufacturers, and to illustrate the searching nature of those examinations with regard to prices, he might say that some 1,500 meetings had been held.

He had frequently referred to the pride which they justly had in their engineering achievements, and valuable research work had continued throughout the year in their laboratories, where they were ever alert to keep in the front rank as pioneers in new inventions and systems.

As for the nine months remaining of their current financial year, he could not see the country being embroiled in war, and he could not see serious political troubles. He could not see prices of raw materials and costs of production rising much, and he could not see taxation rising to a crushing level. He did see, however, that their order book ensured a full factory putting "recession" entirely out of their vocabulary, and he promised at least as good results as those before the meeting. Personally, he thought they would do better.

The report and accounts were unanimously adopted.

BRITISH ALUMINIUM COMPANY, LIMITED

RECORD OUTPUT

The ordinary general meeting of the British Aluminium Company, Limited, was held, on the 29th ultimo, in London.

Mr R. W. Cooper, M.C. (the chairman), who presided, in the course of his speech, said that the profit for 1937 had amounted to £773,432, which was an increase of £176,252 over the profit realised in 1936. They had commenced the year with a satisfactory order-book and the demand for their products was well maintained throughout the year, resulting in their having marketed a considerably increased tonnage of aluminium—in fact, the largest in the history of the company. The home and the export sales had both contributed to that increase, which was distributed between ingot metal and rolling mill products.

The price of the former, and to a great extent the latter, had remained steady. On the other hand, costs of production were higher, due to the rise in cost of raw materials and to increased labour rates. These latter had been further increased at the beginning of the current year, and, in addition, the system hitherto in operation by which men employed on necessarily continuous processes worked seven shifts of eight hours each per week, had been replaced by a system of six shifts of eight hours per week, without any reduction in average weekly earnings.

The effect of that change, and of the increases in labour rates and other improved conditions introduced during the last one and a half years, represented an addition of 20 per cent. to their wages bill in this country, apart from the additional cost of the larger number of men who were required.

Their total output of aluminium during 1937 had constituted a record. The extensions to which he had referred a year ago had made good progress during the year; so much so that he was pleased to be able to report that the first half of the additional aluminium producing plant at Lochaber had been put into commission earlier this month, and the balance they hoped to have in production before the middle of the present year.

THE LOCHABER POWER STATION

It did not appear to be generally recognised that at Lochaber they possessed by far the largest hydro-electric development in Great Britain. The measure of the size of a development of that nature was, of course, its annual output capacity in units of electricity and not its peak load for short periods. The Lochaber power station operated on a continuous load, and its output already greatly exceeded, and, when completed, would be several times greater than, the next largest hydro-electric development in the country.

The enlargement of the alumina works right up to the boundary of their property at Burntisland was nearing completion, and as the extra amount of alumina thus provided would be insufficient for their requirements they had had to find another site for a new, and a third, alumina factory. Certain essential factors had limited their choice of a site, and after careful investigation of a number of possibilities they had finally decided that the most suitable location was at Newport, Monmouthshire. That factory, they hoped, would reach the producing stage later on this year, and they had ample room for any extensions which might be required in the future. Rearrangement and extensions had also been in progress at their rolling mills, and those were well advanced and likely to be completed shortly.

Since the production side of their business was so largely dependent upon Scottish labour and Scottish water power, it was specially appropriate that they should be very prominently represented at the great Empire Exhibition which was to be opened at Glasgow in May. The general public had little conception of the manner in which aluminium entered into almost every branch of industry. They had, therefore, taken space in the Palace of Engineering, where they would demonstrate the range of their products and show in some measure the very wide uses to which they were applied.

The increased volume of business transacted during the year had enabled them to raise the final dividend to 8½ per cent., making the dividend up to 12½ per cent. for the whole year. The new ordinary shares participated in the dividend for the year to the extent provided for in the terms of the issue—that was to say, from the dates upon which the various instalments had been paid—the amount payable being equivalent to £1 15s. 10d. per cent.

The outlook for the current year as regarded the business of the company was encouraging, and they had confidence that they would be able, unless anything quite unforeseen occurred, to put before them at this time next year as satisfactory a showing as for the past year.

The report was adopted.

EX-LANDS NIGERIA, LIMITED

20 PER CENT. DISTRIBUTION

The twenty-sixth ordinary general meeting of the Ex-Lands Nigeria, Limited, was held, on the 29th ultimo, in London.

Mr H. G. Latilla (chairman and managing director), in the course of his speech, said: After having written off £2,883 13s. from prospecting and development expenditure and depreciation of £3,915 there remains a balance, being profit for the year, of £35,220 8s. 4d. Adding to this the balance brought forward from last year of £8,831 6s. 3d. makes a total amount available of £44,051 14s. 7d. Out of this amount we have already paid an interim dividend of 10 per cent., less tax, which, together with the directors' additional remuneration, absorbed the sum of £21,250, leaving a balance now to be dealt with of £22,801 14s. 7d.

It has always been the policy of this company, and I think it is a right one, to distribute to members as much of the profit as is possible, and, as stated in the directors' report, we are now recommending that out of this balance of £22,801 14s. 7d. a final dividend for the year of 10 per cent. should be paid.

The price of the metal has recently fallen and is now in the region of £185 per ton and it is difficult to prophesy what the future trend will be.

A scheme is at present being worked out for the establishment of a "buffer pool" to be operated in conjunction with the tin restriction scheme and to be controlled by a committee consisting of gentlemen in the City of London, who are quite independent of the tin industry, both from the production and consumption points of view. I am of opinion that the institution of such a scheme, if properly managed, should have a marked effect upon stabilising the price, which, I understand, it is suggested should, as far as possible, be kept in the region of £200 to £230 per ton.

During the last few months active steps have been taken to thoroughly prospect the remainder of the company's areas and to re-check the existing ones. Some encouraging results have already been obtained and I am hopeful that during the course of the current year further areas of payable ground will be proved. The question of maintaining our ore reserves is constantly before us and you may rely upon everything possible being done in this direction.

The report and accounts were unanimously adopted.

LANADRON RUBBER ESTATES, LIMITED

GREATLY IMPROVED RESULTS

The thirtieth annual general meeting of the Lanadron Rubber Estates, Limited, was held, on the 30th ultimo, at 1-4 Great Tower Street, London, E.C.

Mr Eric Macfayden (the chairman) said that they could look back upon 1937 as the most prosperous year the company had enjoyed for some time. Output had been 1,831,715 lbs. (including 292,000 lbs. produced against purchased rights), against 1,143,635 lbs. in 1936. The total income of the company was £71,277, against £36,822. If shareholders agreed to the appropriations recommended, the total dividend for the year would be 9 per cent., against 5 per cent. for 1936; the reserve would be restored to £60,000 and the carry-forward would be reduced by a matter of £17 to £4,568.

It would be no news that they had to anticipate a less successful experience in 1938. A year ago world stocks of rubber had been reduced to an amount little more than comfortable, and the price of smoked sheet in London stood at 1s. 1½d. per lb. The glass had begun to fall and no commodity had suffered more than rubber, which had lost half its value in eight months. There had been a steady increase in exports from the producing countries at a time when the buying power of their largest customer was declining and absorption elsewhere was stagnant. Releases had since been cut down, but the consequential reductions in exports had not as yet overhauled the decline in absorption. Real consumption of rubber must be at a high level, and if trade absorption was lagging behind real consumption, the necessary adjustment must be in course of being brought about. When it had been completed, prices would respond. The secular trend undoubtedly continued upwards. Tyre-using vehicles of all sorts continued to develop. Thus, within the last year or two the rubber tyre had found a rapidly expanding use in agriculture. The range of articles, other than tyres, into which rubber now entered, was ever-expanding. Rubber was still a new commodity and the scope of its ultimate usefulness even now could only be guessed at.

The report was unanimously adopted.

LEDBURY RUBBER ESTATES, LIMITED

FINANCIAL POSITION STRENGTHENED

The twenty-ninth annual general meeting of the Ledbury Rubber Estates, Limited, was held, on the 30th ultimo, at 1-4 Great Tower Street, London.

Mr Eric Macfadyen (the chairman) said that receipts from tin tributes were up substantially at £8,380, as against £1,978 in the previous year. That was due to the higher quota releases under the Tin Regulation Scheme and the better prices ruling for the commodity. Hitherto it had been their practice to transfer all tin receipts to the credit of property depreciation account, but this year they felt justified in taking a part into profits, as the amount standing to the credit of property depreciation account now more than covered the value of the rubber trees destroyed.

Against a profit to them of £183 in 1936, the Sungei Sabaling Estate, in which the company had a one-third interest, showed a small loss for 1937. Towards the end of last year they had felt justified in opening Sungei Sabaling for tapping. Operations had actually commenced on November 3rd, and the yield from the trees

had been fully up to expectations. Before production had been carried on long enough to turn a loss into a profit, the reduction in the quota had decided them to revert to non-production on the new estate. So far as Kinrara, Ledbury and Sione Estates were concerned, they had been upkeep in good order.

Yields at Kinrara were showing signs of falling off, and experimental manuring was being carried out there with a view to obtaining data for possible future manuring programmes. As mentioned in the directors' report, the replanting of a further 63 acres had been undertaken, and they proposed doing another 25 acres this year. The planted acreage at Sione had been reduced by 26 acres, due to loss of trees to make way for the mining dredge.

The result of the year's trading was a profit of £18,888. Deducting the interim dividend of 5 per cent. and the proposed transfers to property depreciation account and taxation reserve, they were left with £13,486, including the carry-forward from 1936. They recommended a final dividend of 7½ per cent. and would carry forward a somewhat larger amount, £7,242. For the current year they had forward sales to fill of 134,000 lbs. at over the equivalent of 11d. per lb. London landed, which would help to sweeten the average.

The report was unanimously adopted.

(Continued from page 41)

Fruit.—The exceptionally mild and sunny weather is helping the sale of dessert fruits of all kinds. At Covent Garden, according to *The Fruitgrower*, apples remained in consistent demand during the past week, while pears were also a steady selling line. The limited supplies of hothouse grapes sold at firmer rates, but South African were cheaper in consequence of heavier arrivals. Plums and pineapples from the same source were also in demand. English forced strawberries were available in increasing quantities and made from 8s. to 20s. a box. Oranges were in fair demand, while grapefruit remained cheap. Lemons were dearer, demand being active.

OTHER FOODS: STATISTICS

	Week ended	
	Mar. 19, 1938	Mar. 26, 1938
BACON:		
Arrivals in London (bales):		
Danish	13,431	13,760
Canadian	5,917	5,955
Dutch	2,065	2,674
Lithuanian	1,197	1,213
Polish	2,750	2,320
COCOA:		
Movements in Lond. (bags):		
Landed	5,924	608
D/d for home consumption	7,704	5,153
Exports	228	57
Stocks, end of week	101,131	96,529
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed	649	272
" D/d for home consn.	247	274
" Exports	2,487	2,485
Stocks, end of week	2,487	2,485
Central and S. American:		
Landed	6,614	9,617
D/d for home consumption	2,392	3,707
Exports	775	1,627
Stocks, end of week	85,377	89,660
Other kinds—Landed	8,253	9,059
" D/d for home consn.	4,954	5,915
" Exports	1,475	2,637
Stocks end of week	124,680	125,187
MEAT:		
Supplies at Smithfield (tons):		
Total	8,785	8,771
Beef and veal	4,698	4,670
Mutton and lamb	2,591	2,676
Pork and bacon	916	907
Poultry, etc.	580	518
PEPPER:		
Movements in Lond. (tons):		
Black—Landed	1	3
" Stocks, end of week	1,938	1,935
White—Landed	23	19
" Delivered	20	125
" Stocks, end of week	10,339	10,233
SUGAR:		
Movements, London and Liverpool (tons):		
Imports	8,651	8,168
Deliveries	14,720	14,798
Stocks, end of week	274,961	268,331
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India	44,286	44,119
S. India	4,157	4,664
Ceylon	16,087	17,158
Java	3,902	3,139
Sumatra	830	36
Africa	7,041	3,766
Total	76,303	72,882

* Weeks ended Mar. 17 and 24 respectively.

Vegetables.—The few English and Guernsey tomatoes on sale at Covent Garden during the past week made good prices, according to *The Fruitgrower's* report. Cucumbers, lettuce, radishes, new potatoes, and house-grown beans all encountered a good inquiry, but cucumbers and beans were cheaper on increasing supplies. New carrots and turnips sold well, but with increasing supplies of outdoor, forced rhubarb was cheaper. Greenstuff was plentiful and rather cheaper, and the unusually mild weather severely restricted the demand for parsnips, carrots and onions. Business in old potatoes was also rather slack and there were abundant supplies—except in the case of best samples of King Edward, which were firm in price.

Miscellaneous Commodities

Oilseeds and Oils.—Business is almost confined to immediate requirements. The demand for linseed is slow and prices are easier. Shipments at River Plate ports last week were 28,000 tons, of which 12,000 tons was destined for the United States. India shipped only 5,500 tons. The quantity on passage to Europe has been further reduced to 120,600 tons, including 20,600 tons from India. To the end of last week Argentina had exported 468,000 tons and India 36,300 tons, the combined totals being 192,000 tons less than at the corresponding date in 1937. A noteworthy feature is the shrinkage in shipments to North America from 225,000 tons to 106,000 tons. The possibility of the United States having a much larger domestic crop next autumn is discounted by the official report that farmers' intentions indicate an even smaller acreage than last season with a probable yield of 200,000 tons, under favourable conditions. Cottonseed is steady but lacks support.

Trade in vegetable oils is disappointing and with larger supplies of edible and technical qualities available, prices continue to exhibit an easier tendency. The decline in linseed oil seems at the moment to have been halted, but current prices are 35s. per ton down

on the month and are at the lowest since last November. Alternative oils are strongly competitive. Business in cotton oil is restricted, but quotations are comparatively steady at the lower level.

Furs.—On Monday an important silver fox sale opened in London, in the course of which well over 100,000 skins were offered. Owing to the uncertain political outlook, the weakness of Wall Street and the difficulties of the French franc, the number of foreign visitors is small. As France, normally one of the largest buyers of silver fox skins, is buying very little, sentiment at the sale is depressed. In the first three days of this week prices showed a general decline, ranging from 5 to 10 per cent. compared with those of the January sale. About 60 to 70 per cent. of the offerings found buyers. It is expected, however, that the position will deteriorate further during the next few days. On the open market business is very small at present and prices are easy. The immediate outlook is judged with much reserve and a rally is not expected until industrial activity in the United States shows recovery.

Rubber.—At its meeting on Tuesday the International Committee disappointed the market by deciding to leave the quota for the second quarter unchanged at 60 per cent. and by postponing its decision regarding the July-September quota until its next meeting on May 31st. This factor, together with the weakness of the American market, caused prices to slump to their lowest since restriction began. The basic quotas for the draft scheme for the years 1939 to 1943 are discussed in a Note in the Industry and Trade section.

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ended	
	Mar. 19, 1938	Mar. 26, 1938
Landed	3,042	2,046
Delivered	1,622	1,369
Stocks, end of week	73,423	75,100

CURRENT STATISTICS

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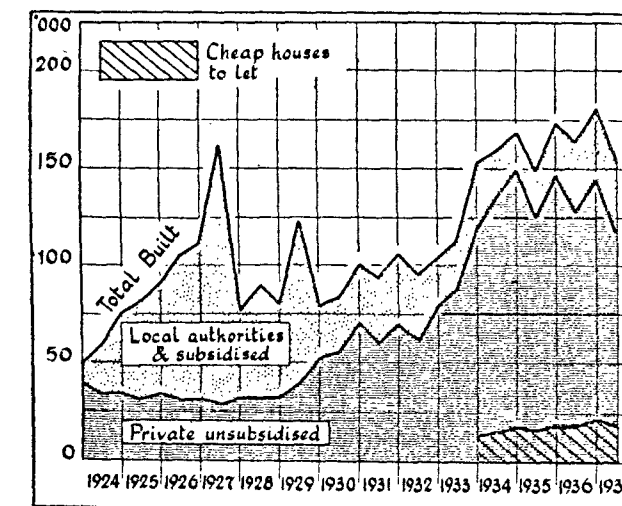
All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

Building

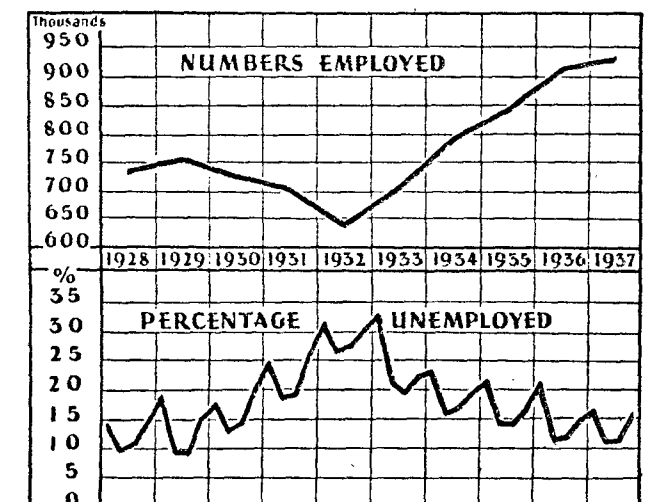
We present below four charts, illustrating the present position of the Building Industry. In Chart I a distinction is drawn between houses produced by local authorities and subsidised private enterprise, and houses produced by private enterprise without subsidy. In addition, since 1934, it has been possible to distinguish houses built by unsubsidised private enterprise, which have a rateable value under £13 (£20 in Greater London) and are occupied by persons other than the owners.

Chart II shows the numbers of persons in employment in June of each year and the unemployment percentage in each quarter. Charts III and IV refer to the value of building plans passed by 146 local authorities (excluding the L.C.C. Area). It will be seen that the population of these towns is less than half that of Great Britain.

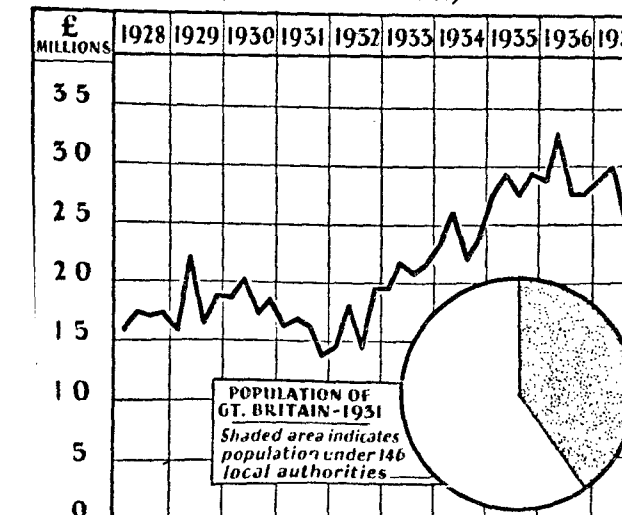
I.—HOUSES BUILT IN ENGLAND AND WALES



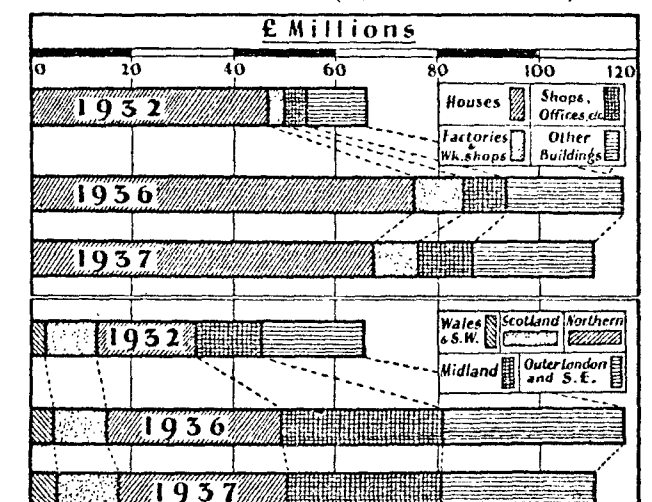
II.—NUMBERS EMPLOYED AND PERCENTAGE UNEMPLOYED



III.—TOTAL VALUE OF BUILDING PLANS (146 local authorities)



IV.—VALUE OF BUILDING PLANS: BY AREAS AND CATEGORIES (146 local authorities)



Finance

GOVERNMENT FINANCE

For the 12 days ended March 31, 1938, the total ordinary revenue was £32,791,000, against ordinary expenditure of £14,931,000. The surplus accrued since April 1, 1937, is thus £39,330,000, against a surplus of £7,530,000 in the year 1936-37. The detailed Revenue return for the year is printed in full on page 67.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Est. for 1937-38	Mar. 31, 1937	Apr. 1, 1937	Apr. 11, 1937	12 days ended Mar. 31, 1938
ORDINARY REVENUE					
Inc. Tax	288,150	257,237	297,986	9,738	14,317
Sur-tax	58,000	53,540	57,060	3,790	5,810
Stamp duties	89,000	87,990	88,980	3,790	3,180
Stamps	29,000	29,140	24,170	1,530	770
N.D.C.	2,000	...	1,420	...	620
Other In. Rev. Duties	1,500	1,730	1,730	60	70
Total I. Rev.	467,650	429,637	471,316	18,908	24,767
Customs	219,850	211,282	221,561	5,265	7,460
Excise	113,150	109,500	113,700	800	1,200
Total Cust. and Excise	333,000	320,782	335,261	6,065	8,660
Motor Duties	34,000	32,727	34,608	388	208
P.O. (Net Receipt)	11,800	10,970	10,470	880	3,320
P.O. Fund	1,350	1,350	1,330	30	50
Crown Lds. Rec. from Sun. Loans	4,300	4,550	5,230	...	...
Misc. Rec.	11,000	24,600	13,510	6,944	1,666
Total Ordinary Revenue	863,100	824,716	872,580	30,555	32,791
SELF-BAL. REVENUE					
Post Office and Broadcasting	76,458	71,880	76,080	3,580	5,310
Total	...	896,596	948,660	34,135	38,101

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Est. for 1937-38	Mar. 31, 1937	Apr. 1, 1937	Apr. 11, 1937	12 days ended Mar. 31, 1938
ORDINARY EXPEND.					
Int. of Nat. Dt. Payments to N. Ireland	224,000	210,873	216,233	1,623	2,387
Other Cons. Fund Serv. P.O. Fund	8,000	7,996	8,887	1,340	1,658
Total	232,000	218,869	225,120	2,963	4,045
Supply Serv.	162,734	159,457	160,015	15,652	10,713
Total Ord. Expend.	394,734	378,326	385,135	18,615	24,758
Sinking Funds	...	13,127	10,544	1,555	674
SELF-BAL. EXPEND.					
P.O. and Broadcasting	76,458	71,880	76,080	3,580	5,310
Total	...	902,193	917,874	24,066	20,915

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

After reducing Exchequer balances by £134,162 to £2,363,977, the other operations for the period (as shown in the next column, but excluding £26,017,000 issued under the Defence Loans Act and £676,000 issued to Sinking Funds) increased the gross National Debt by £8,697,000 to about £8,146 millions. An analysis of the approximate position of the National Debt as at March 31, 1938, appears on page 66.

12 DAYS' CHANGES IN DEBT

NET INCR. IN DEBT (£ thousands)		NET REPAYMENTS, ETC.* (£ thousands)	
Treasury Bills	28,081	Pub. Dept. Adv.	22,510
P.O. and Telegr.	4,600	Nat. Savings	950
(Money) Acts	300	Certs.	324
Diseases of Animals	...	Nat. Savings	500
Accounts	300	Bonds	...
	32,981	N. Atlantic Shipping	24,284

* Excluding £26,017,000 issued under Section 1 (1) of the Defence Loans Act, 1937.

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1937, to March 31, 1938, are shown below:—

Ordinary Exp. ... (£ thousands)		Ordinary Rev. ... (£ thousands)	
Issue to Exch. Eq. Fund (July, '37)	200,000	Dec. in blocs. ...	376
Issues under Defence Loans Act	64,867	Gross borrow. ...	235,756
		Less: New S.F. 10,544	
		Old S.F. 11	
		Net borrowing	225,201
	1,098,117		1,098,117

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Public Depts.	Bank of England	Total Floating Debt	Floating Assets
1937						
Mar. 31	674.6	23.5	...	...	698.1	358.9
Dec. 18	622.0	317.3	41.6	...	980.9	361.0
" 25	622.0	319.9	41.1	...	983.0	361.0
" 31	889.7	39.4	55.7	...	984.9	...
1938						
Jan. 22	597.0	301.0	28.1	...	926.2	329.1
" 29	587.0	292.3	31.6	...	910.9	323.9
Feb. 5	572.0	281.7	33.6	...	887.3	315.3
" 12	557.0	276.9	31.9	...	865.8	308.4
" 19	542.0	275.5	31.3	...	848.8	306.8
" 26	532.0	273.1	39.2	...	844.3	312.3
Mar. 5	522.0	282.4	39.8	...	844.2	322.2
" 12	517.0	283.8	38.9	...	839.8	322.7
" 19	512.0	288.5	35.6	...	836.1	324.1
" 31	828.7	13.1	...	...	841.8	...

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate %	Per Cent. Allotted at minimum Rate
1937					
Mar. 25	45.0	70.5	42.0	9.11	77
Dec. 17	50.0	76.8	50.0	13.9	85
" 24	50.0	68.4	50.0	12.0	74
" 31	50.0	80.5	50.0	10.11	47
1938					
Jan. 28	30.0	86.5	30.0	10.0	18
Feb. 4	30.0	88.4	30.0	10.0	18
" 11	30.0	87.7	30.0	10.0	18
" 18	35.0	86.6	35.0	10.1	23
" 25	40.0	92.0	40.0	10.1	33
Mar. 4	45.0	97.8	45.0	10.0	30
" 11	45.0	92.1	45.0	10.1	36
" 18	50.0	82.3	50.0	10.1	54
" 25	50.0	84.6	50.0	9.11	55

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for on Tuesday are 89-day bills, except those paid for each Tuesday, which are 88-day bills.
On March 25th, applications at £99 17s. 6d. per cent. for bills to be paid for on Thursday, Friday and Saturday of the following week were accepted as to about 55 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Monday, Tuesday and Wednesday at £99 17s. 6d. per cent. and above were allotted in full. £50.0 millions of Treasury bills are being offered on April 1st.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
10 weeks to:		
Mar. 13, 1937	7,235,906	5,426,928
Mar. 12, 1938	7,172,025	5,379,016
Week to: Mar. 13, 1937	667,458	500,593
Mar. 5, 1938	728,683	546,512
Mar. 12, 1938	647,580	485,685

Net Exchequer receipts, week to March 12, 1938: Dr. £10,000.

BANK OF ENGLAND RETURNS

MARCH 30, 1938

ISSUE DEPARTMENT

Notes Issued		Govt. Debt.	
In. circultn.	485,410,073	11,015,100	
In Bnk. De- partment..	40,997,087	Other Govt. Securities..	188,174,977
		Other Secrs.	799,606
		Silver Coin..	10,317
		Amt. of Fid. Issue	200,000,000
		Gold Coin & Bullion	326,407,160
			526,407,160

BANKING DEPARTMENT

Props. Capital		Govt. Secrs..	
14,553,000		110,816,164	
Rest.....	3,727,800	Disc. etc. ...	8,702,238
Public Depts.*	17,766,651	Securities ...	20,220,540
Other Depts.:			
Bankers	108,132,417		28,922,778
Other	37,382,958	Notes	40,997,087
		Gold & Silv. Coin	826,797
			181,562,826

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

THE WEEK'S CHANGES

Both Departments		Compared with	
£ thousands		Last Week	Last Year
Mar. 31, 1938			
Dec. 18, 1937			
" 25			
" 31			
1938			
Jan. 22			
" 29			
Feb. 5			
" 12			
" 19			
" 26			
Mar. 5			
" 12			
" 19			
" 31			

COMPARATIVE ANALYSIS

1937		1938	
Mar. 31	Mar. 9	Mar. 16	Mar. 23
Issue Dept.:			
Notes in circ.	473.8	479.3	479.5
Notes in bank- ing dept.	39.8	47.1	46.9
Govt. debt and securities	198.0	200.0	199.2
Other secrs.	2.0	0.0	0.8
Gold	313.7	326.4	326.4
Deposits:			
Public	52.2	12.6	11.1
Bankers	62.3	114.3	119.0
Others	38.5	36.1	35.7
Total	153.0	163.0	166.8
Bkg. Dept. Secs.:			
Government..	100.5	105.2	112.2
Discounts, etc.	7.1	6.5	3.6
Other	22.9	21.5	20.5
Total	130.5	133.2	136.3
Banking dept. reserve	40.8	48.0	47.8
"Proportion"	27.7	29.4	28.8
Reserve ratio†	50.3	50.9	50.7

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £10,317; capital, £14,553,000; rest, £3,727,800.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Portugal appeared in The Economist of February 5; International Settlements and Denmark, of March 12; Australia, Austria, and Poland of March 19; Canada, Czechoslovakia, Danzig, Finland, India, Java, Latvia, Lithuania, Netherlands, New Zealand and Norway, of March 26.

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS		Apr. 1, 1937	Mar. 31, 1938	Mar. 31, 1938	Mar. 31, 1938
RESOURCES					
Gold certis. on hand and due from Treas.	8,844	9,174	9,197	9,213	
Total reserves	9,141	9,639	9,685	9,696	
Total cash reserves	285	456	478	474	
Total bills discounted	12	10	10	12	
Bills bt. in open mkt.	15	10	10	13	
Total bills on hand	27	20	20	25	
Industrial advances	22	17	17	17	
Total U.S. Govt. secs.	2,430	2,564	2,564	2,564	
Total bills and secs.	2,468	2,592	2,591	2,594	
Total resources	12,340	12,910	12,915	12,901	
LIABILITIES					
F.R. notes in actual circulation	4,174	4,145	4,120	4,122	
Aggregate of excess mr. bank res. over regis. deposits	1,400	1,390	1,560	1,560	
Member- bank reserve account	6,639	7,215	7,333	7,312	
Govt. deposits	7,189	7,820	7,951	7,919	
Total deposits	13,202	13,565	13,404	13,393	
Cap. paid in and surplus	306	309	309	309	
Total liabilities	12,340	12,910	12,915	12,901	
Ratio of total res. to deposits and F.R. note liab. combined	80.5%	80.6%	80.5%	80.5%	
U.S.F.R. BANKS					
RESOURCES					
Monetary gold stock..	11,574	12,767	12,781	12,794	
Treasury and Nat. Bk. currency	2,542	2,669	2,674	2,680	
Money in circulation..	6,377	6,343	6,325	6,329	
Treasury cash and de- posits with F.R. Bks.	3,063	3,764	3,815	3,843	

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

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

Total gold reserves		Apr. 1, 1937	Mar. 31, 1938	Mar. 31, 1938	Mar. 31, 1938
13,820	13,931	14,010	14,099	14,109	
Total bills discounted	4.0	2.9	2.6	2.7	
Bills bt. in open mkt.	1.3	0.2	0.2	0.2	
Total U.S. Govt. secs.	652.3	739.5	739.5	739.5	
Total bills and secrs.	663.1	742.7	742.7	742.7	
Deposits — Member- bank—reserve acct.	3029.4	3249.1	3455.6	3475.0	
Total res. to dep. and Fed. Res. note liab- ilities combined	86.3%	86.2%	85.9%	86.2%	

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

ASSETS		Mar. 1937	Feb. 1938	Mar. 1938	Mar. 1938
Loans, total	9,337	8,944	9,020	8,889	
Investments	13,361	12,872	12,242	12,255	
Reserve with Federal Reserve Bank	5,327	5,622	5,735	5,733	
Due from domestic bks.	2,075	2,038	2,030	2,045	
LIABILITIES					
Deposits: demand (ad- just)	15,341	14,485	14,514	14,335	

BANK CLEARINGS

LONDON

(£ thousands)

	Month of February			Week ended		Aggregate from	
	1937	1938	Change	Mar. 31, 1937	Mar. 30, 1938	Mar. 31, 1937	Mar. 30, 1938
Number of wks. days:	24	24	%	4	6	75	76
Town.....	3,167,737	2,627,656	-17.0	564,232	590,211	9,734,494	8,507,890
Metropolitan.....	169,953	168,828	-0.7	31,266	42,443	552,009	545,764
Country.....	296,571	295,963	-0.5	50,187	66,480	947,486	957,193
Total.....	3,534,261	3,091,543	-14.9	645,685	699,134	11,233,989	10,010,847

† Based on average working day. * Easter week.

PROVINCIAL

(£ thousands)

	Month of February			Week ended		Aggregate from	
	1937	1938	Change	Mar. 27, 1937	Mar. 26, 1938	Mar. 27, 1937	Mar. 26, 1938
No. of working days:	24	24	%	6	6	74	73
BIRMINGHAM.....	12,212	9,753	-20.1	2,432	2,938	36,849	31,437
BRADFORD.....	13,560	3,453	-24.2	1,107	1,362	13,567	10,362
BRISTOL.....	5,517	5,508	-0.1	1,104	1,261	16,246	15,947
HULL.....	4,089	3,725	-8.9	759	792	11,964	11,498
LEEDS.....	4,396	4,407	+0.2	1,139	854	14,341	13,484
LIVERPOOL.....	3,288	2,837	-13.7	771	660	9,936	9,089
MANCHESTER.....	30,420	22,847	-24.8	6,560	5,269	95,433	68,685
NEWCASTLE.....	47,423	40,992	-13.5	10,889	8,659	142,250	124,671
NOTTINGHAM.....	6,159	7,041	+14.3	1,509	1,546	18,254	20,327
SHEFFIELD.....	2,255	2,256	+0.0	506	466	6,899	6,706
Total: 11 Towns.....	125,231	107,929	-13.8	27,527	23,114	380,265	327,317
DUBLIN.....	...	...	...	4,799	5,911	75,697†	77,984†

† Based on average working day. ‡ 13 full weeks.

MONEY RATES

LONDON

	Mar. 24, 1938	Mar. 25, 1938	Mar. 26, 1938	Mar. 28, 1938	Mar. 29, 1938	Mar. 30, 1938	Mar. 31, 1938
Bank rate (changed from 2½% June 30, 1932).....	2	2	2	2	2	2	2
Market rates of discount (10 days' bankers' drafts).....	17½	17½	17½	17½	17½	17½	17½
3 months' do.....	17½	17½	17½	17½	17½	17½	17½
6 months' do.....	17½	17½	17½	17½	17½	17½	17½
Discount Treasury Bills (3 months' do).....	12½	12½	12½	12½	12½	12½	12½
2 months' do.....	12½	12½	12½	12½	12½	12½	12½
Loans—Day-to-day.....	12½	12½	12½	12½	12½	12½	12½
Short.....	12½	12½	12½	12½	12½	12½	12½
Deposit advances: BK.....	12½	12½	12½	12½	12½	12½	12½
Discount houses at call.....	12½	12½	12½	12½	12½	12½	12½
At notice.....	12½	12½	12½	12½	12½	12½	12½

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938	%	%	%	%	%	%
Mar. 3.....	17½	17½	17½	17½	17½	17½
" 10.....	17½	17½	17½	17½	17½	17½
" 17.....	17½	17½	17½	17½	17½	17½
" 24.....	17½	17½	17½	17½	17½	17½
" 31.....	17½	17½	17½	17½	17½	17½

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Mar. 31, 1937	Mar. 2, 1938	Mar. 9, 1938	Mar. 16, 1938	Mar. 23, 1938	Mar. 30, 1938
Call money.....	1½	1½	1½	1½	1½	1½
Time money (90 days' mixed coll.).....	11½	11½	11½	11½	11½	11½
Bank acceptances:—						
Members—eligible 90 days.....	1½	1½	1½	1½	1½	1½
Non-mem.—eligible 90 days.....	1½	1½	1½	1½	1½	1½
Commercial accept., 90 days.....	1½	1½	1½	1½	1½	1½

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges
(Range of the day's business)

London on	Par of Exch. per £	Mar. 25, 1938	Mar. 26, 1938	Mar. 28, 1938	Mar. 29, 1938	Mar. 30, 1938	Mar. 31, 1938
New York, \$.....	4.8666	4.951½	4.951½	4.951½	4.961½	4.961½	4.961½
Montreal, \$.....	4.8666	4.981½	4.981½	4.981½	4.991½	4.991½	4.991½
Paris, Fr., 100.....	124.21	161½	161½	161½	162½	162½	161½
Brussels, Bel., 100.....	35.00a	29.43	29.43	29.43	29.39	29.36	29.37
Milan, L., 100.....	92.46	94.30	94.30	94.30	94.30	94.30	94.30
Zurich, Fr., 100.....	25.22½	21.63½	21.64½	21.65½	21.65½	21.64½	21.64½
Athens, Dr., 100.....	375	540-55	540-55	540-55	540-55	540-55	540-55
Amst'dm, Fl., 100.....	12.107	8.961½	8.961½	8.961½	8.961½	8.961½	8.961½
Berlin, Mk., 100.....	20.43	12.36-39	12.36-39	12.35-38	12.36-39	12.36-39	12.35-38
Registered Marks							
Br. India Rup., 100.....	18½	18½	18½	18½	18½	18½	18½
Hong Kong, \$.....	14½	14½	14½	14½	14½	14½	14½
Shanghai, \$.....	15.899d	23½	23½	23½	23½	23½	23½
Rio, Mil., 100.....	19.40	19.70	19.70	19.90	19.95	19.95	20.00
B. Aires, \$.....	11.45	65½	65½	20.20	20.10	20.10	20.10
Valparaiso, \$.....	40	125e(l)	125e(l)	125e(l)	125e(l)	125e(l)	125e(l)
M. video, \$.....	15.1d	20½-1½	20½-1½	20½-1½	20½-1½	20½-1½	20½-1½
Lima, Sol., 100.....	17.38	20-21(l)	20-21(l)	20-21(l)	20-21(l)	20-21(l)	20-21(l)
Mexico, Pes., 100.....	9.76	Un'q'd	Un'q'd	Un'q'd	Un'q'd	Un'q'd	Un'q'd
Manila, Pes., 100.....	24.66d	23½-24	23½-24	23½-24	23½-24	23½-24	23½-24
Moscow, Rbls., 100.....	26.29½	26.26½	26.26½	26.32	26.36	26.31½	26.31½

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8.235½ since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (c) Per cent. discount. (e) Latest "export" rate. (f) Official rate is 85 sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (j) Nominal. (m) Official.

(b) Other Exchanges

London on	Par of Exch. per £	Mar. 25, 1938	Mar. 30, 1938	Mar. 31, 1938
Helsingfors, M., 100.....	193.23	225¼-6½	225¼-6½	225¼-6½
Madrid, P., 100.....	25.22½	80-140(l)	80-140(l)	80-140(l)
Lisbon, Esc., 100.....	110	110-110½	110-110½	110-110½
Vienna, Sch., 100.....	34.58½	25½-7½(l)	Nominal	Nominal
Budapest, Pen., 100.....	27.82	24½-5½	24½-5½	24½-5½
Prague, Kor., 100.....	164½	141¼-2¼	142-2¼	141¼-2¼
Danzig, Gul., 100.....	25.00	26½-5½	26½-5½	26½-5½
Warsaw, Zl., 100.....	48.38	26½-5½	26½-5½	26½-5½
Riga, Lat., 100.....	25.22½	24½-5½	24½-5½	24½-5½
Bucharest, Lei, 100.....	813.8	665-90	665-90	665-90
Constantinople, Pst., 100.....	110	625*	625*	625*
Belgrade, Din., 100.....	276.32	212-22	212-22	212-22
Kovno, Lit., 100.....	48.66	29-30	29-30	29-30
Sofia, Lev., 100.....	673.66	390-420	390-420	390-420
Tallinn, E. Kr., 100.....	18.159	17½-18½	17½-18½	17½-18½
Oslo, Kr., 100.....	18.159	19-85-95	19-85-95	19-85-95
Stockholm, Kr., 100.....	18.159	19-35-45	19-35-45	19-35-45
Copenhagen, Kr., 100.....	18.159	22-35-45	22-35-45	22-35-45
Alexandria, Pst., 100.....	97½	97½-98	97½-98	97½-98
Kobe, Yen., 100.....	124.58d	132½-4½	132½-4½	132½-4½
Singapore, \$.....	128d	27½-28½	27½-28½	27½-28½
Batavia, \$.....	12.41	8.93-6½	8.93-6½	8.93-6½
Bangkok, Baht, 100.....	121.82d	22-22½	22-22½	22-22½

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par 197.10½ since koruna devaluation on February 17, 1931. Rate for payments to the Bank of England:—(f) Under Anglo-Spanish Agreement. (h) Under Anglo-Turkish Agreement. (l) Nominal.

LONDON—FORWARD

(Closing quotations)

London on	Mar. 25, 1938	Mar. 26, 1938	Mar. 28, 1938	Mar. 29, 1938	Mar. 30, 1938	Mar. 31, 1938
New York, cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)
Paris, francs	1 Month (d)	(d)	(d)	(d)	(d)	(d)
Amsterdam, cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)
Brussels, cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)
Geneva, cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)

(p) Premium, (d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per \$	Mar. 24, 1938	Mar. 25, 1938	Mar. 26, 1938	Mar. 28, 1938	Mar. 29, 1938	Mar. 30, 1938
London, £.....	4.8666	4.951½	4.951½	4.951½	4.961½	4.961½	4.961½
Cables New Par.....	4.961½	4.951½	4.951½	4.951½	4.961½	4.961½	4.961½
Demand.....	8.2357	4.951½	4.951½	4.951½	4.961½	4.961½	4.961½
Paris, Fr., 100.....	6.63	3.06¼	3.02½	3.02½	3.02	3.06	3.04½
Brussels, Bel., 100.....	23.54	16.83	16.84	16.84½	16.86	16.93	16.91
Switz'rd, Fr., 100.....	32.67	22.92½	22.91	22.89½	22.90	22.97½	22.95
Italy, Lira, 100.....	8.91	5.26¼	5.26¼	5.26¼	5.26¼	5.26¼	5.26¼
Berlin, Mk., 100.....	40.33	40.10½	40.10½	40.09	40.10	40.18	40.16
Vienna, Sch., 100.....	32.82	...	...	...	...	...	...
Madrid, P., 100.....	32.67	...	...	...	...	...	...
Amst'dm, Gldr., 100.....	68.06	55.29½	55.27½	55.29	55.31	55.32	55.40
Cop'h'g, Kr., 100.....	145.37	22.15	22.12½	22.15	22.15	22.22½	22.20
Oslo, Kr., 100.....	25.55	24.92½	24.92½	24.92½	25.00	24.97½	24.97½
Stockh., Kr., 100.....	25.55	25.55	25.55	25.55	25.60	25.60	25.60
Athens, Dr., 100.....	1.29½	0.91½	0.91½	0.91	0.91	0.91½	0.91½
M'rtal, Can., \$.....	169.31	99.530	99.470	99.470	99.430	99.500	99.430
Yokohama, Yen., 100.....	84.40	28.93	28.93	28.92	28.92	29.00	28.98
Shanghai, \$.....	27.75	26.90	26.90	26.90	26.90	26.90	26.90
B. Aires, Pso, 100.....	30.78	30.74	30.74	30.78	30.88	30.84	30.84
Rio, Mls., 100.....	11.96	5.90	5.90	5.90	5.90	5.90	5.90

Usance: T.T. * Dollars per £1. † Official. ‡ Nominal.

EXCHANGE RATES (Monthly Tables)

SOUTH AFRICA

(BUYING RATES PER £100 STERLING)

	T.T.	Sight	30 days' sight	60 days' sight	90 days' sight
London on:					
Rhodesia.....	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
S. Africa.....	100 17 6	100 11 3	101 13 3	101 11 3	102 13 9

(SELLING RATES PER £100 STERLING)

	Sight	Telegraphic
London on:		
Rhodesia.....	£ s. d.	£ s. d.
S. Africa.....	99 15 0	100 2 6

AUSTRALIA AND NEW ZEALAND

	London on Australia and New Zealand*				Australia and New Zealand on London*							
	Buying		Selling		Buying		Selling					
	Australia	New Zealand	Australia (any Mail)	New Zealand (any Mail)	Australia	New Zealand	Australia (any Mail)	New Zealand				
T.T.	Air Mail	Ord. Mail	Air Mail	Ord. Mail	125	124	Air Mail	Ord. Mail	125	124	125½	124½
Sight	126½	126½	125½	125½	125½	124½	124½	124½	124½	123½	125½	124½
30 days	126½	126½	125½	125½	...	...	124½	124½	123½	125½	124½	124½
60 days	127½	127½	126½	126½	...	...	124½	124½	123	125½	124½	124½
90 days	127½	127½	126½	127	...	...	124	123½	122½	125½	124½	124½

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Mar. 27 (£'000)					Aggregate Gross Receipts, 12 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Goods	Total	Passenger	Merchandise	Coal & Coke	Goods	Total
L. M. & S.—										
1937	639	432	257	689	1,327	4,839	5,747	3,467	9,214	14,053
1938	419	489	252	741	1,160	4,711	5,852	3,621	9,473	14,184
L. & N. E. (a)—										
1937	384	303	224	527	911	3,196	3,932	3,130	7,062	10,258
1938	265	359	250	609	874	3,117	4,112	3,336	7,448	10,565
Great Western—										
1937	268	181	112	293	561	2,035	2,279	1,425	3,704	5,739
1938	169	203	114	316	485	1,963	2,391	1,500	3,891	5,854
Southern—										
1937	391	54	33	87	478	3,153	696	425	1,121	4,274
1938	259	65	33	98	357	3,101	715	447	1,162	4,263
Total—										
1937	1682	970	625	1596	3,273	13,223	12,654	8,447	21,101	34,324
1938	1112	1115	649	1764	2,876	12,892	13,970	8,904	21,974	34,866

(a) Week ended March 26.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+ 1,329	+ 1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross increase, first half 1938, over first half 1937	+ 131	+ 307	+ 115	— 11
Weekly Figures				
Av. weekly increase, 1st half 1938	+10.92	+25.58	+9.58	— 0.92
Latest week compared with 1937	— 168	— 37	— 76	— 121
Latest week compared with average 1927-30	— 198	— 181	— 78	— 29

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended March 25 (£'000)			Aggregate Gross Receipts 12 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	1.7	0.5	2.2	19.5	5.9	25.4
1938	1.7	0.5	2.2	20.2	5.2	25.4
Great Northern—						
1937	10.2	11.3	21.5	94.0	103.4	203.4
1938	7.3	10.2	17.5	96.6	103.9	200.5
Great Southern—						
1937	33.5	45.7	79.2	326.5	508.2	834.7
1938	26.6	40.6	67.2	333.4	481.4	814.8

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Payable	Prev. Year	Company	*Int. or †Final	Total	Payable	Prev. Year	Company	*Int. or †Final	Total	Payable	Prev. Year
BANKS					Banks (John), etc.					Slough Estates				
Bank of England	6	...	...	6	Bradleys (Chester)	(a) 84	...	...	20	Steel Brothers (Def.)	a 11†	a 15	...	12½
English, Scot. & Aust.	3½*	May 16	3½*	...	Brit. Combined Invest.	3	...	...	21½	Summers (John)	...	...	...	25½
INSURANCE					British Moss Lister	7½	Apr. 29	7½	...	Telegraph Condenser	...	...	...	10
Caledonian	7/6 ps	May 11	7/6 ps	...	Brown Hopwood, etc.	5*	Apr. 1	5*	...	United Glass Bottle	a 8½†	a 12	...	11
Do.	7/6 ps	Nov. 11	7/6 ps	...	Churchill Tool	a20†	...	...	45½	Venesta	...	...	May 7	4*
TEA AND RUBBER					Dale (John)	5½	May 1	5½	...	Vestfold Whaling	a 5*	...	Apr. 12	5*
Batu Caves Rubber	4½†	Apr. 11	5	...	Dickinson (John)	10†	...	...	12	Viking Whaling	a 5*	...	Apr. 12	5*
Cheviot Rubber	12½	May 25	10	...	Dubarry Perfumery	15†	May 2	12½	...	Vine Products	a 22½	...	Apr. 12	22½
How Seng Rubber	5	...	5	...	East of Scot. Trust	a 6*	Apr. 16	2*	...	Vitacream	15*	...	Apr. 4	10*
Labis Bahr Rubber	...	...	...	...	Electric Switchgear	a 6*	Apr. 13	6*	...	Walker (C. & W.)	...	18½	Apr. 27	17½
Labu Rubber	15	May 25	12½	...	Electrolux	Kr. 5†	...	...	Kr. 10	Wilson (H. & J.)	...	6½	...	Nil
Medini Rubber	7½	Apr. 14	5	...	Harrison (Birm'gham)	...	...	...	...					
Remfield Rubber	...	Apr. 20	3½	...	Heatrae	...	...	...	...					
Rangoon Para Rubber	6½	Apr. 22	6½	...	Heinemann Hldgs.	5*	...	...	...					
Roschaugh Rubber	...	May 14	2½	...	Howard & Wyndham	...	...	...	...					
Roschaugh Tea	...	May 14	2½	...	McNeill and Co.	5†	...	...	...					
St. George Rubber	7½†	...	...	...	Marconi Marine	5†	...	...	...					
Strathmore Rubber	4½	...	3½	...	Melbourne Props. Tst.	7½†	...	...	...					
MINING					Neepsend Steel	a 10*	...	...	...					
Ampat Tin	5†	...	7½	...	Newton Chambers & Co.	10†	...	...	...					
Sungei Way Dredg.	2½*	Apr. 14	5*	...	North's Nav. Colls.	3½	...	...	...					
OTHER COMPANIES					Olympic Cement	5†	...	...	...					
Albion Motors	...	Apr. 29	15	...	Ransomes & Napier	a 7½	...	...	...					
Alexander Thom.	8†	Apr. 7	10½	...	Reynolds (A.)	a 7½	...	...	...					
Allen (J. & J.)	...	...	...	...	Schwepcs (Def.)	a 7½	...	...	...					
Allen and Hanburys	5*	...	5*	...	Selangor Oil Palm	5†	...	...	...					
Anglo-Port. Telephone	5†	...	8	...	Shropshire Electric B.	3†	...	...	...					
Armstrong, etc., Stores	10½	...	15	...	Skefko Ball Bg.	a20†	...	...	...					
Mythe (Wm.) & Co.	7†	...	10	...					...					

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending March 26, 1938, before pooling	£569,700	+ £27,300
Total, 39 weeks to date	21,895,200	+ 127,600
L.P.T.B. receipts, 52 weeks to June 26, 1937	28,732,000	+ 255,000
L.P.T.B. receipts, year to June, 1937, after pooling	30,247,378	+ 522,655
London Transport Pool receipts, year to June 30, 1937	41,377,929	+ 771,590

OVERSEAS WEEKLY TRAFFIC RECEIPTS

INDIAN

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1938	+ or -	1938	+ or -
Bengal & N.Western	22 Mar. 10	Rs. 11,22,593	- 2,79,632	Rs. 1,66,35,310	- 11,29,361
Bombay, Bar. & C.I.	49 Mar. 10	Rs. 29,58,000	+ 19,529	Rs. 8,89,93,679	+ 11,14,083
Bombay, Bar. & C.I.	50 Mar. 20	Rs. 35,34,000	- 2,61,000	Rs. 1,55,19,000	+ 3,03,000
Madras & S. Mah.	49 Mar. 10	Rs. 22,81,000	+ 2,36,076	Rs. 9,97,86,781	+ 5,97,741
S. Indian	49 Mar. 10	Rs. 15,57,267	+ 92,225	Rs. 5,27,02,601	+ 23,33,415

CANADIAN

		1938	\$	\$	\$	\$
Canadian National ..	11	Mar. 21	3,215,808	- 399,097	36,277,250	- 3,139,557
Canadian Pacific.....	11	21	2,414,000	- 171,000	26,817,000	- 843,000

SOUTH & CENTRAL AMERICAN

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1938	+ or -	1938	+ or -
Anglo-Arg. Trams.	12 Mar. 25	\$636,370	+ 16,365	\$7,696,816	+ 210,657
Antioquia	12 Mar. 27	\$18,970	+ 2,860	\$211,650	+ 3,980
Argentine N.E.	38 Mar. 26	\$122,600	- 12,600	\$5,744,600	+ 79,200
B.A. and Pacific	38 Mar. 26	\$7,605	- 782	\$356,366	+ 17,379
B.A. Central	37 Mar. 26	\$1,718,000	- 301,000	\$4,773,000	- 3,811,300
B.A. Gt. Southern	38 Mar. 26	\$1,034,400	- 34,500	\$4,436,500	- 860,400
B.A. W. Southern	38 Mar. 26	\$2,729,000	- 376,000	\$9,463,000	- 1,537,000
B.A. Western	38 Mar. 26	\$1,692,293	- 23,325	\$5,859,986	+ 55,067
Central Argentine	38 Mar. 26	\$733,000	- 178,000	\$28,561,000	- 2,703,000
Central Uruguay	37 Mar. 19	\$45,471	- 11,043	\$1,771,774	- 112,670
Leopoldina	12 Mar. 26	\$1,671,700	- 999,700	\$7,356,200	- 212,830
Mexican Railway	11 Mar. 21	\$321,100	- 50,500	\$3,565,600	- 17,700
Nitrate	36 Mar. 15	\$18,449	- 62	\$9,775	+ 1,473
United of Havana	38 Mar. 26	\$45,960	- 12,429	\$93,698	- 33,139

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

SUEZ CANAL RECEIPTS

Transit Receipts† ...					
11	1938	£	£	£	£
Mar. 20		272,400	- 100,500	2,180,500	- 517,800
† 10 days.					

‡ 10 days.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit	Dividend
					Prefce. Amount	Ordinary Amount	Rate				
Breweries		£	£	£	£	£	%	£	£	£	%
Royal Brewery, Brentford	Dec. 31	40,519	94,631	135,150	6,750	31,500	14	51,322	45,578	94,722	12
Electric Lighting, etc.											
Midland Electric Corp.	Dec. 31	44,262	103,249	147,511	10,463	63,000	9	25,000	49,048	102,707	9
Shropshire, etc., Electric	Dec. 31	55,411	543,683	599,094	135,000	158,750	8 and 5½	240,000	65,344	544,367	8 & 6½
Financial, Land, etc.											
Lewis (John) Properties	Jan. 31	30,913	86,950	117,863	37,968	37,875	11	10,000	32,020	64,793	2015½
Gas											
Primitiva de Buenos Aires	Dec. 31	71,313	186,026	257,339	...	67,488	2½†	115,000	74,851	162,275	2½
Iron, Coal and Steel											
Beyer, Peacock & Co.	Dec. 31	Dr. 73,886	24,737	Dr. 49,149	...	...	...	...	Dr. 49,149	Dr. 2,456	Nil
Coltness Iron	Dec. 31	196,842	324,980	521,822	25,750	137,812	23½	125,000	233,259	276,883	20
Norton, etc., Collieries	Dec. 31	31,112	121,331	152,443	...	67,575	17	53,000	31,868	96,418	10
Rubber											
Baru (Java)	Dec. 31	3,420	14,608	18,028	...	12,000	10	2,851	3,177	5,755	5
Bekoh Consolidated	Dec. 31	8,741	(b) 29,559	38,300	...	19,708	10	...	18,592	(a) 18,592	(a) Nil
Dunlop Plantations	Dec. 31	...	423,757	423,757	112,500	...	...	311,257	...	311,697	Nil
Kuala Pilah	Dec. 31	603	3,837	4,440	...	3,750	5	...	690	4,706	6
Langkat Sumatra	Dec. 31	1,339	10,374	11,713	...	6,249	8½	3,250	2,214	6,157	6½
Medini	Dec. 31	2,922	4,388	7,310	...	3,750	7½	1,000	2,560	2,074	5
Sempah	Nov. 30	645	16,231	16,876	...	6,662	10-416	7,500	2,714	5,592	3½
Sungei Choh	Dec. 31	750	13,728	14,478	...	10,000	5	3,500	978	10,078	4
Yataderia	Dec. 31	1,052	15,780	16,832	...	8,400	6	4,986	3,446	9,236	4
Shipping											
Royal Mail Lines	Dec. 31	9,608	743,055	752,663	...	150,000	5	567,435	35,228	631,087	4½
Shops and Stores											
Barker (John) & Co.	Jan. 31	191,868	344,819	536,687	46,175	165,950	15	135,000	189,562	390,201	15
Lewis (John) & Co.	Jan. 31	22,727	241,592	264,319	127,500	108,000	12	...	28,819	233,227	12
Pim Brothers	Jan. 31	Dr. 4,961	Dr. 1,973	Dr. 6,934	...	...	...	...	Dr. 6,934	321	Nil
Stagg and Russell	Jan. 31	25,951	12,409	38,360	12,500	...	...	...	25,860	9,128	Nil
Upsons Limited	Dec. 31	46,458	178,155	224,613	46,235	82,875	13	45,777	49,726	160,967	12
Tea											
Rangalla Consolidated	Dec. 31	350	10,878	11,228	...	3,590	6	7,082	556	4,294	3
Telegraphs, etc.											
Automatic Telephone	Dec. 31	85,446	148,624	234,070	14,000	104,438	10	10,000	105,632	133,564	10
Marconi Internat. Marine...	Dec. 31	12,308	114,844	127,152	...	89,454	7½	26,000	11,698	118,842	7½
Trusts											
Friars Investment	Feb. 15	5,618	31,829	37,447	...	22,700	4	...	14,747	28,523	3½
River Plate Trust, etc.	Dec. 31	109,972	221,626	331,598	75,000	110,000	14 & 4	...	146,598	199,013	1383½
Other Companies											
Amalgamated Gowns	Sep. 19	...	28,856	28,856	...	...	...	28,187	669	(a) 669	(a) 7½
Associated Coal Distributors	Dec. 31	2,037	15,655	17,692	...	11,000	5	5,130	1,562	19,195	7½
British Automatic Co.	Dec. 31	6,031	48,309	54,340	...	16,000	4†	30,988	7,352	41,066	3½†
British Quarrying	Oct. 31	19,358	64,678	84,036	14,062	19,734	8 and 5	34,210	16,030	84,336	8 & 5
Catalin Limited	Dec. 31	...	c Dr. 5,698	Dr. 5,698	...	...	...	...	Dr. 5,698	(a) 669	(a) 7½
Daily Mirror Newspapers...	Feb. 28	935,931	336,584	435,515	64,000	210,000	15	30,000	131,515	344,465	15
Dunlop Cotton Mills	Dec. 31	11,780	306,829	318,609	109,688	29,500	11½†	167,532	11,889	280,827	26½
Dunlop Rubber	Dec. 31	589,956	1,928,627	2,518,583	281,250	562,479	9	1,083,425	591,429	1,853,955	9
Galloway (P. H.)	Dec. 31	11,792	21,702	33,494	7,500	12,000	10	...	13,994	20,078	10
Glanfield (G.) & Son	Dec. 31	5,896	6,663	12,559	...	5,375	5	...	704	10,457	5
Hanson (Saml.) & Son	Jan. 1	669	41,415	42,084	15,605	...	...	21,900	4,579	Dr. 3,763	Nil
Manganese Brs., etc.	Dec. 31	22,633	66,422	89,055	4,557	34,337	8-4d.	26,685	23,476	61,461	(e) 17
Newman Indus.	Dec. 31	2,246	31,441	33,687	3,600	11,250	25	15,500	3,337	19,342	17
Parker, Winde. & Church	Dec. 31	9,259	17,345	26,604	990	4,860	8	10,000	10,754	14,916	7
Pettigrew & Sons	Feb. 19	22,292	31,070	53,362	7,250	19,040	14	...	27,072	28,627	14
Reynolds (A.) & Sons	Dec. 31	126,836	207,667	334,503	7,175	87,750	12½	92,345	147,233	174,287	12½
Rolls Razor	Dec. 31	4,237	43,083	47,320	11,156	26,250	70	5,715	4,199	43,931	75
Rose (L.) & Co.	Dec. 31	9,982	44,288	54,270	10,500	18,282	62½	14,925	10,563	36,381	62½
Rugby Portland Cement	Dec. 31	31,895	38,994	70,889	12,000	22,000	11	3,000	33,889	42,413	11
Smart Brothers	Dec. 31	38,047	200,183	238,235	31,874	43,411	10	117,853	45,097	218,219	15
Smithfield & Arg. Meat	Dec. 31	47,772	80,378	128,150	37,500	25,000	4	...	65,650	49,933	2½
Steel Brothers and Co.	Dec. 31	25,919	348,731	374,650	183,000	100,000	40†	65,652	29,855	285,546	25†
Stephens (Henry C.)	Dec. 31	12,492	65,739	78,231	14,000	39,000	8	13,000	12,231	62,470	8
Sunday Pictorial	Feb. 28	117,539	218,882	336,421	40,000	131,250	12½	25,000	140,171	247,573	12½
United Glass Bottle	Dec. 31	43,845	230,545	274,390	67,576	50,266	12	111,810	44,738	171,583	11
Valor Co.	Dec. 31	2,695	34,881	37,576	...	28,125	15	6,500	2,951	24,257	10
Vine Products	Dec. 31	21,120	170,596	191,716	16,000	101,925	22½	51,421	22,370	168,134	22½
Total Profits, 1938, in £000's :	No. of Cos.										
To March 26	609	27,703	92,326	120,029	15,725	50,766	...	23,801	29,738	82,300	...
To April 2	661	29,901	100,961	130,862	17,314	53,826	...	27,479	32,243	90,204	...

Special Statistics

THE ECONOMIST WHOLESALE PRICE INDICES

II.—SECOND INDEX, DECEMBER, 1910—NOVEMBER, 1928

In *The Economist* of March 26th, page 725, we gave a record of the original *Economist* index, from 1851 to 1910. In 1911 the scope of the index was enlarged by the inclusion of additional commodities whose importance had grown since the original index was first calculated in 1864. Details of the second index were given in *The Economist* of February 4, 1911. Like the original index, the second index is an unweighted arithmetic aggregate, but the basis was changed from the average of 1845-50 to the average of 1901-05. In addition, separate indices were calculated for groups of related commodities comprising the complete index. Moreover, the complete index was calculated as an aggregate as well as an average. A record of the second index, from December, 1910, to December, 1918, is given below. The remainder, covering the period from January, 1919, to November, 1928, will be published in a subsequent issue of *The Economist*.

Basis Average 1901-05	Cereals and Meat	Other Foods	Textiles	Minerals	Miscel- laneous	Complete Index	
	500	300	500	400	500	2,200	100
1910— December	536	336	612	418	601	2,503	113½
1911— January ...	548	342½	608½	423	601	2,523	114½
February ...	552½	344½	596½	418	624½	2,536	115
March	552½	346	602½	422	623	2,536	115
April	560½	343½	629½	422	598½	2,554	116
May	554½	339½	634½	426	585½	2,540	115½
June	543½	352½	611	431½	578½	2,517	114½
July	539	372	576½	432	571½	2,493	116
August	551½	397½	569½	434½	578	2,531	115
September ..	563½	430	581	433½	585	2,593	118
October ...	571	425½	555½	437	587	2,576	117
November ...	582½	422	556	452	584½	2,597	118
December ...	600	407	539½	460	580½	2,586	117½
1912— January ...	607½	405	561	468½	571	2,613	118-7
February ...	619	411	573	493	571	2,667	121-2
March	618½	400	578	608½	586	2,791	127-0
April	625½	385½	581	512½	588½	2,693	122-9
May	633	379	570	493½	611½	2,687	122-1
June	642½	373½	579½	501½	608	2,705	123-0
July	645	384	605½	512½	599	2,746	125-0
August	621	371	594½	532½	603	2,722	123-9
September ...	605	372½	601	548½	613	2,740	124-6
October ...	607	364	602½	537	611½	2,722	123-9
November ...	598½	361½	622½	533	605½	2,721	123-9
December ...	602	367½	631	540	606½	2,747	125-0
1913— January ...	606	363	623	534½	605½	2,732	124-1
February ...	602½	364½	630½	519	600½	2,717	123-4
March	594	358	641	529	595	2,717	123-4
April	603	352	638½	542	593½	2,729	124-0
May	583	343	630	542	596	2,694	122-4
June	580	345½	623½	522½	597½	2,669	121-3
July	584	345½	620	530	609½	2,689	122-4
August	581½	359	638½	529	585	2,693	122-4
September ...	583	359	671	523	578	2,714	123-9
October ...	567	365	661	514	571	2,684	122-1
November ...	569½	367	654	495	575½	2,661	121-0
December ...	563	355	642	491	572	2,623	119-2
1914— January ...	562½	356	626	502	571½	2,618	119-0
February ...	573½	352	630	491½	569	2,616	118-9
March	560	350½	626½	493	567	2,597	118-0
April	560½	346	633½	482½	562½	2,585	117-5
May	570½	349	644½	480	551	2,595	118-0
June	565½	345	616	471½	551	2,549	115-9
July	579	352	616½	464½	553	2,565	116-6
August	641	369	626	471	588	2,698	122-6
September ...	656½	400½	560	458	652	2,732	124-2
October ...	683	407½	512	473	684½	2,760	125-5
November ...	683	407½	512	473	684½	2,760	125-5
December ...	714	414½	509	476	686½	2,800	127-3

Basis Average, 1901-05	Cereals and Meat	Other Food	Textiles	Minerals	Miscel- laneous	Complete Index	
	500	300	500	400	500	2,200	100
1915— January ...	786	413	535	521	748	3,003	136-5
February ...	845	411	532½	561½	761	3,131	142-3
March	840	427	597	644	797	3,305	150-2
April	847	439½	594½	630	816	3,327	151-2
May	893	437	583	600	814	3,327	151-2
June	818	428	601	624	779	3,250	147-7
July	841	438½	628	610½	778	3,296	149-8
August	809½	470½	667	619½	769½	3,336	151-6
September ...	834	443½	681	631½	781	3,371	153-2
October ...	871½	444	691	667½	826	3,509	160-9
November ...	897	446	731	711½	848½	3,634	165-1
December ...							
1916— January ...	946½	465	782½	761½	884½	3,840	174-5
February ...	983	520½	802½	801½	897½	4,008	182-4
March	949½	503	796½	851	913	4,013	182-4
April	970½	511	794½	895	919	4,190	190-5
May	1,024	529	805	942	919	4,319	196-3
June	989	520	794	895	1,015	4,213	191-5
July	961	525	797	881	1,040	4,204	191-1
August	999½	531½	882	873	1,086	4,372	198-7
September ...	1,018	536½	937	858½	1,073	4,423	201-6
October ...	1,124½	543	990½	850½	1,087½	4,596	208-7
November ...	1,177½	558	1,091	876½	1,101	4,709	215-9
December ...	1,294	553	1,124½	824½	1,112	4,908	223-0
1917— January ...	1,310	561	1,137	825½	1,119½	4,953	225-8
February ...	1,312½	581½	1,189	829½	1,159½	5,072	230-5
March	1,346	610½	1,226	834½	1,283	5,300	240-9
April	1,362	642	1,240	842	1,293	5,379	244-4
May	1,376½	648	1,261	891½	1,286½	5,412	246-6
June	1,435½	652½	1,441	841½	1,278½	5,646	256-6
July	1,333½	607	1,512	840	1,296½	5,589	254-4
August	1,342	670	1,504½	830	1,311½	5,658	257-7
September ...	1,221½	726	1,509½	822½	1,354½	5,634	256-8
October ...	1,226½	724	1,575½	824	1,351	5,701	261-4
November ...	1,266½	679	1,660½	803	1,349	5,768	262-1
December ...	1,286½	686	1,684½	839½	1,348½	5,845	263-3
1918— January ...	1,221½	686	1,719½	829	1,329	5,785	262-2
February ...	1,235	693	1,733	836	1,319	5,887	266-4
March	1,238	697	1,777	838	1,319	5,861	265-6
April	1,244	744½	1,760	859	1,342½	5,941	271-4
May	1,247	777½	1,773½	861	1,369	6,016	273-2
June	1,274	777½	1,811½	861½	1,380½	6,105	277-7
July	1,274	777½	1,808	889½	1,379	6,128	273-8
August	1,287½	775	1,920	889½	1,395	6,267	284-8
September ...	1,246½	779½	1,929	889	1,394	6,238	283-8
October ...	1,271	780	1,889	878½	1,392	6,210	282-2
November ...	1,289	782½	1,848	903	1,389½	6,212	282-2
December ...	1,303	782½	1,805½	866	1,337	6,094	277-7

"STAGNANT CAPITAL
MARKET"

(See Leading Article on page 18)

SOME NOTEWORTHY ISSUES IN THE FIRST QUARTER OF 1938.

Month of Issue	Name and Description	Nominal Amount	Issued Price	Price, Mar. 31, 1938
1938	Canada 3½% Stk. 1958-63	10,000,000	98½	97
Jan.	London Power 3½% Deb. 1952-72	1,500,000	99	98½
Feb.	Bristol 3½% Stk. 1961-66	2,000,000	101½	102
Feb.	Birmingham 3½% Stk. 1957-62	5,000,000	99	97½
Feb.	Johannesburg 3½% Stk. 1958-63	2,000,000	99½	97
Feb.	Stirling County Council 3½% Stk. 1957-62	1,200,000	98	96½
Mar.	British & Colonial Furniture 5½% Deb. Stk.	1,000,000	par	...
Jan.	To Shareholders only			
Jan.	Edmundson's Electricity £1 ord.	750,000	30/-	35/-
Feb.	Grootvlei Proprietary £1 ord.	301,460	75/-	76/3
Feb.	By Stock Exchange Introduction			
Feb.	Burton-on-Trent 3½% Stk. 1963	250,000	101½	101
Mar.	Ilkeston 3½% Stk. 1959-64	250,000	101½	101½
Jan.	By Permission to Deal			
Jan.	Powell Duffryn Assoc. Collieries 4% Deb. Stk.	500,000	101½	103½
Jan.	Crompton Parkinson "A" ord. 5/-	235,570	30/-	23/9
Jan.	Yorkshire Electric 3½% Deb. 1955-65	481,500	94½	94½
Jan.	Central London Electricity 3½% Deb. Stk.	500,000	93½	94
Mar.	Tilling (Thomas) ord. £1	824,000	40/-	40/-

† Price at which dealings commenced.

‡ All for conversion purposes.

NATIONAL DEBT

(See "GOVERNMENT FINANCE" on page 60.)

(Million £)

	Aug. 1, 1914	Dec. 31, 1919	Sept. 30, 1926	Dec. 31, 1936	Mar. 31, 1937	June 30, 1937	Sept. 30, 1937	Dec. 31, 1937	Mar. 31, 1938
2½% and 2¼% Consols	573	300	300	300	300	300	300	300	300
4% Consols	...	401	401	401	401	401	401	401	401
2½% Conversion Loan	...	206	206	206	206	206	206	206	206
3% Conversion Loan	...	302	302	302	302	302	302	302	302
3½% Conversion Loan	...	739	739	739	739	739	739	739	739
4½% Conversion Loan	...	369	369	369	369	369	369	369	369
5% Conversion Loan	...	323	323	323	323	323	323	323	323
Terminals Annuities	30	20	12	12	12	12	12	12	12
Debts to Banks	15	15	14	14	14	14	14	14	14
3½% War Stock, 1932	...	63	1,913	1,913	1,911	1,911	1,911	1,911	1,911
Other War Issues	...	3,569	...	...	...	...	...	...	...
2½% Funding Loan	...	198	198	200	200	200	200	200	200
2½% Funding Loan	...	147	147	146	146	146	146	146	146
4% Funding Loan	...	409	356	353	353	353	353	353	353
2½% N. Defence Bonds	...	360	201	201	199	199	199	199	199
4% Victory Bonds	...	20	323	130	100	100	100	100	100
Treasury Bonds	...	394	394	394	393	393	393	393	393
National Savings Certs.	...	1,357	1,036	1,036	1,032	1,032	1,032	1,032	1,032
External Debt	...	15	1,107	853	765	675	638	899	829
Treasury Bills	...	1	243	11	85	23	67	8	95
Temporary Advances	...	654	8,033	7,906	7,949	7,797	7,871	8,103	8,179
Other Cap. Liabilities	...	57	46	102	98	113	110	110	110
Total Liabilities	...	711	8,079	8,008	8,047	7,910	7,981	8,213	8,289

† Estimates. Totals do not allow for sinking fund allocations, for which £10½ millions has been provided in the year to March 31, 1938. * Excludes accrued interest on Savings Certificates, and the State's assets (e.g. debt from Exchange Equalisation Fund), and including holdings of Public Departments. ‡ After deducting transfers for Death Duties. § Exchequer Bonds, 1914 and 1919. ¶ Includes American debt. ** Includes Bonds (about £4 millions).

THE REVENUE

I.—AN ACCOUNT of the TOTAL REVENUE of the UNITED KINGDOM, in the undermentioned periods of the Year ending March 31, 1938, as compared with the corresponding periods of the preceding year.

	Estimate for the year 1937-38	Quarter from January 1 to March 31, 1938, compared with the corresponding Quarter of the preceding Year	Quarter ending Mar. 31, 1937	Quarter ending Mar. 31, 1938	Increase	Decrease	Year ending Mar. 31, 1937	Year ending Mar. 31, 1938	Increase	Decrease
Ordinary Revenue										
Inland Revenue—										
Income Tax	288,150,000	180,271,000	207,951,000	27,680,000	£	£	257,237,000	297,986,000	40,749,000	£
Sur-tax	58,000,000	44,140,000	46,280,000	2,140,000	...	...	53,540,000	57,060,000	3,520,000	...
Excise, etc., duties	89,000,000	24,920,000	20,780,000	4,140,000	...	...	87,990,000	88,980,000	990,000	...
Stamps	29,000,000	10,430,000	7,930,000	2,500,000	...	...	29,140,000	24,170,000	4,970,000	...
National Defence Contribution	2,000,000	...	1,361,000	1,361,000	...	...	1,420,000	1,420,000	...	...
Other Inland Revenue Duties	1,500,000	1,580,000	1,200,000	380,000	...	...	1,730,000	1,730,000	...	...
Total Inland Revenue	467,650,000	261,341,000	285,502,000	31,181,000	7,020,000	...	429,637,000	471,346,000	46,679,000	4,970,000
Customs and Excise—										
Customs	219,850,000	52,372,000	53,596,000	1,224,000	...	...	211,282,000	221,561,000	10,279,000	...
Excise	113,150,000	25,200,000	25,300,000	100,000	...	...	109,500,000	113,700,000	4,200,000	...
Total Customs and Excise	333,000,000	77,572,000	78,896,000	1,324,000	...	...	320,782,000	335,261,000	14,479,000	...
Motor Vehicle Duties	34,000,000	21,391,000*	23,001,000	1,610,000	...	...	32,727,000	34,608,000	1,881,000	...
Post Office (Net receipt)	11,800,000	970,000	1,120,000	150,000	...	...	10,970,000	10,470,000	500,000	...
Crown Lands	1,350,000	100,000	800,000	700,000	...	...	1,350,000	1,350,000	...	...
Receipts from Sundry Loans	4,300,000	914,874	943,496	28,622	...	...	4,549,641	5,230,134	680,493	...
Miscellaneous Receipts	11,000,000	9,302,506	3,404,861	5,897,645	...	...	13,509,922	13,509,922	...	...
Total Ordinary Revenue	863,100,000	371,891,380	393,967,357	34,993,622	12,917,645	Net Increase	824,716,194	872,579,715	64,444,152	16,580,631
Self-Balancing Revenue										
Post Office (Revenue required to meet expenditure on Post Office and Broadcasting)	76,458,000	19,680,000	20,580,000	900,000	...	...	71,880,000	76,080,000	4,200,000	...
Total	939,558,000	391,571,380	414,547,357	35,893,622	12,917,645	Net increase	896,596,194	948,659,715	68,644,152	16,580,631
						Net increase			52,063,521	Net increase

* Motor Vehicle Duties apportioned to Road Fund treated as Self-Balancing in 1936-37 now added to Revenue figures for purpose of comparison.

II.—AN ACCOUNT showing the RECEIPTS into and ISSUES out of the EXCHEQUER in the Year ending March 31, 1938, as compared with the preceding year.

RECEIPTS	Estimate for the year 1937-38	Year ending March 31, 1937	Year ending March 31, 1938	ISSUES	Estimate for the year 1937-38	Year ending Mar. 31, 1937	Year ending Mar. 31, 1938
Ordinary Revenue, as shown in Account I	£ 863,100,000	£ 824,716,194	£ 872,579,715	Ordinary Expenditure	£	£	£
Self-balancing Revenue as shown in Account I	76,458,000	71,880,000	71,080,000	Interest and Management of National Debt	224,000,000	210,872,730	216,233,248
Total Revenue	...	896,596,194	948,659,715	Payments to Northern Ireland Exchequer	8,000,000	7,996,353	8,886,995
Temporary Advances Repaid—				Other Consolidated Fund Services	3,200,000	3,239,503	3,114,792
Road Fund	5,628,000	...	...	Post Office Fund	300,000	420,529	...
Diseases of Animals Account under Section 85 (4) of the Local Government Act, 1929	...	...	300,000	Total	235,500,000	222,529,115	228,235,035
Money Raised by Creation of Debt—				Supply Services—			
(a) For Capital Expenditure Issues—				Army, Navy and Air Votes	198,268,000†	186,072,000	197,250,000
Under the Post Office and Telegraph (Money) Acts, 1935 and 1937	13,500,000	16,950,000	...	Civil and Revenue Votes (excluding Post Office and Broadcasting)	429,080,000†	408,585,000†	407,765,000
(b) For other Issues—				Total, Supply Services (excluding Post Office and Broadcasting)	627,348,000	594,657,000	605,015,000
By Treasury Bills	3,569,271,000	4,112,543,000	...	Total Ordinary Expenditure	862,848,000	817,186,115	833,250,035
By National Savings Certificates	25,600,000	24,300,000	...	Sinking Funds	...	13,127,270	10,544,252†
By 2½ per cent. Funding Loan, 1956-61	71,700,015	...	...	Total (excluding Self-Balancing Expenditure)	862,848,000	830,313,385	843,794,287
By 2¾ per cent. Funding Loan, 1952-57	99,100,227	...	...	Self-Balancing Expenditure :			
By 2½ per cent. National Defence Bonds 1944-48	...	99,660,148	...	Post Office Vote and Vote for Broadcasting	76,458,000	71,880,000	76,080,000
(c) Ways and Means Advances	1,483,865,000	1,711,185,000	...	Total Expenditure	...	902,193,385	919,874,287
Repayments—				Temporary Advances—			
In respect of Suez Canal Drawn Shares	35,705	39,630	...	Road Fund, under Section 27 of the Finance Act, 1928	...	5,628,000	...
In respect of Issues under Land Settlement (Facilities) Acts, 1919 and 1921	138,425	144,037	...	Diseases of Animals Account under Section 85 (4) of the Local Government Act, 1929	...	...	300,000
In respect of Issues under Section 26 of the Tithe Act, 1936	...	1,512,423	...	Issues to meet Capital Expenditure—			
				Under the Post Office and Telegraph (Money) Acts, 1935 and 1937	13,500,000	16,950,000	...
				Redemption of Debt—			
				Treasury Bills paid off	3,657,800,000	3,958,495,000	...
				Principal of National Savings Certificates paid off	27,100,000	28,600,000	...
				Principal of National Savings Bonds paid off	116,835	409,281	...
				Principal of Treasury Bonds paid off	69,288,386	...	...
				Other Debt under the War Loan Acts, 1914 to 1919	3,975,594	92,500	...
				Ways and Means Advances Repaid	1,479,385,000	1,721,625,000	...
				Issues under Section 1 (1) of the North Atlantic Shipping Act, 1934	370,772	500,000	...
				Issues under Section 4 (3) of the British Shipping (Assistance) Act, 1935	3,012,243	...	...
				Issues under Section 26 (1) of the Tithe Act, 1936	118,000	3,867,000	...
				Issues under the Exchange Equalisation Account Act, 1937	...	200,000,000	...
				Issues under Section 1 (1) of the Defence Loans Act, 1937	...	64,867,000	...
				Issues to National Debt Commissioners to Reduce Debt—			
				Suez Canal Drawn Shares Repayments	35,705	39,630	...
				Old Sinking Fund, 1935-36	2,940,702	...	...
				Old Sinking Fund 1907-08	...	10,600	...
				Issues under Section 9 of the Finance Act, 1908	...	...	...
Balances in Exchequer on	1936	1937		Mar. 31, 1937	Mar. 31, 1938		
April 1st—	£	£		£	£		
Bank of England	2,119,161	2,016,573	6,165,434,566	6,915,293,953	6,165,464,622	6,915,630,258	
Bank of Ireland	611,217	683,749	2,730,378	2,700,322	2,700,322	2,363,977	
Treasury, March 31, 1938.			6,168,164,944	6,917,994,275	£ 6,168,164,944	£ 6,917,994,275	

UNIT TRUST DISTRIBUTIONS

First Provincial Fixed Trust, Ltd. ("Reserves" Certificates).—Fourth distribution on series "Reserves" Certificates 4-46695d net per sub-unit was paid March 15. This included 0.07659d. net on sale of rights, etc.

Foreign Government Bond Trust.—Progress report for half-year to March 4, 1938, announces distribution payable April 1, on Coupon No. 8 of 5.20d. per bond-unit tax free, being at rate of £5 15s. 9d. gross per cent. per annum on initial price of £1 (making this rate about £6 per cent. for year). Percentage composition of portfolio shows 35.8 per cent. in Central and S. America,

28.4 per cent. in Far and Near East, and 34.8 per cent. in Europe.

Trust of Bank Shares.—Progress report No. 4 announced distribution on March 15th of 3.553d. per unit net after tax (against 3.348d. for same half-year in 1937). This makes for year 6.8856d. net, or £4 2s. 9d. per cent. per annum gross on current price of 18s. 6d. Analysis of Trust funds shows 43.20 per cent. in home banks, 7.35 per cent. in discount companies, 44.36 per cent. in overseas banks, and 5.09 per cent. in Trustee securities.

Investors Flexible Trust.—Third distribution 4.4d. net, was paid on March 22, 1938, on each sub-unit issued to February 19,

1938. This is in respect of income from September 2, 1937, to February 21, 1938. The distribution for the year is equal at current price to an annual yield of £6 15s. 5d. per cent. gross from cash dividends and an additional 1s. 4d. per cent. net from further income not subject to tax.

Investors Gold Share Trust.—The Managers, Fifteen Moorgate Unit Trusts, Ltd., announce that as from March 7th, this Trust was re-opened to meet public demand for sub-units. Certain changes in portfolio are announced: In additional units, Nourse Mines and Gold Coast Selection Trust will be substituted for Government Gold Mining Areas and Wiluna.

GOVERNMENT GOLD MINING AREAS (MODDERFONTEIN) CONSOLIDATED, LTD.

(Incorporated in the Union of South Africa.)

Issued Capital, £1,400,000 in 5,600,000 Shares of 5s. each.

DIRECTORATE:

J. H. CROSBY (Deputy-Chairman). Sir REGINALD A. BLANKENBERG, K.B.E. Dr. J. G. LAWN, C.B.E. G. IMROTH.
D. CHRISTOPHERSON, C.B.E. G. J. JOEL, M.C.

Extracted from the Annual Report to 31st December, 1937.

Tons crushed, 2,552,000, yielding 749,390.713 fine ounces of gold.

		Per ton, based on tonnage crushed.
Total Working Revenue ...	£5,288,843 8 6	£2 1 5
Total Working Costs ...	2,270,067 3 2	17 9
Working Profit ...	3,018,776 5 4	£1 3 8
Rents, Interest and Sundry Revenue ...	15,778 10 0	
Balance at 31st December, 1936, brought forward ...	35,493 10 1	
	£3,070,048 5 5	
This amount has been dealt with as follows:—		
Government's Share of Profits ...	1,700,852 0 2	
Taxation ...	2,905 11 0	
Miners' Phthisis Sanatorium, Donations and Depreciation ...	3,371 8 8	
Contribution in respect of Outstanding Liabilities, Miners' Phthisis Compensation Fund ...	12,065 8 9	
Capital Expenditure ...	10,812 12 8	
Dividends Nos. 40 and 41 of 45 per cent. each ...	1,260,000 0 0	
	2,990,007 1 3	
Leaving a Balance carried forward of ...	£80,041 4 2	

The **Ore Reserves** at the end of the year were estimated to amount to 10,247,000 tons with an average value of 6 dwts. over a stoping width of 58 inches. The estimate was based on gold at 140s. per ounce of fine gold and current working costs.

The full Reports and Accounts may be obtained from the London Agents, Johannesburg Consolidated Investment Company, Limited, 10 and 11, Austin Friars, London, E.C.2.

NEW STATE AREAS, LIMITED.

(Incorporated in the Union of South Africa.)

Issued Capital - £1,514,037 in Shares of £1 each.

DIRECTORATE:

J. B. JOEL, J.P. (Chairman). J. H. CROSBY (Deputy-Chairman).
Sir REGINALD A. BLANKENBERG, K.B.E. Dr. J. G. LAWN, C.B.E. G. J. JOEL, M.C.
W. S. WEBBER. O. H. BEATTY.

Extracted from the Annual Report to 31st December, 1937.

Tons crushed, 1,475,000, yielding 448,709.112 fine ounces of gold.

		Per ton, based on tonnage crushed.
Total Working Revenue ...	£3,163,621 19 8	£2 2 11
Total Working Costs ...	1,350,787 5 8	18 4
Working Profit ...	1,812,834 14 3	£1 4 7
Rents, Interest and Sundry Revenue ...	12,911 8 6	
Balance at 31st December, 1936, brought forward ...	141,324 17 10	
	£1,967,071 0 7	
This amount has been dealt with as follows:—		
Government's Share of Profits ...	1,158,112 13 6	
Taxation ...	146,347 10 6	
Miners' Phthisis Sanatorium, Donations and Depreciation ...	2,134 9 5	
Contribution in respect of Outstanding Liabilities, Miners' Phthisis Compensation Fund ...	5,009 2 11	
Capital Expenditure ...	30,064 1 8	
Dividends Nos. 25 and 26 of 15 per cent. each ...	454,211 2 0	
	1,795,899 0 0	
Leaving a Balance carried forward of ...	£171,172 0 7	

The **Ore Reserves** at the end of the year were estimated to amount to 4,203,000 tons with an average value of 6.2 dwts. over a stoping width of 48 inches. The estimate was based on gold at 140s. per ounce of fine gold and current working costs.

The full Reports and Accounts may be obtained from the London Agents, Johannesburg Consolidated Investment Company, Limited, 10 and 11, Austin Friars, London, E.C.2.

SHORTER COMMENTS

(Continued from page 63)

Briggs Motor Bodies.—Trading profit for 1937 £225,595, against £182,076. Net profit after taxation £103,505 (£93,134). Ordinary dividend 7 per cent., less tax (same). To general reserve £35,000 (£25,000). Carry forward £30,764 (£14,759). Net current assets after proposed dividend £545,712 (£472,697). Company have purchased and cancelled £30,000 of its 4½ per cent. first mortgage debenture stock in advance of sinking fund requirements.

Smithfield and Argentine Meat Company.—Net profit for 1937 £94,416, after again transferring £25,000 to depreciation

reserve. Net profit for 1936 was £38,972. Ordinary dividend raised from 2½ to 4 per cent. Carry forward £17,678 higher at £65,650.

Coltness Iron Company.—Net profit for 1937 £239,980, an increase of £48,097. Ordinary dividend raised from 20 to 23½ per cent. Staff fund and reserve allocations maintained at £5,000 and £35,000 respectively.

Royal Mail Lines.—Profits from all sources in 1937 were £1,111,141, against £1,031,246. To depreciation £327,885 (£332,616). Ordinary dividend raised from 4½ to 5 per cent. To fleet reserve £146,435 (£170,014). To general reserve £100,000 (nil). Carry forward raised from £9,608 to £35,228.

Caledonian Insurance Company.—Ordinary participating policies which become claims by death or maturity during 1938 will receive interim bonuses at following rates per cent. in respect of each year's premium due since December 31, 1936: Whole life, £2 2s.; endowment, £2; double endowment, £2.

A. Reyrolle and Company.—Profit for 1937, after crediting interest and providing for depreciation, amounted to £155,322, compared with £130,743. Final ordinary dividend 7½ per cent., making 12½ per cent. The 195,000 £1 ordinary issued last April rank only for the final. Provision for development expenditure again £40,000; carry forward, £147,233.

VAN RYN DEEP, LIMITED.

(Incorporated in the Union of South Africa.)

Issued Capital: £1,196,892 in Shares of £1 each.

DIRECTORATE:

J. H. CROSBY (Chairman). J. B. JOEL, J.P. Sir REGINALD A. BLANKENBERG, K.B.E. Dr. J. G. LAWN, C.B.E.
Sir WILLIAM DALRYMPLE, K.B.E. Sir ABE BAILEY, Bart. G. J. JOEL, M.C. G. H. BEATTY.

Extracted from the Annual Report to 31st December, 1937.

Tons crushed, 1,265,000, yielding 234,097.519 fine ounces of gold.

		Per ton, based on tonnage crushed.
Total Working Revenue ...	£1,650,242 7 1	£1 6 1
Total Working Costs ...	1,092,553 0 9	17 3
Working Profit ...	557,689 6 4	8 10
Rents, Interest and Sundry Revenue ...	7,165 3 10	
Balance at 31st December, 1936, brought forward ...	107,189 12 7	
	£672,044 2 9	
This amount has been dealt with as follows:—		
Taxation ...	207,688 17 7	
Royalty on Ore ...	5,389 3 3	
Miners' Phthisis Sanatorium, Donations and Depreciation ...	1,618 6 4	
Contribution in respect of Outstanding Liabilities, Miners' Phthisis Compensation Fund ...	3,086 7 6	
Capital Expenditure ...	74 11 6	
Dividends Nos. 48 and 49 of 12½ per cent. each ...	299,223 0 0	
	517,090 6 2	
Leaving a Balance carried forward of ...	£154,953 16 7	

The **Ore Reserves** at the end of the year were estimated at 3,433,000 tons with an average value of 3.5 dwts. over a stoping width of 49 inches. The estimate was based on gold at 140s. per ounce of fine gold and current working costs.

The full Reports and Accounts may be obtained from the London Agents, Johannesburg Consolidated Investment Company, Limited, 10 and 11, Austin Friars, London, E.C.2.

THE RANDFONTEIN ESTATES GOLD

MINING COMPANY, WITWATERSRAND, LTD.

(Incorporated in the Union of South Africa.)

Issued Capital, £4,652,553 in Shares of £1 each.

DIRECTORATE:

J. H. CROSBY (Vice-Chairman). J. B. JOEL, J.P. (Chairman). Sir REGINALD A. BLANKENBERG, K.B.E. Dr. J. G. LAWN, C.B.E. G. J. JOEL, M.C.
R. L. INNES. G. H. BEATTY.

Extracted from the Annual Report to 31st December, 1937.

Tons crushed, 4,657,000, yielding 775,472.270 fine ounces of gold.

		Per ton, based on tonnage crushed.
Total Working Revenue ...	£5,468,688 19 3	£1 3 8
Total Working Costs ...	3,859,139 8 5	16 7
Working Profit ...	1,609,549 10 10	6 11
Rents, Interest and Sundry Revenue ...	35,425 2 2	
Sales of Property and Township Stands ...	54,536 14 4	
Balance at 31st December, 1936, brought forward ...	353,107 4 0	
	£2,052,618 11 4	
This amount has been dealt with as follows:—		
Taxation ...	454,034 19 7	
Miners' Phthisis Sanatorium, Donations and Depreciation ...	6,930 10 2	
Contribution in respect of Outstanding Liabilities, Miners' Phthisis Compensation Fund ...	24,430 8 6	
Capital Expenditure ...	251,560 15 8	
Dividends Nos. 19 and 20 of 11½ per cent. each ...	914,299 8 6	
	1,651,256 2 5	
Leaving a Balance carried forward of ...	£401,362 8 11	

The **Ore Reserves** at the end of the year were estimated at 14,100,000 tons with an average value of 3.9 dwts. over a stoping width of 46 inches. The estimate was based on gold at 140s. per ounce of fine gold and current working costs.

The full Reports and Accounts may be obtained from the London Agents, Johannesburg Consolidated Investment Company, Limited, 10 and 11, Austin Friars, London, E.C.2.

DAGGAFONTEIN MINES, LIMITED

(Incorporated in the Union of South Africa.)

CAPITAL : Authorised £2,000,000. Registered and Issued £1,750,000.
In 7,000,000 shares of 5s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1937.

Tons Milled	1,564,600.	Yield (per ton 5.93 dwts.)	467,753 oza.
Revenue (per ton milled 42/0-07)	£3,286,146	Government Taxes	£487,186
Working Costs (per ton milled 21/3.21)	1,665,803	Government Participation in Profits	255,630
Working Profit (per ton milled 20/8.86)	1,622,343	Reserve for Liability under Miners' Phtisis Act	1,533
Sundry Revenue, less expenditure	29,026	Dividend No. 9—25 per cent.	437,500
Total Profit	1,651,369	Dividend No. 10—23½ per cent.	415,625
Add:—		Directors' Special Remuneration	7,500
Balance to credit of Appropriation Account at 31st December, 1935	74,837	Appropriated for Capital Expenditure	47,368
	£1,726,206	Balance unappropriated at 31st December, 1937	73,864
			£1,726,206

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1937, and disclosed the following:—

Tons	7,867,606
Stope Width (inches)	40.93
Stope Value (dwts.)	6.58
Inch-dwts.	269

DEVELOPMENT.—The development accomplished during the year on the Main Reef Leader horizon was 53,987 feet, a decrease of 1,056 feet compared with the previous year. The percentage payable was 58.3, average reef width 18.76 ins., average assay value 18.73 dwts. Inch-dwts. 351.

Kimberley Reef.—The station on the Kimberley Reef at No. 3 Shaft was completed and 423 feet of development was accomplished; of the footage sampled, 70 feet, equal to 34.1 per cent., proved payable and disclosed an average value of 6.54 dwts. over a width of 42.50 inches, equivalent to 278 inch-dwts. These results are additional to those given above.

In addition 19,511 feet, including 14 feet on the Kimberley Reef horizon at the May Shaft, was developed for East Daggafontein Mines, Limited.

MAY SHAFT.—This shaft was sunk 40 feet to its final depth of 4,025 feet, and a connection was made with the mine workings on the Main Reef Leader horizon.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11 OLD JEWRY, LONDON, E.C.2.

WESTERN REEFS EXPLORATION AND DEVELOPMENT COMPANY, LTD.

(Incorporated in the Union of South Africa.)

CAPITAL : Authorised £2,000,000. Registered and Issued £862,500.
In 3,450,000 Shares of 5s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1937.

FINANCE.—The Cash Receipts and Expenditure from the inception of your Company to the 31st December, 1937, were as follows:—

RECEIPTS	EXPENDITURE
Working Capital—	Property, Options and Rights on Farms
2,442,500 Shares at 5s. each	£517,042
1,007,500 Shares at 3s. 6d. each	Shaft Sinking and Equipment
Sundry revenue received to date	772,256
	Boreholes and Prospecting
	261,671
	Joint Prospecting Ventures
	31,445
	General Expenditure
	60,139
	Shares and Interests in Co-operative Concerns
	1,838
	Stores and Materials
	21,913
	1,666,304
	Cash and Cash Assets, less Creditors
	848,043
	£2,514,347
	£2,514,347

OPERATIONS.—During the year shaft sinking operations proceeded without serious delay, and after the permanent hoists at each shaft were brought into commission, good progress was made.

No. 1 SHAFT.—The concrete lining in this shaft was continued to a depth of 106 feet. Sinking with temporary electric winches was done until the middle of August, when the shaft reached a depth of 410 feet. The permanent winding engines then became available. The total footage sunk for the year was 1,605 feet and the depth of the shaft on the 31st December was 1,639 feet. Electric blasting was commenced in May. A small station was cut at a depth of 1,402 feet.

No. 2 SHAFT.—The concrete lining was extended to a depth of 91 feet below the collar. The permanent winding engines replaced the temporary electric winches during the latter part of October, when the shaft had reached a depth of 550 feet. Electric blasting was started in June. During the period under review a distance of 1,157 feet was sunk, making the depth of the shaft at the end of the year 1,176 feet.

DIAMOND DRILLING OPERATIONS.—During the year diamond drilling operations were resumed on certain properties. The acquisition of a Prospecting Lease on Landpan necessitated further drilling in the close vicinity of this area, and in consequence the existing borehole on Vaalkop was deepened. On the Mining and Prospecting Lease Area, drilling was restarted to get information as to the strata underlying the Ventersdorp System. The Nootgedacht No. 7 hole was drilled to obtain geological information in advance of sinking operations in No. 2 Shaft. On Goedgenoeg a hole was drilled as it appeared that the Elsburg formation would be found at shallow depth underneath the Ventersdorp System. While this assumption proved to be correct, no payable reefs were intersected. The footage drilled during 1937 was 19,495 feet.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11 OLD JEWRY, LONDON, E.C.2.

EAST DAGGAFONTEIN MINES, LTD.

(Incorporated in the Union of South Africa.)

CAPITAL : Authorised £1,500,000. Registered and Issued £1,350,000. In 1,797,550 fully paid shares of 10s. each, and 902,450 partly paid shares of 10s. each, 1s. per share paid up.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1937.

FINANCE.—The cash receipts and expenditure from the inception of your Company to the 31st December, 1937, were as follows:—

RECEIPTS	EXPENDITURE
Working Capital—	Purchase of 50 per cent. undivided interest in 179 Dis-
1,197,550 Shares at 10s. each, fully paid...	cover's Claims
330,000 Shares at 10s. each, fully paid, issued at 30s.	£102,803
902,450 Shares at 10s. each, 1s. per Share paid up	Shaft sinking, Development and Equipment as per Schedule
270,000 Shares at 10s. each, fully paid, issued at 37s. 6d.	attached to Balance Sheet
	1,327,215
	Shares and Interests in Co-operative Concerns
	682
	Stores and Materials on Hand and in Transit
	8,247
	1,438,947
	Cash and Cash Assets, less Creditors, being the unexpended
	Balance of paid-up Capital
	206,200
	£1,645,147
2,700,000	£1,645,147

DEVELOPMENT.—The development footage accomplished on the Main Reef Leader horizon totalled 19,497 feet, which is 5,362 feet in excess of the previous year's figure.

Of the footage sampled during the year 4,770 feet, equal to 42.3 per cent., proved payable, having an average value of 29.95 dwts. over a width of 9.08 inches, equivalent to 272 inch-dwts. The corresponding figures for the previous year were 4,410 feet, payable, or 48.5 per cent., the value being 29.45 dwts. over a width of 10.72 inches, or 315 inch-dwts.

In addition to the above work on the Main Reef Leader, development of the Kimberley Reef at the May Shaft was commenced at the end of the year, an advance of 14 feet being accomplished; 5 feet was sampled which showed a value of 11.18 dwts. over a width of 28.00 inches, equivalent to 313 inch-dwts.

To date, the total footage developed on the Kimberley Reef Horizon in the May Shaft is 208 feet, of which 109 feet exposed reef. Sampling results over a distance of 100 feet gave 8.06 dwts. over a width of 30.85 inches; of this footage 95 per cent. proved payable at a value of 8.26 dwts. over a width of 31.00 inches.

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1937, disclosing the following:—

Tons	1,010,939
Stope Width (inches)	38.38
Stope Value (dwts.)	6.01
Inch-dwts.	251

MAY SHAFT.—The May Shaft was sunk 40 feet during the year to the final depth of 4,025 feet, and has been connected to the workings of Daggafontein Mines, Limited. Good progress is being made in the development heading from this shaft to connect with the East Daggafontein workings from No. 1 Shaft. On the horizon of the Kimberley Reef the station has been completed, and, as already mentioned, development on this reef has commenced.

No. 1 SHAFT.—A further 160 feet will have to be sunk in this shaft and the preparatory work is in hand. The steel headgear is completed and the first of the permanent winders was erected during the year.

REDUCTION PLANT.—A start has been made with the excavations and foundations for the Reduction Plant, and the erection of various items has been commenced. It was deemed advisable to place orders at an early date so as to have a sufficient margin of time in view of the serious delays that have occurred during the last few years in the delivery of equipment and machinery. A large amount of underground work still remains to be done, but it is anticipated that crushing will start during the first part of 1939.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO-AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11 OLD JEWRY, LONDON, E.C.2.

THE SOUTH AFRICAN LAND & EXPLORATION COMPANY, LIMITED

(Incorporated in the Union of South Africa.)

CAPITAL : Authorised £1,000,000. Registered and Issued £350,000.
In 2,000,000 shares of 3s. 6d. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1937.

CAPITAL.—During the year the amount of £43,750 paid to Brakpan Mines, Limited, in consideration of the transfer of the mining area acquired from that Company, was, in terms of the Agreement, applied by them to subscribe for 250,000 shares at par, bringing the Registered and Issued Capital of the Company at 31st December, 1937, to £350,000 in 2,000,000 shares at 3s. 6d. each.

FINANCE.—The Expenditure and Revenue Account shows that for the year expenditure at a total of £8,174 exceeded revenue by £6,357, mainly due to the debit of £6,127 to Interest Account. The net expenditure for the year and appropriations reduced the unappropriated profits to £19,062, which amount is shown in the Balance Sheet.

The expenditure during the year on shaft sinking, development and equipment amounted to £1,303,448. This has been debited to "Expenditure on Witpoortje No. 2," bringing the total balance of this account at 31st December, 1937, to £2,198,515.

Reserve for Liability under Miners' Phtisis Act is £1,267.

SPECIAL LOAN

At a Special General Meeting held on 9th July, 1937, shareholders confirmed an agreement whereby Anglo-American Corporation of South Africa, Limited, granted to the Company until 30th June, 1938, facilities up to the amount of £1,250,000, carrying interest at 4½ per cent. per annum. This sum was the estimated additional amount required to bring the Company's mine to production on a revised basis of 100,000 tons per month. It was further agreed that in due course an issue of shares in the Company would be made, from the proceeds of which any sums advanced by Anglo-American Corporation of South Africa, Limited, under this arrangement would be repaid, and that in consideration of the facilities afforded by that Corporation the shares so issued would be offered in the ratio of 40 per cent. to the Corporation and 60 per cent. to shareholders, and that the price of issue would not exceed 75s. per share.

As shown in the Balance Sheet, a total amount of £641,244 had at 31st December, 1937, been borrowed from Anglo-American Corporation of South Africa, Limited, in terms of this Agreement.

DEVELOPMENT.—Excellent progress with development work continued to be made during the year under review. An increased footage was accomplished by both Brakpan Mines and West Springs, the total advance being 51,567 feet, which is an improvement of 17,813 feet on the 1936 total.

A summary of the development work accomplished to the end of 1937 is as follows:—

	Total Footage.	Footage on Reef.	Footage Sampled.	Reef Width.	Assay Value.
For the year 1937	51,567	36,267	35,980	28.61	8.66
Previously returned	54,880	33,529	33,260	33.58	7.23
Total to date	106,447	69,796	69,260	31.00	7.92

To date, payable values have been disclosed over 31,620 feet representing 45.65 per cent. of the total footage sampled. The payable disclosures have an average value of 13.7 dwts. over a reef width of 34.1 inches, equivalent to 464 inch-dwts.

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1937, disclosing the following:—

Tons	2,743,610
Stope Width (inches)	47.85
Stope Value (dwts.)	6.24
Inch-dwts.	299

No. 1 SHAFT.—This shaft was sunk 2,212 feet, making the depth at the end of the year 4,468 feet. At various points the walls of the shaft had to be concreted, which caused delay in sinking. Nevertheless, the reef horizon was reached before the end of the year, and it is expected that the shaft will be completed to its final depth in February, 1938.

At 4,460 feet the Main Reef Leader was intersected; sampling disclosed an average value of 2.06 dwts. over a reef width of 32.12 inches, equivalent to 66 inch-dwts.

At a depth of 4,455 feet the Main Station was located and a start was made with the cutting of this section.

REDUCTION PLANT.—Good progress has been made with the Reduction Plant, which is nearing completion.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO-AMERICAN CORPORATION OF SOUTH AFRICA, LIMITED, 11 OLD JEWRY, LONDON, E.C.2.

BRAKPAN MINES, LIMITED

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £1,250,000. Registered and Issued £1,150,000.
In 4,600,000 Shares of 5s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1937.

Tons Milled	1,648,000	Yield (per ton 5-12 dwts.)	421,666 ozs.
Revenue (per ton milled 35/0-2)	£2,967,766	Government Taxes	£484,126
Working Costs (per ton milled 19/9-0)	1,627,354	Government Participation in Profits	144,900
Working Profit (per ton milled 16/3-2)	1,340,412	Reserve for Liability under Miners' Pithilis Act	2,579
Sundry Revenue, less expenditure	34,039	Dividend No. 50—30 per cent.	345,000
Total Profit	1,374,451	Dividend No. 51—30 per cent.	345,000
Add: Balance to credit of Appropriation Account at 31st December, 1936	95,986	Directors' Special Remuneration	7,500
	£1,470,437	Capital Expenditure	45,283
		Balance unappropriated at 31st December, 1937	95,049
			£1,470,437

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1937, and disclosed the following:—

Tons	7,081,100
Stope Width (inches)	46-61
Stope Value (dwts.)	5-76
Inch-dwts.	268

DEVELOPMENT.—The development accomplished during the year amounted to 69,388 feet, an increase of 3,827 feet on that done during 1936. The percentage payable was 41-1, the average reef width 30-85 ins., average assay value 12-26 dwts. Inch-dwts. 378.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11 OLD JEWRY, LONDON, E.C.2.

SPRINGS MINES, LIMITED

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £1,750,000. Registered and Issued £1,560,000. In 6,240,000 shares of 5s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1937.

Tons Milled	1,824,400	Yield (per ton 5-78 dwts.)	527,118 ozs.
Revenue (per ton milled 40 7-20)	£3,703,550	Government Taxes	£495,591
Working Costs (per ton milled 18 10-07)	1,718,505	Government Participation in Profits	613,837
Working Profit (per ton milled 21 9-13)	1,985,045	Reserve for Liability under Miners' Pithilis Act	12,949
Sundry Revenue, less Expenditure	5,675	Dividend No. 36—27½ per cent.	439,000
Total Profit	1,990,720	Dividend No. 37—25 per cent.	390,000
Add: Balance to credit of Appropriation Account at 31st December, 1936	53,112	Directors' Special Remuneration	7,500
	£2,043,832	Capital Expenditure	32,907
		Balance unappropriated at 31st December, 1937	62,048
			£2,043,832

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1937, and disclosed the following:—

Tons	9,654,424
Stope width (inches)	42-74
Stope value (dwts.)	5-57
Inch-dwts.	238

DEVELOPMENT.—The footage accomplished on the horizon of the Main Reef Leader was 23,322 feet, showing an increase of 3,847 feet compared with the previous year. The percentage payable was 38-52, average reef width 31-02 ins., average assay value 10-27 dwts. Inch-dwts. 319.

Kimberley Reef.—Exploratory development was done on this reef from No. 1 shaft; 645 feet was accomplished, of which 285 feet was sampled, disclosing an average value of 0-15 of a dwt. over a width of 93-11 inches. These results are in addition to those given above.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11 OLD JEWRY, LONDON, E.C.2.

WEST SPRINGS, LIMITED

(Incorporated in the Union of South Africa.)

CAPITAL: Registered and Issued, £1,935,000. In Shares of £1 each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1937.

Tons Milled	1,098,000	Yield (per ton 3-65 dwts.)	200,417 ozs.
Revenue (per ton milled 25/7-70)	£1,407,760	Government Taxes	£42,965
Working Costs (per ton milled 16/3-45)	894,201	Government Participation in Profits	218,757
Working Profit (per ton milled 9/4-25)	513,559	Reserve for Liability under Miners' Pithilis Act	5,986
Sundry Revenue, less expenditure	8,044	Dividend No. 24—61 per cent.	120,339
Total Profit	521,603	Dividend No. 25—61 per cent.	120,337
Add: Balance to credit of Appropriation Account at 31st December, 1936	198,366	Directors' Special Remuneration	9,000
	£719,969	Capital Expenditure	88,211
		Balance unappropriated at 31st December, 1937	115,175
			£719,969

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1937, and disclosed the following:—

Tons	4,552,610
Stope Width (inches)	54-25
Stope Value (dwts.)	5-14
Inch-dwts.	279

DEVELOPMENT.—The footage of 17,841 feet accomplished during the year was 1,570 feet less than that for 1936. The percentage payable was 56-64, average reef width 45-61 inches, average assay value 15-00 dwts. Inch-dwts. 567.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11 OLD JEWRY, LONDON, E.C.2.

THE ECONOMIST

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BUDGET SUPPLEMENT

(Owing to the Easter Holiday "THE ECONOMIST" will be published next week on Thursday, April 14th, instead of Friday, April 15th)

The Fourth Estate

THERE has always been an element of self-flattery in the claim of the newspaper Press to represent the fourth estate of the realm. But it is nevertheless true that the provision of news is a public utility service of an importance at least equal to that rendered by any other privately-owned industry—of an importance, moreover, which the touchiness of dictators is daily extending from the domestic to the international sphere. The political scientists have been slow in turning their attention to the rôle to be played in the life of a modern democratic community by its Press, which is still, in spite of the new competition of the radio, its chief source of information on events in both the political and the social sphere. Their reluctance has presumably been due to the fact that the nature and operations of the Press have remained a largely uncharted territory. The warmer, therefore, should be the welcome extended to the Report on the British Press which has been compiled, with its customary industry and completeness, by PEP (Political and Economic Planning). Although this bulky volume contains a greater number of facts about the Press as an industry, as a profession, and as a social organ than has ever before been collected within a single pair of covers, it is modestly described as no more than an interim report. In particular it disclaims any intention of presenting a comprehensive set of proposals for the "reform" of the Press, and is content with submitting

merely a preliminary agenda for extended discussion of the place that newspapers should fill in a democratic community, and of the extent to which our existing British papers are meeting their responsibilities.

Throughout the community there are many elements of dissatisfaction with the existing service that the Press provides, and even in Fleet Street there is an uneasy feeling that the profession of journalism is neither as popular nor as respected as journalists feel it should be. There would be virtual unanimity on the proposition that freedom of the Press is an essential concomitant of democratic organisation. But the public is inclined to question whether the Press makes the best use of its freedom, while the Press itself complains that with the steady accumulation of legal restrictions its freedom is already no more than qualified.

Thus, from both sides there is recognition of the need for hard thought on the future of the Press. The chief request of the newspapers themselves would be to be granted some relief from the growing burden of libel, which not merely imposes severe restrictions upon what it is safe to print, but also lays very heavy monetary costs upon any popular newspaper, however carefully conducted. The journalistic profession would, however, be myopic if it expected to obtain any substantial relaxation of the law of libel until it had answered the complaints that are so widely directed against it.

What are these complaints? One of which much has been heard in recent months has been journalistic "intrusion" into private affairs. But this is really a matter of detailed practice rather than of fundamental status. The methods of intrusion which have received publicity recently are condemned by all save a minority of journalists, and there is no reason why the profession should not provide its own sanctions against their repetition. A more serious complaint is that the newspapers distort or misrepresent the news they print. The PEP Report* devotes considerable space to a discussion of this question, and the conclusion at which it arrives can be described as a qualified acquittal. The Report discovers very little evidence of deliberate and conscious bias. Even the pressure of the advertiser, though it exists, is less insidious than the layman is sometimes disposed to imagine. Much of a newspaper's work consists of selecting from the vast mass of material available those items of news which are to be printed, and since no two persons would make exactly the same selection, some infusion of subjective choice is inevitable. Bias, however, in the opinion of this Report, is rarely deliberate, and even more rarely venal. The chief criticism made under this head—and it is a very heavy one—is that journalists frequently distort or misrepresent the news they report by failing to understand its full import. This is not surprising in view of the immense variety of topics with which the working journalist may have to deal every day; for it is impossible for a newspaper to have on its staff specialists in every branch of news. But the Report is on safe ground in urging that the surest way of raising the standard of the news service provided by daily newspapers would be a steady improvement in the education and training of journalistic recruits.

Neither intrusion into private affairs nor distortion of news, however, is the chief ground of complaint against the modern Press. The great bulk of the criticisms relate to the double tendency that has been apparent in recent decades for the number of competing daily newspapers to shrink, and for the survivors to convert themselves from public servants into commercial concerns. This, it may be said, is the language of the critics, and its implications would not be accepted in Fleet Street. But even there it could not be denied that the weapons with which modern mass circulation newspapers compete are not only non-journalistic, but even increasingly antipathetic to the balanced reporting of the day's events. Moreover, although there is still a large enough number of newspapers to provide a hearing for a wide range of differing opinions on most subjects, any further reduction in the number of papers would bring the community within sight of a Press monopoly. There are many weighty and authoritative critics of the Press who find the most hopeful remedy for its defects in a return to a larger number of papers with smaller circulations.

The PEP Report performs a useful service in demonstrating how faulty is the economic basis for any such reasoning. The mass circulation has arisen not from the megalomaniac ambitions of individual proprietors, but from the fundamental facts of newspaper economics. One of these facts is that a paper which sets out to cater for the mass of the people can charge its advertisers only a low rate in comparison with the number of people who will see their advertisements. Another is that the British public requires in its daily newspaper not only several pages of news, but several pages of entertainment as well. Given these two facts, it can be established, as the PEP Report demonstrates by algebraic formulae, that a circulation in the millions is necessary to make ends meet. Thus a newspaper circulating chiefly among the well-to-do can fix its advertising rates at such a figure that it costs the advertiser 4d. to put an advertisement one column wide and one inch

deep before the eyes of a thousand readers. A popular paper, on the other hand, can hardly charge as much as 1d. per column-inch per thousand. But if the price of the paper is a penny, and the minimum number of pages acceptable to its readers is twelve, such a paper must, according to PEP's calculation, have a circulation of 1,000,000 to keep afloat. Those who would get rid of advertising altogether are informed that a penny paper with twelve pages would need a circulation of 4,000,000 before it could dispense with the advertisement remedy. It follows that any attempt, even if one could be devised, to abolish the mass circulation newspaper, would be swimming against a very strong tide of economic advantage. If the community wants more papers with smaller circulations it must either subsidise the Press out of public funds or else put up with newspapers of exiguous dimensions. Since it will do neither, it must keep the mass circulations.

Because the mass circulation newspaper is inevitable, it does not, of course, in the least follow that it is in every way desirable. On the contrary, all the faults of private control and individual proprietorship, which would tend to cancel each other out with a large variety of competing newspapers, are greatly magnified when the number of newspapers is small, and especially when many of them are clustered in groups under the same control. The most interesting section of the PEP Report is that in which various suggestions for minimising these faults are examined. State control of newspapers is rightly dismissed as a remedy far worse than the disease. The limitation of circulations is impracticable and the dissolution of "groups" and "chains" hardly less so. Indeed, the search for methods of social, but not governmental, control of the Press leads PEP to the examination of a number of frankly fanciful proposals, such as the ownership of all printing machinery by the State or the creation of a fund to subsidise experiments in newspaper production. The final conclusion is, however, to return the responsibility to the Press itself, with the admonition that "the Press, like the Bank of England, can only be defended as a private institution on condition that it acts in practice as a public one."

No one who is really familiar with the working of the Press will doubt that this is the only wise conclusion. Rules of conduct imposed upon the Press from above would either be disregarded or else would remove its freedom. For a democracy the only solution is to foster the growth of corporate responsibility in the Press. That can only be done by raising the professional standards of the working journalist, by recognising his calling as one of the learned professions and by giving him, as distinct from the financier or the capitalist, a wider control over what appears in the newspapers. To those whose imaginations run to reforming statutes and control boards, this will be a tame conclusion. But it is the only one consistent with democratic government; for if self-control is the prime ingredient of democracy, it must be allowed to show itself in a self-controlled Press.

This Week's Issue of
THE ECONOMIST
includes a special

BUDGET SUPPLEMENT

This detailed survey of British Public Finance discusses the National Accounts for 1937-38, the recent trend of Revenue and Expenditure, the position of the National Debt, and the Finances of Local Authorities. A concluding section sets out a series of estimates of the ratio of Tax Revenue to National Income since 1860, and reviews future budgetary prospects.

* "Report on the British Press." Published by PEP, 16 Abchurch Lane, London, E.C. 4. 333 pages. 10s. 6d. net.

The French Dilemma

FRENCH Cabinets habitually live upon the rim of the volcano. In political circles in Paris, a state of crisis is normal, and the foreigner, accustomed to less frequent shifts of the political scenery, is inclined at all times to exaggerate both the instability and the incoherence of French politics. But when all these allowances have been made, it is impossible to regard the present position into which the French Republic has drifted as anything but very critical or to await its further development with anything but grave alarm. France faces a very real crisis.

The immediate occasion of the crisis has been the complete financial programme that M. Blum determined to produce after the Senate had last week refused to approve one of the temporary expedients by which he had hoped to stop the gap for a few more months. His plan, published on Monday, consists in the formal sense of nothing more than a Bill authorising the Government to take by decree whatever measures they think necessary for economic and financial rehabilitation. But accompanying the Bill was a memorandum revealing M. Blum's intention of imposing a tax on capital of Frs. 100,000 and over, of enforcing the registration of securities in order to defeat tax evasion, of suspending debt redemption for two years and of imposing a diluted form of exchange control by concentrating all transactions in the Bank of France.

The reaction to this plan has been unfavourable. The Chamber, it is true, has passed it by 311 votes to 250. But the majority was so small and so many of the Radicals have deserted M. Blum that his only choice lies, as we go to press, between resigning immediately and awaiting almost inevitable defeat in the Senate. Thus the whole future of French politics is once more laid open to the shifting winds of a cabinet crisis.

It would be a very grave mistake to say that the opposition to M. Blum's plan is based on nothing more than party prejudice, personal animosity and sectional selfishness, although all three doubtless play their parts. But that there is real substance in the opposition can be seen from the perturbation of the Radicals, who stand to lose far more than they can gain from a collapse of the Front Populaire, or from the outspoken criticism of M. Paul Reynaud, who has worked hard for a reconciliation between Right and Left. It has become a commonplace that the fundamental economic malady from which France is suffering is paralysis of capital. Vast sums have been drained away to foreign centres and even what remains is congealing in the veins of French industry and commerce. It is useless at this hour to discuss who should bear the blame for this state of affairs—the capitalists for taking unreasonable alarm or the trade unions for unduly frightening them. It is quite enough to say that no programme of economic and financial rehabilitation has a chance of success unless it contrives to restore the circulation of capital in the French economy. Taxes on capital and restrictions on the export of capital, to be administered by Socialists, will not diminish, but increase, the panic of the French capitalist. There is nothing whatever in M. Blum's plan, as presented by him, to attract the *émigré* capital back home, and little to staunch the continuing outflow.

To these arguments of the Right and the Centre M. Blum can give no convincing answer, for the simple reason that no answer of his would carry conviction with those who need to be convinced. But it would be a mistake of at least equal gravity to imagine that the restoration of confidence in the capitalist is all that is required for economic salvation. There is another brand of confidence that is equally necessary—the confidence of Labour. Under the leadership of the Front Populaire, the French working classes have

achieved social reforms that were long overdue. The reforming movement, in the enthusiasm of the moment, was carried too far; some of its methods were reprehensible; and some removal of the hindrances to production that it imposes is necessary in the interests of re-armament. All this is realised, with more or less clarity, on the Left. But it is one thing voluntarily to return some of the conquests of 1936, at M. Blum's request and in the interests of national defence. It is quite another to have such a retreat imposed by a Government of the Right, jockeyed into power by the financial emergency and concealing under the patriotic veil a reactionary counter-attack of the employers. There is only danger in attempting to conceal the fact that a Government formed in opposition to the Socialists would face an outbreak of industrial strife and disorder of which it is impossible to foresee the outcome.

In these circumstances it is perfectly clear that the only possible solution is a National Government, holding the confidence of both sides. It is very greatly to M. Blum's credit that he, the leader of the Parliamentary majority, which is still, by every indication, the popular majority, has for months past proclaimed the necessity of such a concentration and, by unmistakable inference, offered the modification of his party's policy without which such a concentration would be impossible. He at least has demonstrated his ability to put the interests of the country above the narrower ambitions of his party. By so much greater must be the condemnation to be visited on the leaders of the Right, who, without M. Blum's backing in the electorate, have nevertheless refused their aid. Their aim is to form such a concentration without the Socialists. But to do so would not merely be to fly in the face of the electorate's clearly expressed wishes, but deliberately to court something not very far removed from civil war. To such a pass has ambition reduced the patriotism of some French politicians.

Common sense in France, however, has frequently triumphed at the eleventh hour, and it may do so again in the next few days. If the psychological hindrances can once be removed; if the leaders of the contending factions can agree to work out their policy round the same Cabinet table, there should not be any insuperable difficulties in the way of producing an agreed programme. The Left does not reject the principle of modifying the 40-hour week, and the Right must admit the necessity of increased taxation. Even the actual proposals of the Blum Government would be far less objectionable in the hands of a concentration Cabinet. The registration of securities can only be opposed by those who defend tax evasion. The levy on capital was intended to bring in a sum smaller than the British National Defence Contribution—but even if this slight burden is too heavy the onus is on the objectors to suggest an alternative. As for exchange control, even Great Britain, which M. Flandin holds up as an example of democratic integrity, resorted to it in a minor form in her own emergency. What is essential is that moderate proposals should not be blown up into monstrous bogeys to frighten the capitalist, just because they originate with a Socialist Premier. And similarly, the presence of Socialists in the Cabinet must be an assurance that moderate exceptions to the social legislation of 1936 are not a surrender of all that Labour has fought for. The supreme need of France at the present moment is that the politicians of either side should make the effort necessary to recognise the moderation of the other. A Government could be formed against which neither Capital nor Labour would feel it necessary to strike. The future of French democracy—and much else besides—depends upon whether the Government of national union will now at long last come to birth.

Men Without Work

ALMOST hidden in the great numbers of men and women who work or do not work according to the state of trade, there is a nucleus of more or less permanently unemployed. In September, 1929, about 53,000 insured persons—some 5 in every 100 of the total unemployed—had been out of work for a year or more. In July, 1933, the long-unemployed numbered more than 480,000, or 25 in every 100. In August, 1937, though the tide of depression had receded, the total was still 265,000, and the proportion was 27 per cent. In February this year the long-unemployed numbered nearly 279,000. (All these figures exclude the unknown number of long-unemployed who are not in receipt of "assistance" payments.) Recovery has failed to solve the problem of long-unemployment.

Who are the long-unemployed whose numbers are now increasing as trade slackens? Where and how do they live? What causes their plight, and what is being done for them? An admirable work of statistical and sociological research, designed to discover an answer to these questions, has just been published.* The problem is not wholly novel, for the aged and the disabled, as well as the lazy and shiftless, have always tended to lack work. But it is a new thing for over a quarter of a million men and women to be afflicted in that way at the height of prosperity. Their households in November, 1936, included as many people as the entire population of Liverpool. And the longer a man is unemployed, the more hopeless are his prospects of ever finding another job. Between the summers of 1935 and 1936, when the total of men unemployed for a year or longer declined by 41,700 (that is, by 11 per cent.) the number of those who had been out of work for over 5 years actually increased by 22,900 (by 76 per cent.) as the following table shows:—

Years	MEN, 18 TO 64, CONTINUOUSLY UNEMPLOYED FOR					Total Long-unemployed
	1-2	2-3	3-4	4-5	Over 5	
Summer 1935...	137,000	81,400	65,800	52,500	30,000	366,700
Summer 1936...	119,700	65,400	46,100	41,000	52,900	325,000

This is the problem to which the Commissioner for the Special Areas of England and Wales drew attention last November when he wrote of the "unemployed pensioners" and the "older unemployed men." Yet, as the Pilgrim Trust Report makes abundantly clear, long-term unemployment is not peculiarly a problem of the Special Areas or of coal-mining districts. Nor is it wholly confined to elderly persons. The Trust's investigators, who were obviously unable to make a clinical examination of every household afflicted by long-unemployment, carried out detailed investigations in six towns—Deptford, Leicester, the Rhondda, Crook, Liverpool and Blackburn. These places were deliberately chosen to give a shaded picture of England and Wales as a whole, including prosperous as well as depressed areas. The zero hour of the inquiry was November 23, 1936, when total long-unemployment among insured workers in England and Wales had just fallen below 300,000. The count showed that the evil of long-unemployment existed in prosperous Leicester and Deptford, as well as in depressed Crook and the Rhondda; and that its ravages spared neither old nor young. Of 250,000 long-unemployed men in the whole of the country, it is estimated that, in November, 1936, over 72,000 were young or very young, and more than 50,000 were middle-aged; while nearly 127,000, or more than 50 per cent., were old or elderly. The following table, based on the investigators' figures for the six towns, shows the incidence

* "Men Without Work." A Report made to the Pilgrim Trust. Cambridge University Press. 447 pages. 7s. 6d.

of long-unemployment on various age-groups in three main regions of England:—

ESTIMATED NUMBER OF LONG-UNEMPLOYED PER 1,000 WORKERS, AT VARIOUS AGES, IN THREE MAIN REGIONS OF ENGLAND AND WALES

Age Group	South and Midlands	North	Wales
Very young (18-24)	1	18	53
Young (25-34)	2	32	86
Middle-aged (35-44)	5	46	107
Elderly (45-54)	12	47	190
Old (55-64)	34	83	220

In places like the Rhondda, the long-unemployed have become almost a separate social class. In some respects, however, the long-unemployed in more prosperous places like Leicester and Deptford may be deemed worse off. They are more sharply divided from their active neighbours; they are more obviously individual misfits; and they are less catered for by the social welfare measures which have become part of the normal life of a depressed area.

Men and women who have been without work for long periods are not simply the backwash of deep depression or the rejected specialists of declining industries. They are found "in every town of this country, however prosperous, however diversified its range of industries." Although at least 40 per cent. of the long-unemployment throughout the country is concentrated in the basic industries of coal mining, shipbuilding, iron and steel and textile manufacture, there is some of it in every industry. In the summer of 1936 the long-unemployed numbered (per 1,000 insured workers) 123 in coal mining, 33 in gas, water and electricity, 27 in the distributive trades and 10 in the manufacture of motor vehicles and cycles. Unemployment in the major industries tends to produce unemployment in secondary and service trades. And everywhere there are men and women who fall out of work for individual reasons. The size of the last group is quite considerable. Out of 250,000 long-unemployed men in England and Wales, 172,700 were classed in the Report as being out of work because of depression in a particular region or industry, while the other 77,300, representing over 30 per cent. of the whole, constituted the real hard core of the problem of personal unemployability. Industrial and personal factors are, of course, interconnected; for "the longer a man stands in the queue the less likely he is to get out of it again." And the long-unemployed of both classes are exposed alike to the danger of moral impairment—of accepting their lot as a necessary and unavoidable condition. And upon the 250,000 men thus affected depend some 170,000 wives and 270,000 young children.

By examining the state of mind and the way of life of these unemployed, their families and friends, the Trust's investigators have brought more than statistical light to bear upon this grave national problem. Their report is framed in human terms, in terms of courage and despair, of dogged hopes and dull acquiescence. The factor common to all the families they visited was poverty. Over 17 per cent. of these families were living in deep poverty and 30 per cent. distinctly below the by no means generous standard of poverty adopted in the Report. In Liverpool the corresponding percentages were as high as 30 and 48. The environment of poverty and worklessness threatens, indeed, to create a separate class. "Poverty is not only a consequence of unemployment but a cause of it."

Meanwhile, valiant official and voluntary efforts are being made to ameliorate the lives of the long-unemployed. Clubs, residential centres and subsistence schemes up and down the country are designed to break down the unhappy isolation of the workless, to help them towards content and fitness, and to restore their confidence and self-respect. This is salvage work of the first importance, but the need to remove these blots from our national life is a national task.

Essays in Autarky

Italy's Oil Supplies

SIGNOR MUSSOLINI is too good an Italian to be insensitive to the revivifying possibilities of a paen-gyric on Italy's armed strength, at a moment when the German flag has been hoisted on the Brenner. And he is too much a realist to be unaware of the element of figurative optimism which pervaded the statement, in his speech to the Chamber last week, that Italy had ample reserves of mineral oils for a campaign of some length. Certainly, she has spared no effort to bring about that result, for she is well aware that any interruption of her oil supply would not only damage her economic situation, but would strike at the heart of her military preparedness. The problem of devising safeguards against such a danger, however, is peculiarly difficult of solution in Italy's case. It may be well, therefore, to set out, in the present article, some of the factors which tell most heavily against the attainment of Italian self-sufficiency in oil supplies, and to estimate the potential value of the measures she has so far taken to alleviate them.

Her chief difficulty arises from the fact that she herself has neither petroleum resources (apart from some shale) nor coal. Unlike Germany, she cannot achieve any considerable production of synthetic fuel. Whether oil will ultimately be found in Abyssinia is a moot point. The only important oil resources which are near at hand are in Albania—a country largely dependent economically on Italy. Albania's annual production of crude oil has increased from 25,000 tons in 1931-34 to 52,000 tons in 1936, and 70,000 tons in 1937. There is little hope, however, that Italy will carry out her ambition of meeting her oil requirements from Albania, though supplies from that country would be important for the Italian Navy in war-time, since they would be largely immune from interruption by enemy action.

For the rest, Italy's policy has been directed, inevitably, to the development of substitutes rather than towards self-sufficiency in petroleum itself. Natural gas, which is found in small quantities in some parts of Italy, is used by road transport in certain towns; but the cost of carrying it very far prohibits its use at any distance from its point of origin. It has been found impossible to carry out the Government's programme of converting all petrol-driven vehicles, by the beginning of last January, to the use of either natural gas or wood gas ("producer gas," obtained by burning wood or other solid fuel). And Italy's production of alcohol is still much too small to make its admixture with petrol, on any large scale, a technical proposition.

In fact, Italy is still dependent on foreign supplies of petroleum products, and her imports in recent years have increased significantly, as the following table shows:—

TABLE I.—ITALY'S IMPORTS OF PETROLEUM PRODUCTS.

	(Thousand tons)						Total
	Crude Oil	Petrol	Kerosene and White Spirit	Lubricating Oil	Fuel Oil and Gas Oil	Paraffin Wax	
1932 ...	127	325	146	66	834	24	1,522
1933 ...	135	291	137	67	1,081	27	1,738
1934 ...	143	348	150	66	1,122	26	1,855
1935 ...	220	367	155	90	1,251	28	2,111
1936 ...	301	209	112	54	1,118	20	1,814
1937 ...	891	259	94	70	1,194	26	2,534

Since Italy, in addition, obtains only 15 per cent. of her coal consumption from her own deposits, which are inconveniently situated in regions like Sardinia and Istria, she has been compelled to abandon the idea of absolute autarky. Her present oil policy aims at the importation

only of cheap crude oil, instead of finished products or their derivatives. In the case of petrol, this policy has already achieved some measure of success. About two-thirds of Italy's requirements of kerosene, which amount to about 160,000 tons per annum, are already being met by domestic refining, and much the same condition applies to gas oil. For fuel oil, however, Italy is still dependent in large degree on foreign supplies. Her annual consumption is about 930,000 tons, apart from the needs of her merchant fleet and Navy. Her output of fuel oil from domestic refineries has risen considerably in the last three years, as our next table shows; but even in 1938 it will not amount to as much as 400,000 tons:—

TABLE II.—ITALY'S OUTPUT OF PETROLEUM PRODUCTS (Thousand tons)

	Petrol	Kerosene and White Spirit	Gas Oil	Lubricating Oil	Fuel Oil	Bitumen	Coke	Paraffin Wax
1932 ...	157	33	23	22	127	12	32	0.7
1933 ...	163	42	23	25	139	13	34	0.8
1934 ...	126	38	37	21	76	12	37	0.5
1935 ...	103	50	33	24	94	26	20	0.5
1936 ...	130	41	38	21	110	46	27	0.6
1937 ...	285	126	130	52	307	81	32	2.3
1938† ...	334	117	141	62	397	86	33	3.8

† In terms of the Ministry of Corporation's programme of production.

The table shows that Italy is to produce this year some 334,000 tons of motor spirit. In 1937 she imported 259,316 tons, and made 285,277 tons, from imported materials, at home. These figures, however, do not include supplies for aviation purposes, which may be imported, free of duty or restrictions, by the military authorities. Meanwhile, the Government has raised the tax on petrol this year, to lessen the total consumption.

The construction of oil refineries has lately proceeded apace in Italy. The following is a list of the more important refineries, their location and their approximate output capacity:—

Company	Location	Approx. Capacity Tons per annum
Aquila	Trieste	450,000
Vacuum Oil	Naples	250,000
Agip	Venice	300,000
Agip-Romsa	Fiume	120,000
Shell	Spezia	100,000
Standard Oil	Trieste	60,000
Permoglio	Milan	25,000
Total		1,305,000

Two State hydrogenation plants are under construction at Bari and Leghorn, each with an annual capacity of about 200,000 tons. The Aquila, Vacuum Oil and Agip-Romsa plants make a complete range of oil products. The Agip of Venice and the Shell produce everything but lubricating oil, while the Permoglio produces lubricating oils and asphalt exclusively. The existing refineries are independent private enterprises, apart from the Agip. The latter is a company formed by the State, with regulatory powers in the petroleum trade, which extend to marketing as well as consumption. Nearly all the great refineries are situated in free zones. They are all given annual import quotas, the largest being the 33½ per cent. of Agip, with Standard and Shell next on the list. These three control 80 per cent. of the Italian domestic market. There is no competition. Quotas are fixed between the refineries and the Government. The refineries are subject to strict military surveillance, and directions as to the quantities and quality of the crude oils used are given by the Ministry of Corporations.

The refineries buy their crude petroleum from various producing countries. Last year some 464,000 tons came from the United States and 214,000 tons from Iraq. Oil fuel was imported from Roumania (420,000 tons), from Central America (370,000 tons) and from Iran (195,000 tons). Heavy duties are payable on all petroleum products passing through the Italian Customs. These are (per 100 kilogs. of petrol): Customs, Lit 12; sales tax, Lit 320; registration fee, Lit 0.30; landing tax, Lit 0.25; and licence tax, 3 per cent. *ad valorem*, c.i.f., making a total of Lit 332.55, plus 3 per cent. *ad valorem*.

A sales association is already in existence for the home market, of which importers and refiners are members. The whole question, however, is under revision, and separate associations are likely to be set up for producers, importers and the retail trade respectively. A refinery is to be constructed in Libya, and others, probably, in Abyssinia.

All this leaves one unsolved question. What will happen if war or any other international complication cuts off sea-borne supplies from the Italian refineries? In that event, supplies obtainable overland would have decisive importance for Italy. Germany can be ruled out as a source of emergency supply, since she has not enough petrol for her own requirements. Austria has lost her independence, and

her yearly production of 30,000 tons will now be consumed in Greater Germany. If Roumania be also excluded, on the ground that she is unlikely to be on Italy's side in any future war, there remains only Poland, with an annual production of 400,000 tons, and Czechoslovakia, whose output is only 20,000 to 25,000 tons. In any case, the greater part of Poland's production, and the whole of that of Austria and Czechoslovakia, is already consumed at home. Doubtless some petroleum from overseas, which succeeded in reaching North Sea ports in Germany, Holland and Belgium, might find its way to Italy. But it costs more to transport petroleum 100 miles by train than 5,000 miles by ship.

In the last resort, the maintenance of Italy's petroleum supplies in wartime will depend on her political relations with the petroleum-producing countries and with the Power or Powers which hold control of the seas. Altogether the Italian petroleum position is an object-lesson in the limitations rather than the advantages of a policy of complete autarky. Recently we suggested various reasons for the view that Italy's mineral resources were insufficient to render her independent, in any circumstances, of imports from other countries (see *The Economist*, December 25, 1937, page 627). The same conclusion holds of her oil supplies.

Topics of the Week

London and Rome.—The debate on Foreign Affairs in the House of Commons on Monday—the thirteenth debate on Foreign Affairs in nine weeks—came as an undoubted anti-climax. Partly this was because in the ten days that have passed since the previous debate there had been no change in the international situation which gave either the Government or the Opposition anything new to say. But in the main, the anti-climax arose from the fact that the House of Commons is forced to discuss this supreme issue of policy within the largely irrelevant framework of party politics. There are many people, both in the House of Commons and in the country at large, who are profoundly disturbed by the full implications of the Prime Minister's policy, but would, nevertheless, not contribute by their votes to put the present leaders of the Labour Party into power. On the other hand, the unbroken majority which follows the Government in the House of Commons on party issues does not reflect any similarly overwhelming support for the Government's policy throughout the country. During the week, Labour has won a seat from the Government at West Fulham, in a by-election which was largely fought on foreign affairs, and although the turnover of votes was little larger than can be expected at any by-election in the middle of a Parliament, it is clear that Ministers are deceiving themselves in their belief that they carry the whole country with them.

It is characteristic of this peculiarly frustrate condition of British politics that the only sound and balanced criticism of the Government's policy in Monday's debate came from Sir Archibald Sinclair, the leader of a body of political opinion which is to all intents and purposes disfranchised. Many of the points that Sir Archibald Sinclair made could not be denied by anybody who is capable of reading the facts. It is undeniable that there has been a progressive deterioration in international affairs since the abandonment of sanctions, and that it has continued with at least equal speed since the Prime Minister took over the control of foreign affairs from Mr Eden. It is undeniable that there is something more than faintly ridiculous in addressing complaints about the bombing of Barcelona to General Franco, and at the same time "continuing friendly talks in Rome with the real author and begetter of these outrages." It is undeniable that the steady determination of the British Government to close its eyes to the facts of non-intervention in Spain has in fact acted as an encouragement

to extended aggression there, and presumably elsewhere also. These are the real counts in the indictment that could be drawn by a competent opposition, and it is the measure of the Labour Party's incompetence that it has not succeeded in compelling the Government to answer the anxious questions that are being asked all over the country by people who have not the slightest desire to make party capital out of the difficulties of the international situation.

It is a profound misfortune for the country that at this grave juncture the matter has to be discussed in terms of black and white. During the week forecasts of the terms of the Anglo-Italian Agreement have appeared, with every superficial appearance of correctness. If they are correct, the Agreement will contain much that is well worth having. For example, there is to be a slackening in competitive fortification of bases in the Mediterranean, the Italian garrison in Libya is to be reduced, and Italy is to forswear anti-British propaganda in Arabia. In addition, there are to be repeated assurances by Italy of disinterestedness in Spanish territory and of willingness to withdraw her troops from Spain, and the Agreement is not to enter into force until this last promise has been fulfilled. The question for the British public to decide is not whether an agreement such as this is worth having, but whether it is worth the price that will have been paid for it. Mr Chamberlain made much play on Monday with the argument that the Labour policy, especially in its Spanish aspects, would incur a serious risk of provoking an international crisis of the utmost gravity. That is true, but it is also true that Mr Chamberlain's policy runs the risk of exposing both Britain and France to the gravest strategical hazards in return for an Agreement which does not, in fact, convert Signor Mussolini from a potential disturber of the peace into its reliable upholder. Neither policy is entirely safe; both run appalling risks. The real basis of the complaint against Mr Chamberlain is that he is running the bigger risks for the more problematical reward.

Larger Battleships.—It was announced in London, Washington and Paris on Friday of last week that the three signatories of the London Naval Treaty of 1936, having failed to obtain any satisfactory reply from Japan to their request for an assurance that Japan was not exceeding the Treaty limit of 35,000 tons for

capital ships, have decided by mutual agreement to abandon that limit. The British and American Navies will proceed to build larger battleships—the tonnage most frequently mentioned is about 42,000 to 45,000 tons. France, while approving of the British and American action, does not propose herself to exceed the 35,000 limit, unless some other continental European Power also decides to follow the Japanese lead and build monster battleships. There is still some hope, however, of persuading the other European naval Powers—namely, Germany, Italy and Russia—to keep to the 35,000 ton limit. This is the last feeble remnant of the whole post-war effort for naval limitation and disarmament. So far as the oceanic Powers are concerned, almost all limitations are now removed. The only one remaining is that which fixes the maximum tonnage of cruisers at 8,000 tons, and leaves a gap between the largest cruisers and the smallest battleships. And in view of the rumours of Japan's construction which continue to circulate, it seems unlikely that even this limit will be much longer maintained. Japan is assuming a very heavy responsibility by refusing to say the word that would limit this new extension of the naval building race. She can derive from it only the very small comfort of imposing upon American designers the necessity of getting over-size battleships through the Panama Canal. Against this, however, must be set the fact that she is deliberately challenging competition with two countries, either of which can outbuild her with ease.

Labour and Armaments.—In response to the Prime Minister's appeal for co-operation in speeding-up armament output, various moves have been made this week. The Minister of Defence has met the employers and the executive of the Amalgamated Engineering Union; and, although the A.E.U. have expressed some reluctance to commit their members to any definite line of action before the meeting of their National Committee in June, the employers' representatives have urged both the unions concerned to meet them in conference before Easter. The A.E.U.'s caution arises from no wish deliberately to impede the progress of national defence. The men's leaders, it is true, regard the Government's foreign policy, of which the acceleration of re-armament is an integral part, with some suspicion. An executive manifesto on Wednesday urged A.E.U. members to devote their spare time to the production of equipment for the distribution of medical or food supplies in Republican Spain. And, on the same day, members of the General Council of the Trades Union Congress discussed the Spanish conflict in all its aspects with Lord Halifax. But, in the main, the unions are concerned with strictly industrial issues. They are not inclined to make hasty concessions by the abatement of union regulations, so long as there are employable engineers out of work, or while aircraft, which bulk most largely in the Government's revised programme, are still being exported to foreign countries. The unions are also anxious to avoid a repetition of what they claim was their experience after the war, when their suspended rules and restrictions were not, it is alleged, adequately restored. The A.E.U. and the Confederation of Engineering and Shipbuilding Unions represent the skilled men, who hold the key to the production of armaments—the fitters and turners and shipwrights. Their contention, again, that undue profits should not be made by individual companies is intelligible, but there is a compelling case for haste. The onus of detailed decision has been inescapably laid upon the unions equally with the employers, with the Government holding a watching brief in the interests of national security.

Air-Raid Precautions.—Freed from the delays which accompanied the culpably long-drawn-out dispute between the Government and local authorities about the financing of air-raid precautions, local plans have been rapidly devised and the recruitment of volunteers has, in most places, been satisfactory. In general, civilian defences are still backward, but, now that the Home Office has

issued its advisory regulations as well as instructions about gas mask supplies, there is no reason why the leeway should not speedily be made up. The position of the great public undertakings, such as the Metropolitan Water Board, is more disturbing. As in the case of the local authorities before a formula was found, the precise proportion of the Government's contribution to the cost of schemes set on foot by the undertakings is not yet known. And, in consequence, some disinclination to proceed with the vitally necessary measures is evident. On Monday the Home Secretary announced in the Commons that the position of the public utilities was under review with a view to possible legislation. He urged the undertakings to proceed forthwith with their plans, but made it clear that not all schemes would rank for Exchequer assistance. Clearly, since industrial concerns are in general expected to prepare and finance their own safeguards against air attack, any unduly preferential treatment of public utility undertakings would be inadvisable. Nevertheless, the utilities have, in many ways, a special claim to help; and, in any case, it is imperative that the financial position be speedily clarified, so that undertakings can gauge precisely their probable commitments and proceed with their plans.

Calcium Carbide.—For the third time, the Caledonian Power Bill, to permit the British Oxygen Company to manufacture calcium carbide in the Inverness Highlands with the use of hydro-electricity, has been rejected by the House of Commons. The successful opposition included the defenders of natural beauty against industrial defilement as well as Members who have consistently regarded the proposal as a threat to the British coal industry and especially to South Wales. The Bill had the Government's indirect blessing though not, as the adverse vote shows, its actual backing. Sir Thomas Inskip represented the establishment of a smaller factory at Port Talbot as an extra argument in favour of the Corpach scheme, since the two plants were to be complementary. On Wednesday, however, the scales were weighted heavily against the Bill by the general belief that the proposal to grant the Inverness factory preferential terms of rating for a period of years was an unfair aid to a purely private undertaking. Only on the grounds of urgent and inescapable national necessity could this clause have been defended. In the debate, the Minister for Defence would not go so far as to state that the need for the Corpach plant was, in the Government's view, imperative—despite the importance of calcium carbide, which is largely imported, to national defence. Accordingly, the very mixed opposition had their way, and the Bill is, presumably, finally slain.

The Egyptian Elections.—The results of the Parliamentary general election in Egypt last week gave Muhammad Pasha Mahmud's Government party 96 seats, the Independents 59 seats, the Dissident section of the

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Wafd (who have styled themselves Saadists after the founder of the Wafd, Saad Pasha Zaghlul) 79 seats, the remnant of the Wafd 12 seats. There are to be 18 second ballots, but the results of these can hardly make any substantial difference to the present figures. On the showing of these the Government will be more than equal, in the Chamber, to both sections of the Wafd combined; and, since any such combination is now highly improbable, the Government will be able to command a majority without needing to count upon support from the Independents. This change in the constellation of political forces in Egypt is so great that it cannot be accounted for merely by the "making" of the elections by the Government now in office. No doubt Mahmud Pasha's Government, like other Egyptian Governments before them at other elections, have taken full advantage of their powers in order to turn the voting in their favour. But there seems to be no evidence that, this time, the Governmental pressure on the electors has been heavier than usual, and while there have unfortunately been at least ten fatal casualties, these have not been all on the side of the Opposition. The King and his advisers have clearly not been pursuing a purely autocratic course; the event proves that they have rightly interpreted the views of the people. In a country where parliamentary politics are still largely personal, the most striking of the election results are the defeats of the leader of the Wafd, Nahas Pasha, himself and of his Coptic colleague, Makram Pasha. It is less than two years since Nahas Pasha achieved his party's supreme purpose by bringing back to Egypt in triumph the Anglo-Egyptian treaty of August 26, 1936. A reversal of fortune which seems paradoxical at first sight may, however, appear natural, and even inevitable, on second thoughts; for the Wafd's supreme purpose was also its *raison d'être*. With the Anglo-Egyptian treaty once signed and ratified, domestic Egyptian issues, so long suppressed and postponed, have rapidly begun to assert themselves. Nahas Pasha's error has been to live upon the capital of a political past which he himself has put out of date; and this error has cost the Wafd the secession of its "Saadist" section and now its defeat at the polls. The river of Egyptian politics is now flowing into new and uncharted channels.

* * *

The Vatican and the Austrian Hierarchy.—The ecclesiastical somersaults set going by the *Anschluss* of Austria to the Reich are becoming faster and more furious. While the Nazi plebiscite campaign was giving the utmost publicity to the letter (recorded last week) from Cardinal Innitzer to the Reich plebiscite Commissioner in Austria, Herr Bürckel, Cardinal Innitzer was addressing a second letter to Herr Bürckel in the same tenor, and the Catholic hierarchy within the pre-*Anschluss* frontiers of the Reich were meeting at Fulda to consider what lead they should, or should not, give on the plebiscite to their own flocks. Considering that Dr Goebbels' ministry was placarding

Vienna with posters displaying, in facsimile, Cardinal Innitzer's autograph *Heil Hitler*, it was perhaps rather ungracious of the Reich Minister of Propaganda to declare that the Cardinal's declaration was five years overdue. It looked, however, as though Dr Goebbels' taunt did not reflect the policy of Herr Hitler; for there were rumours that the capitulation of the Austrian Catholic hierarchy to Nazidom was to be taken as an opportunity for bringing the Catholic Church throughout Greater Germany into the Nazi fold on the basis of a common crusade against Bolshevism. This prospect was shattered last Friday by a couple of bombs thrown over the Alps out of the Vatican City. In a note published that evening in the semi-official *Osservatore Romano*, it was stated that the Austrian hierarchy's exhortation to their flock to vote "Yes" in the plebiscite had been made "without any previous agreement with, or subsequent approval by, the Holy See, and on the sole responsibility of the Episcopate itself." The same evening an address in German was broadcast from the Vatican wireless station in which the speaker went much further in denouncing the action of the Austrian bishops and in absolving the faithful from any duty to follow the advice of the clergy on political matters. Poor Cardinal Innitzer! He has no sooner done his homage to the Nazi Holy Roman Emperor than the new Henry IV is blasted by a new Hildebrand! But even Hildebrand has qualms, for on Saturday the Vatican announced that the broadcast (though not the *communiqué* in the *Osservatore*) was quite unofficial, and was delivered without the knowledge of the Cardinal Secretary of State. Finally, Cardinal Innitzer has been summoned to Rome and has issued a statement which in effect retracts his previous unconditional support of the Nazi party. The faithful Austrian Catholic can hardly be expected to know which of these voices is the authentic opinion of the Church.

* * *

Catalonia in Danger.—General Franco's advance towards Barcelona and the sea has continued almost without intermission. Lerida fell to him on Sunday last, and his troops are at points already within sight of the Mediterranean. The advance in the last few days has been considerably slower than in the early days of the offensive, and the Republican Army, in spite of its grave inferiority in artillery and aircraft, is still putting up a stiff resistance. But though the pace is slower, the Republicans are still falling back all along the line, while the Insurgents have suffered no reverse. No attempt is being made in Barcelona to minimise the fact that the supreme crisis of the war is at hand. The Government has been reorganised, with Dr Negrin still at the head of it, but without Señor Indalecio Prieto, who has hitherto been in charge of defence. Appeals have been sent out for volunteers, and there has been a satisfactory response; even the squabbles of the different groups of trade unions in Barcelona have been composed. The Government has dispatched one more plea to Britain and France to be allowed to buy arms, but they clearly realise how small is the hope of their appeal being answered. The British Government is apparently content to wait for General Franco's final victory, and if London will not move, Paris dare not. There is no sign from Barcelona, however, of any surrender. On the contrary, all the news from that city tells of resolution to continue the fight. The horrors of the Spanish civil war are clearly not yet over.

* * *

Eire's First Senate.—If Mr de Valera, who abolished the Senate of the Irish Free State, had designed with Machiavellian cunning to discredit the Second Chamber principle under the guise of restoring it, the results of the elections to the new Senate of Eire would have caused him to rub his hands. The method of election was designed to secure representation of the different walks of Irish life—cultural, economic and political. Of the 49 elective seats, six were filled by the universities by direct election. For the remainder, some 49 nominating bodies put up 132 candidates, divided into five panels.

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The electoral college, however, was largely political; for it consisted of the members of the Dail and seven representatives of each borough and county council. Moreover, of the 43 members, 22 were returnable only from among the nominees of the Dail. In the result, many distinguished candidates were rejected, and many important cultural and other nominating bodies are unrepresented in a Senate whose character is mainly political. Judged politically, it shows a bare majority for Fianna Fail, the Government party. Mr de Valera, however, spurned the temptation to strengthen his position in nominating the final eleven members to the House of 60. His nominees, in fact, form a distinguished group and include such well-known critics of his policy as Sir John Keane and Mr Frank MacDermot. In this action he has shown the quality of statesmanship which, it may still be hoped, will carry him to a sound and durable settlement of Anglo-Irish differences. It is now suggested that a pact will be signed before Easter. Even if its scope is limited to technical trade matters we may well be thankful for small mercies.

* * *

Roumania's New Government.—The recent change of Government in Roumania has a significance which has not been fully appreciated. The first Cabinet headed by the Patriarch was formed in haste after the Goga débacle, and, since it contained six former Prime Ministers as Ministers Without Portfolio, was a somewhat cumbrous instrument of Government. It was generally anticipated that, after a short interval, M. Tatarescu, who was Liberal Prime Minister until December and served as Foreign Minister in the interim Cabinet, would be restored to power, to pursue his former policy of compromise, at home between Right and Left, abroad between the Axis and the League. What has happened, however, is something different. Not only have the ex-Prime Ministers departed, but most of the representatives of the Liberal Party also, and the new Ministers are very largely former adherents of the National Peasant Party. The new Foreign Minister is M. Petrescu-Comnen, who has been known in the past as a close associate of M. Titulescu, and, in spite of a period of office as Minister in Berlin, is believed to remain a firm adherent of the policy of the Little Entente. This interpretation seems to be borne out by the marked friendliness of the greetings he has exchanged with M. Litvinov. On the whole, therefore, the new Cabinet appears to be a move towards men of the Left, even though not towards democratic principles. It certainly lends no support to the belief that the new authoritarian Roumania has already fallen into the German orbit. On the contrary, King Carol and his Ministers are still holding to the traditional alliances of the country, and there is no reason to believe that they would not co-operate with enthusiasm in any system of ensuring the peace of Europe to which the democratic Powers of the West would lend their whole-hearted support.

* * *

British Holidays.—Widespread agitation for the "staggering" of holidays to avoid the congestion of transport and lodging facilities in the weeks before and after August Bank Holiday has been given a fresh importance by the growing practice of granting holidays with pay to wage-earners. It is estimated that some 5 million people, excluding the higher paid salaried employees, will take paid holidays this year and already the railways and holiday resorts have expressed anxiety lest their resources should be over-taxed. An article in the March issue of the *Ministry of Labour Gazette* states that the number of wage earners entitled to paid holidays under collective agreements is now 3 millions, compared with 1½ millions two years ago, and this total excludes not only salaried employees, but also workers on "standing" wages who are allowed holidays with pay and the employees of firms who give paid holidays under individual arrangements. The report of the Holidays with Pay Committee was signed on Wednesday and, although no details are yet officially known, it is confidently expected

that the report will unanimously recommend the general introduction of paid holidays by legislation. Such a proposal, to include 640,000 agricultural workers, 450,000 cotton workers, 240,000 workers in the woollen industry, as well as miners, iron and steel workers and a number of domestic servants, would bring the total of wage earners with paid holidays up to 13 millions; and the strain on holiday facilities, unless the holidays were spread out over several months, would be almost intolerable. The British practice of concentrating summer holidays on only a few weeks in the year has its roots in the practice of schools and offices rather than in considerations of climate and weather. And it would, indeed, be a pity if the very welcome trend towards holidays with pay, likely at the maximum to increase industry's wages bill by only 4 per cent., were to be in part nullified by conditions of uncomfortable congestion. The House of Commons on Wednesday welcomed the movement in a debate opened by the member for Blackpool, who urged that England should do today what Lancashire, with its "staggered" Wakes weeks, had been doing for many years. The House was evidently of the same mind.

* * *

Industry in the Special Areas.—Since much of the impetus which led to the setting-up of the Royal Commission on the Distribution of the Industrial Population was provided by Sir Malcolm Stewart's Reports on the Special Areas of England and Wales, special interest attaches to the evidence submitted by bodies, like the North-East Development Board, which represent places where industrial decline and migration are serious influences. The Board's territory includes the Tyne, the Wear and the Tees, and the total population of the North-Eastern coalfield areas has grown in excess of the employment capacity of the basic export trades. In Durham County, there is still a surplus of some 100,000 men and boys in the N.E. Area. Improvements in industrial technique and organisation are tending to make the gap between employment and population wider. The Board point out that the State already accepts, through tariffs and industrial and labour legislation, responsibility for the supervision of industry; and suggest, as a corollary, the State's duty to reduce the risk of severe fluctuations in employment in any one area by guiding the location of new industries. And the Board call for an intensification of the methods of inducement and publicity which have already, under the Government's auspices, brought 40 factories and a further 54 prospective tenants to the Team Valley Trading Estate. In general, the Board reject any policy of compulsion, but they urge that the Government's policy should be nation-wide.

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From Our Special Correspondents

United States

Business Unchanged

NEW YORK, March 29.—The Federal Reserve Board's business indices for February showed almost no change from January and December. Although the seasonally adjusted index has fallen five points since December, the unadjusted index has stood at 79 in each of the three consecutive months. The March figures are not likely to show any great change.

BUSINESS INDICES (1923-25 = 100) ADJUSTED FOR SEASONAL MOVEMENTS

	Feb., 1937	Dec., 1937	Jan., 1938	Feb., 1938
Industrial production (total)	79	80	84	116
Manufacture	75	76	79	116
Minerals	101	108	114	115
Construction contracts (total)	48	52	62	62
Residential	30	26	30	47
All other	64	74	88	75
Factory employment (total)	83.1	84.2	89.0	99.8
Durable goods	74.4	76.8	84.4	93.9
Non-durable goods	92.4	92.1	94.0	105.8
Factory payrolls (total)	73.5	71.6	80.9	95.8
Durable goods	64.2	63.8	77.0	92.5
Non-durable goods	85.3	81.5	85.8	99.9
Freight car loadings	62	65	67	82
Department store sales	88	90	89	95
Department store stocks	70	71	72	76

When an economy has suffered a severe and abrupt dislocation, it is doubtful whether seasonal adjustments are very informative. Seasonal adjustments assume normal continuity, and no one would detect normal continuity in the American economy during the past twelve months.

BUSINESS INDICES (1923-25 = 100) WITHOUT SEASONAL ADJUSTMENT

	Feb., 1937	Dec., 1937	Jan., 1938	Feb., 1938
Industrial production (total)	117	79	79	79
Manufactures	118	75	75	76
Minerals	111	107	103	97
Construction contracts (total)	54	49	43	42
Residential	42	25	22	26
All other	64	68	60	54
Freight car loadings	76	62	59	57
Department store sales	76	156	70	70

The pattern remains unchanged. From August to December our economy fell from a high to a low plane of activity. Since December it has remained on the low plane, apparently quite immune from the usual seasonal influences, which are largely derived from the motor, building and railroad industries.

This inertia has been disappointing. When March failed to bring convincing signs of improvement, patience became exhausted, and the month saw a severe decline in security prices. The decline was most drastic in railway securities, and in industrial securities associated with rails. The general disappointment was particularised by the small increase in freight rates granted by the Interstate Commerce Commission, on which special hopes had been registered. While the share averages show a decline of about 30 per cent. in March, several stocks and bonds are selling at a bare half of the prices quoted in late February. The decline of the last month alone has reached the amplitude of a major bear market.

Low Earnings and No New Capital

Yet there was no deterioration in the general industrial situation between December and February; and March was probably no worse than February. In February the market was capitalising its hopes; in March, it capitalised its disappointments.

The latter are closer to the facts; the earnings of the first quarter will begin to appear late in April, and they will in many cases show that large profits in the first quarter of 1937 have been converted into large deficits in the corresponding

quarter of the current year. Where earnings exist at all at the current level of activity, they will, in general, be about half or less than half of those made in the first quarter of 1937. With the index of production at 80, our economy is not even on a "repair and replacement" basis; and, from the economic standpoint, it is virtually without earning power.

The actual record of March, so far as fragmentary data are available, was by no means without its comforting aspects. Every week of the month saw an increasing rate of steel operations, which are now close to 36 per cent. of capacity. There is evidence of quickening in building. Altogether, the evidence still supports the opinion that the violent phase of the decline in production lasted from August to December.

In so far as inventories are an element in the problem, the past four months have witnessed some slight improvement. The violent advance in primary prices a year ago caused disequilibrium in the price structure, and the recent falls have made possible a partial readjustment. In the background, however, is the persisting and greater problem of the lack of new capital.

For seven years, the flow of new capital into American industry has been reduced to a mere trickle. The brief interlude of 1936 and 1937, when considerable capital expenditures were made by industry out of its own funds, has been followed by six months in which no new capital market has existed, except for the Federal and local governments. This is and has been for a long time the outstanding feature of our economy.

Shifting Balance of Trade

Foreign trade in February showed no change in trend:

MERCHANDISE TRADE (\$000,000)

	Imports	Exports
February, 1937	278	233
January, 1938	171	289
February, 1938	163	263

The peak of imports occurred in March, 1937, when they were valued at \$307 millions; since that time the decline has been continuous, and amounts to about 50 per cent. Last month's imports were about equal in value to the average of the first quarter of 1935.

The peak of exports was in October, 1937, when they were valued at \$333 millions, since when there has been an almost continuous decline, of smaller proportions than in the case of imports and partially seasonal in character. The consequence of these movements is an extraordinary change in our balance of trade:—

SURPLUS OF EXPORTS (+) OR IMPORTS (—) (\$000,000)

1936-37	1937-38
Oct., 1936	+ 52
Nov., 1936	+ 30
Dec., 1936	— 15
Jan., 1937	— 18
Feb., 1937	— 45
Five months' surplus	+ 4
Oct., 1937	+ 108
Nov., 1937	+ 91
Dec., 1937	+ 110
Jan., 1938	+ 119
Feb., 1938	+ 100
Five months' surplus	+ 528

It might have been supposed that such a change in our trade balance would be accompanied by large gold imports. The fact is exactly contrary:—

NET GOLD IMPORTS (\$000,000)

1936-37	1937-38
Oct., 1936	219
Nov., 1936	76
Dec., 1936	57
Jan., 1937	121
Feb., 1937	120
Five months' imports	593
Oct., 1937	90
Nov., 1937	22
Dec., 1937	18
Jan., 1938	2
Feb., 1938	8
Five months' imports	140

The operations of the various Funds may have deprived the gold figures of some of their former significance; nevertheless, the contrast in our visible balance between the winter of 1936-37 and the winter 1937-38 is so marked as to be noteworthy.

France

M. Blum's Proposals

PARIS, April 7th.—Expenditure for re-armament in 1938, M. L. Blum explained, when he presented his financial proposals, will amount to 27,793 million francs, or 46 per cent. of the total fiscal receipts. Revenue must be increased by an expansion of production. But, at the best, revenue will have to be further supplemented by fresh borrowing. The franc cannot be allowed to fall any lower, and the gold stock is now at the minimum needed for war. In such conditions, how is money to be found?

The Treasury's requirements in 1938 will be as follows:—

	(000,000's omitted)	Frs.
Ordinary Budget deficit		4,000
Extraordinary monetary expenditure		15,900
Civil expenditure		2,712
Pensions fund		2,537
Various		1,590
		26,739
Railways deficit		8,690
Advances to undertakings		1,328
		36,757

And this total does not take into account 9,887 millions of maturities. Long-term borrowing and inflation have so far covered the deficit. The true solution would be to have recourse to the money market. But this market has been dried up by the outflow of gold, and by the policy of restricting credits to prevent speculation against the franc. A considerable inflation for re-armament purposes would lead, under the new Blum plan, if not to true prosperity, at least to intensive industrial activity. The volume of wages would be increased, the demand for consumption goods would rise correspondingly, and the production of these goods would be expanded by working extra shifts in these industries, as well as on munitions.

Controlled Inflation

These results will be achieved, according to the proposals, which have still to be put before the Senate, by the organisation of a "closed circuit," on the example of Germany, under the control of the Bank of France. New francs will be created to cover the State's expenditure, through new advances from the Bank, commercial bills or short-term bonds, to be rediscounted by the Bank. But the free circulation of these new francs will be hampered by the centralisation of exchange operations by the Bank and the supervision of raw material imports. Any rise in prices will be checked by a better control over prices, and the legal regulation of cartels and monopolies.

M. Blum's plans also include proposals to increase production by giving assistance to the building industry, constructing new electrical plants, and securing the working of extra hours and shifts, especially in armament works; and to increase revenue, by such devices as a capital levy, ranging from 4 to 17 per cent., and a 7 per cent. tax on rentes. The gold stock of the Bank will be re-valued; and the Budget methods will be reformed.

Plenary powers to enforce the principal measures by decree until July 1, 1938, are being sought by the Government.

The Programme Criticised

Most people praised the clarity and the sincerity of M. Blum's *exposé* of the state of affairs in France. It is emphasised, however, that public indebtedness is due, not only to re-armament, but also to the social charges which have been imposed on industry and business during the last two years, estimated by Conservative critics to have amounted to 31,000 millions a year—not including the cost of paid holidays and strikes. Other critics say that the totalitarian methods envisaged, derived as they are from foreign sources, are not in line with French individualism. Others, again, point out that the proposed mobilisation of capital is not accompanied by a parallel mobilisation of labour. And it is generally held that M. Blum has not, in any case, got the prestige and authority needed to imply such a drastic scheme involving great sacrifices.

As a financial plan, the propositions of M. Blum have no immediate interest, but certain of its measures will certainly be taken up later by another Cabinet. As a political plan, it looks like a move to provoke a conflict between the Popular Front and the Senate. But the Senate is said to be the guardian of French individual liberties, and represents the strong interests of landed property.

Germany

Organising the Election

BERLIN, April 5.—Preparations for voting on April 10th dominated all other interests throughout last week. In magnitude and vigour, the official and party agitation as much exceeds that of earlier Nazi Reichstag elections as the earlier Nazi elections themselves exceeded the tamer election demonstrations of democratic countries. In a sense this is labour lost, because numerically the past best of an almost 99 per cent. majority can hardly be beaten. It was indeed semi-officially explained, some weeks ago, that, in view of the nation's unquestioned unanimity, no new election in the pre-Anschluss Reich area was necessary for home purposes; and that the aim of the present election was to impress and convince foreigners. This statement is characteristic of Germany's great sensitiveness to foreign opinion, which seems to conflict with her extremely self-confident attitude.

The economic assimilation of Austria to the old Reich continues to progress rapidly. The Minister of Economy, Dr Funk, made a general announcement of policy on April 4th. Dr Funk condemned the "usurious interest-rates" exacted from Austria by the countries which dictated the Peace Treaties; attributed her poverty to the resulting deflation policy; criticised her exports as excessive; and promised that the Reich would become a good customer. He has forbidden the extension of Reich cartels to Austria without permission.

Measures, including the reduction of interest and protection against distraint, are to be taken in the interests of Austrian farmers. Austrian banks will get Reich financial help to enable them to grant long-term credits for industrial expansion, and the Sch. 290 millions necessary for re-establishing Austrian insurance will be put up by the Reich insurance institutions. The Reich marriage-loans system (Rm. 1,000 for each marriage) was extended to Austria from April 1st. A general veto, similar to the Reich veto of November, 1936, has been imposed on raising prices. The foreign exchange restrictions on travel between the Reich and Austria have been partly removed, but so far only Rm. 300 a month may be taken without permit into Austria.

The chief Austrian iron and steel concern, the Alpine Montan A.G., is already benefiting from the shortage in the old Reich. The company has put some ten additional furnaces into blast, and will, it is stated, soon be working at full capacity.

Austria and Raw Materials

From a great quantity of data, mostly official, which is now coming out, it appears that any considerable alleviation of the old Reich's raw material troubles must depend on new investment. For 1936 the Trade Research Institute estimates Austria's total consumption of raw materials in industrial production at Sch. 1,000 millions, her imports of materials at Sch. 565 millions, and her exports of them at Sch. 444 millions. The imports, comments the Institute, are very high compared with the corresponding German figure; and 1936 was a year of low imports. In 1929, some 70 per cent. of Austria's industrially consumed raw materials had to be imported. Among materials entirely or mainly imported are textile materials, rubber, non-ferrous metals, coal, and mineral oils. Home production of cement and iron is about sufficient to meet the demand; and in wood, hides, and magnesite there are substantial export surpluses.

Austria's import surplus on the whole trade account has declined, practically without break, since 1929, and in 1937 was about one-fifth of the 1929 figure, although the volume of trade had in the meantime fallen by only a little more than half. A great deal is being written about the Reich's future commercial and transport relations with South-East Europe. On the basis of trade in 1937 Great Germany, as it is now

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officially described, would have the following share of the trade of the S.E. European countries:—

	Exports	Imports
	Per cent.	Per cent.
Bulgaria	47.1	58.2
Hungary	41.0	44.2
Yugoslavia	35.2	42.7
Roumania	26.9	38.0
Greece	32.2	29.6

The trade Press foreshadows, as a consequence of the Anschluss, the increased use of Trieste as a commercial port for the Southern Provinces of the old Reich. River transport problems are much discussed. It is emphasised that the navigable part of the Danube in German territory is longer than the German part of the Rhine, and that the completion of the Rhine-Main-Danube Canal, which is to be accelerated, will connect the Ruhr industrial district with the Black Sea and Mediterranean.

New Reich Loan

The Reich Budget for 1938-39 has been sanctioned, but as usual has not been published. The Budget law does not apply to Austria, but may, presumably, with revised totals, be applied later. Existing authorisations to the Finance Minister to give guarantees remain in force; and there will be further guarantees of not more than Rm. 100 millions (against Rm. 300 millions in 1937-38) for the furthering of foreign trade; Rm. 400 millions (against Rm. 360 millions) for regulating the cereal and vegetable oil markets; Rm. 100 millions for land improvement; and also guarantees for the flax and hemp industries and the egg and poultry markets.

The Reich announces the flotation of a new Rm. 1,000 millions loan in the form of 4½ per cent. redeemable Reich Treasury certificates, of which Rm. 250 millions have already been placed. The last loan, later increased to Rm. 1,200 millions, was floated in January. The surmise that the rate of interest might be cut to 4 per cent. has proved mistaken. The term to maturity is 17-20 years, against 15-18 years in the case of the January loan. The subscription price is 98½, and the yield 4.6 per cent. Austrian banks will participate. The present moment is considered propitious, for since the turn of the quarter the money market has been liquid.

Although the terms of the new issue are almost identical with those of the preceding Consolidation Loans, totalling some Rm. 8,500 millions, the market conditions are radically new. According to Dr Schacht's announcement to the Reichsbank's shareholders in March, the contraction of undisclosed Reich bill liabilities for armaments and public works (so-called "secret debt") has ceased. In the past the bill liabilities contracted by the Reich in any considerable period always exceeded the sum of the new Consolidation Loans in the same period and in consequence the abnormal money market liquidity, which the loan-flotations temporarily reduced, was speedily restored.

Hungary

Relations with Greater Germany

BUDAPEST, March 18.—The union of Austria with Germany is of the utmost importance for all Danubian countries, and particularly for Hungary. The traditional friendship between Hungary and the two German nations in the past will no doubt be maintained with the Greater Reich, which Hungary was among the first nations to recognise. The Rome Protocol will remain in force between Italy and Hungary.

More than half of Hungary's foreign trade in 1936 and in 1937 was done with Austria, Germany and Italy. In 1936 some 40 per cent. of Hungary's exports went to Austria and Germany, and 13 per cent. to Italy. In 1937 the proportion of total exports which went to Austria and Germany further increased to 42 per cent., and that to Italy fell slightly to 12 per cent. Hungarian imports from Austria and Germany in 1936 and 1937 were 43 and 44 per cent., respectively, of total imports, and only about 7 per cent. came from Italy.

Though Hungary had an export surplus in trade with Austria, there were numerous items in the balance of payments to Hungary's debit, so that Austria, to some slight extent, became the creditor of Hungary. On the other hand, Hungary has in recent years accumulated a credit balance with Germany, and these balances will no doubt be offset, since the Austrian currency is now merged with the German mark.

As neither the German nor the Italian currency is freely convertible, Hungary cannot contemplate abandoning in the near future control of the foreign exchanges. There is every reason to expect, however, that the necessary convertible exchange for vital imports, and for the service of foreign debts, will be secured, thanks to the policy of fostering exports to markets in distant countries with freely convertible currencies.

The Five-Year Plan

The Prime Minister, M. Darányi, on the eve of reconstructing his Cabinet, announced a five-year programme of public works, armaments and social improvements, the cost of which will be about 1,000 million pengő, or approximately £40 millions. Dr Imrédy, President of the National Bank, was entrusted with the execution of this programme and invited to join the Cabinet as Minister without Portfolio, to co-ordinate and direct the Government's economic policy.

Dr Imrédy, who retains his position at the National Bank as chief guardian of the currency, is particularly well fitted for this key position in the Cabinet. He enjoys the confidence of all political parties. He is a sound financier, and his presence in the Government is a guarantee that no inflationary device will be resorted to in the Five-Year Plan.

Actually, the Five-Year Plan, which provides for an expenditure of 1,000 million pengő, will be chiefly financed by a special tax on property. It is estimated that 600 million pengő will be raised from this special tax within the next five years; but credit facilities will be granted to pay (in ten annual instalments) the special levy, which will be progressive, but in no case exceeding 8 per cent., nor less than 1 per cent. per annum.

Bonds, and persons whose total property is worth less than 50,000 pengő (£2,000), are exempt from the special tax. Agricultural property will be taxed at a lower rate than industrial and commercial property, in view of the burden imposed on agriculture by the higher industrial prices. On the other hand, it is very appropriate that industrial and joint stock companies, having for the last fifteen years enjoyed considerable benefits from tariff protection and tax exemption, should now be called upon to make a special effort, somewhat similar, in spirit if not in the letter, to the British National Defence Contribution.

The remaining 400 million pengő, not covered by special taxation, will be raised during the next five years by loan operations. The Treasury has at present liquid funds exceeding 200 million pengő, part of which will assist the financing of the public works and armament programme, and there is a general belief that the internal loans will be placed without difficulty. In view of the fact that the Treasury proposes gradually to refund the internal indebtedness incurred in earlier years, the credit system of the country could easily absorb at least part of the proposed loans; and insurance companies and private investors could take up the rest.

The Five-Year Plan, and notably the re-armament programme, will greatly stimulate industrial production, and the proposed road building and agricultural improvements will bring work to the unemployed in rural districts. M. Darányi, in his speech announcing this ambitious scheme, declared that raising the standard of living in rural districts would be the chief endeavour of his Government. To this end the urban population would be called upon to bear additional burdens.

Poland

A Success for the Government

WARSAW, March 31.—The recent ultimatum to Lithuania, backed by the massing of troops at the frontier, which was successful in persuading the "Irishmen of the Baltic" to call off the diplomatic and economic sanctions which they applied against Poland after the seizure of Vilna in October, 1920, seemed to cause as much surprise to Polish opinion as it did to foreign. Since the death of Pilsudski nearly three years ago, the capacity to decide and act with resolution appeared to have deserted the leaders of Poland, and the masses had almost reached the conclusion that effective leadership had died with "The Great Marshal."

The failure of the National Unity Movement launched rather more than a year ago by Colonel Adam Koc—who was replaced in January by General Skwarczyński—did nothing to enhance the prestige of the Pilsudski regime, and the Congress of the Peasant Party held in Cracow last month

showed unmistakably that the gulf between the regime and the masses had widened.

A spectacular success for the Government was accordingly necessary, and a frontier incident was seized upon to force Lithuania to establish "normal diplomatic relations" with Poland. The very moderate conditions attached to the ultimatum, however, left no doubt of Poland's desire for a genuine reconciliation with her recalcitrant neighbour, and the course of events since the acceptance of the ultimatum has strengthened the belief that a substantial majority of the Lithuanian nation appreciates and shares this desire.

The effect on public opinion here has been wholly satisfactory for the Government, and it would not be surprising if the first opportunity were seized for another spectacular success in foreign affairs. The "inspired" newspapers are now waging a violent campaign against Czechoslovakia for that country's alleged mistreatment of its Polish minority, with demands for complete autonomy for the Polish minority in the Teschen coal-mining district. The Polish minority in Czechoslovakia, which for many years was represented as numbering about 120,000, is now spoken of as 250,000; and a minority of 250,000 would naturally seek a larger autonomous area than a mere 120,000.

Economic Improvement

The ordinary Budget session of Parliament, which began last December and closed to-day, was noteworthy for a series of optimistic speeches on Poland's economic outlook by M. Kwiatkowski, the Minister of Finance, who is now virtually the country's financial and economic dictator. Although professedly in favour of free economy, M. Kwiatkowski is carrying Poland deep into autarky with his public works programme and the creation of a new industrial region in what is called the strategic triangle. He expects to spend about 1,000 million zlotys on public works during the fifteen months which began on January 1, 1938. He contends that Polish economy has been made almost shock-proof against external events, though the foreign trade figures for the first two months of 1938 hardly support this contention.

Nevertheless, most of the indices continue to register a slight but steady improvement, with industrial production in January at 89.3 per cent. of the 1928 average, the highest figure for any month since 1930. The number of workers employed in industry has increased by 75,000 during the past year.

Changes in Foreign Trade

Imports last year were valued, according to Polish valuations, at 1,254.3 million zlotys and exports at 1,195.6 millions. The figures of trade with leading countries are as follows:—

	1936		1937	
	Imports from	Exports to	Imports from	Exports to
	(In millions of zlotys)			
United Kingdom ...	141.6	221.6	149.2	219.2
Germany	142.9	145.3	182.2	167.4
United States	119.3	67.3	149.1	101.0
Belgium	43.4	84.3	56.3	69.0
Austria	44.9	58.8	57.8	58.6
France	43.5	43.7	40.7	49.2

In the first two months of 1938 imports were valued at 212.5 million zlotys and exports at 176.2 millions—leaving a visible deficit in foreign trade of 36.3 million zlotys. In the same months of 1937, imports were valued at 172.3 millions, exports at 190.5 millions, with an export surplus of 18.2 million zlotys.

The effect of the German annexation of Austria will not be shown for two or three months in the Polish foreign trade returns. A factor of more immediate importance is the Bill recently passed by the Lower House in the United States, and now before the Senate, raising the import duty on tinned hams from 3½ to 9½ cents a pound. Poland in the last few years has built up an extensive market for pork products in the United States, and an increase of 6 cents a pound in the duty on hams would almost ruin the market—unless the burden could be shifted to the Polish Treasury.

The newspapers here suggest that Jewish interests in the United States are striking back at the Poles for their anti-Jewish activities; but it was a mistake ever to believe that the United States could become a permanent market for pork products from Poland. The continued decline in the export surplus in trade with the United Kingdom is also causing growing concern.

Lithuania

Changing Balance of Trade

KOVNO, March 21.—A number of changes took place in 1937 in the balance of foreign trade. On the one hand, agricultural prices improved; on the other, industrialisation continued. And these factors were influential in bringing about a marked rise during the year in both imports and exports.

Imports in 1937 were valued at 213 million lit, against 156 millions in 1936. Imports of raw materials and semi-manufactured goods rose appreciably, and the increase in purchases of iron, coal and coke, machinery and cement for building was also noticeable.

Exports rose from a value of 191 million lit in 1936 to 208 millions in 1937; and the increase was due to higher prices for butter, pig-meat and wood products (including cellulose). The value of butter exports rose from 35 million lit to 41 millions, and of pig products from 12 to 16 millions. Owing to the bad harvest in 1936, flax exports fell in value from 17 million lit in 1936 to 15 millions in 1937; but exports of wood products rose in value from 30 million lit to 42 millions.

Altogether, there was an import surplus of 5 million lit, compared with an export surplus of 35 millions in 1936. The debit balance was, however, reduced by remittances from abroad, which rose from 1 million lit in 1936 to 6 millions in 1937. Nevertheless, it has been necessary to make exchange restrictions more stringent.

New Trade Policy

In January this year, the value of imports was 16.7 million lit, compared with 13.1 millions in January, 1937, while exports were valued at 16.2 millions, against 16.1 millions. In view of the good harvest, the Government have abolished the prohibition imposed last year on the export of rye, though each rye shipment has still to be officially sanctioned.

With the object of bringing the total values of imports and exports into line, a reorganisation of the export trade is now planned. Some branches will come under State monopolies. In addition, Lithuania has been actively conducting trade discussions with foreign customers. In 1937, 63 per cent. of exports went to Great Britain and Germany, 46 per cent. to the United Kingdom and 17 per cent. to Germany. Russia took only 5.3 per cent., but a new agreement provides for a 10 per cent. increase in Russo-Lithuanian trade. New treaties have also been made with Holland, Hungary, Greece and Brazil.

Shipping activity in Memel has appreciably increased. General industrialisation is proceeding apace. New factories and extensions to old ones are widely projected, and plant is being generally brought up to date.

Finland

Domestication of Debt

HELSINGFORS, March 25.—Finland's public debt has changed considerably during the last few years. Several bond loans issued abroad and the floating foreign debt have been redeemed and replaced by bond loans issued inside the country.

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This tendency is shown by the following figures, calculated at current rates of exchange:—

	Dec. 31, 1934	Dec. 31, 1936	Dec. 31, 1937	Feb. 28, 1938
(Millions of dollars)				
Foreign debt—				
Funded	70.4	39.1	28.4	26.7
Floating	2.1	1.5	...	...
Total	72.5	40.6	28.4	26.7
Internal debt—				
Funded	21.6	39.9	51.6	51.6
Floating	1.1	1.8	3.9	4.1
Total	22.7	41.7	55.5	55.7
Grand total	95.2	82.3	83.9	82.4

Notice was recently given of the redemption of the State loans of 1889, 1895, 1898, 1901 and 1903, on which the rate of interest is 3 and 3½ per cent. The nominal amount of these outstanding loans was 7,286,152 Dutch florins and 58,756,500 French francs on the last day in February, 1938, but nearly one-third of the former amount, and about 90 per cent. of the latter, were held by the Treasury, which had bought them in gradually.

Production Checked but Record Trade

The deterioration in world markets had some influence on industrial production in Finland by the end of 1937. The setback affected the exporting industries most, their index of output dropping in December to 167 (1926=100), against 191 in September, 1937, and 171 in December, 1936. The value of production, however, was still appreciably higher in December than a year ago. On the other hand, the index of production for industries supplying the home market was slightly higher in December, 1937, than a year before, both in volume and value. Building operations have continued unchecked during the first few months of 1938.

During the first two months of this year, foreign trade recorded considerably higher figures than during the corresponding months in 1937, and higher than ever before at this time of the year. The value of imports in January and February amounted to 1,264 million marks, compared with 1,020 millions last year, while the value of exports amounted to 996 million marks, against 868 millions a year ago. The surplus of imports amounted to 268 million marks, compared with 152 millions in 1937.

Palestine

Economic Setbacks

JERUSALEM, March 22.—Palestine is a land of paradox. After unprecedented prosperity, recession began in 1936. The immediate occasion was the Italian attack on Abyssinia in the autumn of 1935 which precipitated a minor banking crisis, the restriction of credit, the reappearance of unemployment and the failure of traders to meet their engagements. Simultaneously, and for other reasons, the immigration of capital into Palestine, which had been so marked since 1932, began to slacken, although immigration continued at a high rate.

The disturbances of the past two years did not improve the situation, nor is the present uncertainty about the political future conducive to business confidence. The consequence is that Palestine is now suffering a very definite depression. But not all the symptoms are those of depression in normal circumstances. Setting aside 1936, when foreign trade was dislocated by the disturbances, imports fell from £17,853,493 in 1935 to £15,913,044 in 1937. On the other hand, exports rose from £4,215,486 to £5,819,676, almost the whole of the increase being explained by exports of citrus fruits (£1,479,956).

With a tenfold increase in fifteen years in the production of citrus fruits, the necessity for export has risen in the same ratio. Unfortunately, as the volume has increased, prices have fallen, with the result that in the past two or three seasons the sum realised by the sale of oranges and grape fruit abroad has been, on the average, less than the cost of production, transport, etc.

Capital and Investment

One of the financial features of Palestine during the past few years has been the relatively large amount of money lying at the banks unused, although the interest paid is insignificant—at a time when there was said to be a scarcity of capital for industry. The more cautious capitalists were apparently

chary of Palestinian investments. During the past fifteen months the amount on current account fell gradually, with a temporary upward movement at the beginning of last year, from over £13 millions in January to a little over £11½ millions in November.

Some £480,000 of this loss is explained by an increase in the sums placed on deposit; but the greater part of the balance, together with more than £1,275,000 brought in by immigrants during the year, was apparently consumed, for there was no expansion in business to absorb additional capital.

A very large part of this money is capital brought to Palestine by immigrants of small means who place it in the bank, while they look round for opportunities of using it remuneratively. This class of small capitalists looking round for opportunities is very noticeable in Palestine. While they look, their capital diminishes.

Japan

More Money for War

TOKYO, March 9.—The supplementary Estimates for the China campaign, just approved by the Lower House, total 4,850 million yen, of which the Army accounts for 3,260 million yen, the Navy for 1,040 million yen, and the remaining 550 million yen is to be held in reserve by the Treasury. The major part of this sum is to be financed by borrowing, and only 420 million yen will be met by fresh taxation, raising the price of tobacco and raiding self-balancing revenues.

New taxation includes an additional levy on personal and corporation incomes, increases in the excess profits duty, the capital stock tax and stock exchange duty, special excises on sugar, beer, *sake*, wine, matches, etc., a reimposed passenger duty, and a new entertainment tax. War expenditure by the end of January reached 2,540 million yen, and the new vote brings the total up to 7,390 million yen.

Although the greater part of re-armament and war expenditure has been and will be financed by new loans, the burden of taxation is rapidly increasing. According to a statement submitted to the Diet by the Treasury, *per capita* taxation will be more than doubled in respect of direct taxation between 1936-37 and 1938-39, and increased by nearly 30 per cent. in respect of indirect taxation during the same period. The following table gives a comparison of taxation per head for three fiscal years:—

	Direct Taxation Yen	Indirect Taxation Yen	Total Yen
1936-37	7.19	10.50	17.69
1937-38	10.92	11.66	22.58
1938-39	15.27	13.30	28.57

The large Japanese joint-stock banks had a favourable record in the last six months. The aggregate net profits of the six leading banks for the December half-year amounted to 29.6 million yen, compared with 29.3 million yen in the preceding half-year. A continuous and substantial increase in advances was the chief cause of the banks' ability to show a further recovery in earnings, despite low and almost unprofitable short-loan and discount rates.

Another feature in the balance sheets of the "Big Six" is a further reduction in investment holdings. While deposits rose by 339.2 million yen, and loans and advances expanded by 348.9 million yen, investment holdings were again down by 83 million yen.

Falling Imports

The downward trend in imports still continues. Imports in February, valued at 187.4 million yen, were 5 million yen (2.6 per cent.) less than in January and 115 million yen (38 per cent.) less than in February, 1937. The decrease in imports was mainly accounted for by the two textile materials cotton and wool, which between them fell by over 100 million yen.

February's exports, valued at 181.6 million yen, were 19 million yen (11.7 per cent.) more than in January, but 44 million yen (19.5 per cent.) less than in February, 1937. The decline in exports was distributed over all classes of goods, but the contraction was more marked in minor exports than in major ones.

The Bank of Japan's index of wholesale prices for February registered a further rise of 1.6 per cent. during the month. On February 15th the average level of the retail prices of commodities, including food, clothing, fuel and light, and miscellaneous, was 3.14 per cent. higher than a month before.

Letter to the Editor

New Model Army

TO THE EDITOR OF THE ECONOMIST

SIR,—On March 19th, in your leader (the second) under the title of "New Model Army," you imply that the abolition of the Cardwell system is *res judicata*, only not announced officially because India has something to say; adding that this very fact is another argument against it. I have no source of information but those open to other men in the street, and do not imagine that a Ministerial decision unannounced has therefore not been reached; but my study of the new Army Estimates, Mr Hore-Belisha's Memorandum thereon, his speech introducing them and that of Mr Amery, the chief survivor of the supporters of Mr Arnold-Forster's alternative scheme, does not suggest that the matter is already closed. For the Minister responsible for our military forces, it is not sufficient to show awareness of things he could wish altered; he must construct an alternative scheme, with all its implications foreseen and estimated from every point of view before it is too late to go back; and particularly he must be sure that the defects he now finds are really consequences of the scheme he attacks and will vanish on its abolition. Have all these preliminaries to prudent swapping of horses in mid-stream been fulfilled? At all events nothing has been published to show it.

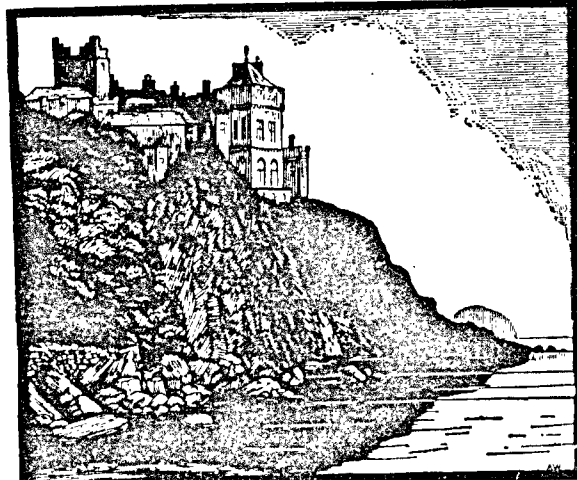
Two tasks are in hand: to remedy the immediate results of ten years' neglect of the Army after the expiry of the ten years' peace allotted to the getting of it once more in order; and to discover (if possible) a system better suited than Cardwell's to the present state of the world. As compared with his predecessor Haldane, the Secretary of State is *felix opportunitate* in having apparently unlimited credits in the Treasury book of futurities, instead of being compelled by his own party to begin by saving some millions out of total Army Estimates of under thirty. His emergency measures are not here in question; re-enlistment of Army Reservists for pension may be unavoidable to-day, but not even Mr Amery (I imagine) regards it as anything but a *pis aller*, not to be taken as prophetic of the New Model. Mr Hore-Belisha's first approach to the permanent problem is to ask whether a commander with complete control of our whole Regular Army and surveying the whole Imperial field would dispose his forces just as at present and his answer is "No." That is a wise question for the General Staff to have asked, and answered; but it is only a preliminary, not yet related to the realities which obtrude themselves even in war; and that General Staff officer helps his commander most who takes inevitable limitations into account at the very beginning of his planning. The Secretary of State's commander with complete control (as of course he perfectly well knows) does not and cannot exist without mighty changes in the fundamentals of our Constitution which no Minister, or even Cabinet, can alter at will. It is unnecessary to repeat here the outlines of what the Cardwell system really is, given in my letter published by you on December 18th last; but let us take a few examples of the "rigidities" of which Mr Hore-Belisha has complained but (unlike certain reformers) has *not* (as I read him) laid at the door of Cardwell.

(1) "The number of units to be stationed in India is predetermined." Well, not absolutely; and not at all by Cardwell—witness the fact that 25 per cent. of the 1914 Regular garrison of India, including seven battalions and four cavalry regiments, have since left permanently; and any further withdrawal, permissible on grounds of safety, to Mr Amery's "somewhere east of Suez" can be made without Cardwell turning a hair. Only, the British Exchequer would have to find millions to maintain them, or see them disbanded. The rigid factors are the pre-Cardwell decisions that India's external and internal security shall be guaranteed by the presence of units of the British Regular Army one and indivisible; and that India shall pay the cost, which necessarily brings in the Governments with which India, in her progress towards Dominion status, is provided. The Cardwell system merely shows how, under these conditions, the necessary British Army personnel can be supplied to India with most advantage to all concerned. It does *not* lay down that there must be "one of every pair of battalions at the home depot and the other in India," nor even that for each battalion abroad there must be one at home, apart from the

depôt), but only that the best value in men and money will be obtained if there can be at least one home battalion for every one abroad; and this optimum was attained for the first time by Haldane in 1909.

(2) *Second Rigidity*: that the new rates of personnel emolument which the Secretary of State announced on March 10th as to be provided by Supplementary Estimate, seriously affect Indian finances; and we have not heard the last of this, political conditions being as they are. But Cardwell did not concern himself with pay-codes, and has no more to do with it than has any other system by which soldiers of the British Regular Army can be ordered to India, e.g., straight from an Amery-Forster depot, without ever seeing a battalion; for it is not practicable to pay men of one and the same Army much less in India than at home. That really would separate the two Armies, however we might play about with uniforms and battle honours on the Colours; and heaven help the Adjutant-General who undertakes to keep the British units in India at full strength under such conditions! The natural development would be that India should herself undertake the recruiting at home for the units with her inferior emoluments, and that would be John Company back full-circle, with foredoomed failure. But there is one other alternative to which a note in the new Estimates seems to point as a coming possibility; and that brings us to

(3) *Third Rigidity*: the limitation of our re-armament of British troops outside India by the pace at which the Indian Government agrees to proceed. India has always repaid us for the money spent from our Estimates in providing drafts for the units in India, and, in 1933, after a long wrangle, we agreed to pay, *per contra*, an annual sum representing the rental value of India as a training ground for British troops and also our contingent claim to draw on those troops, in emergency, for service elsewhere (in addition to paying all



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current charges when troops are actually so directed). The broad result is that the drafting charge against India is rather more than wiped out by our payment of £1½ millions a year, which is charged not on Army but on Civil Votes. A note in Army Estimates, 1938, records that this payment is increased by £200,000, the first instalment of £600,000 to be paid to India towards the capital cost of mechanising certain British units there, such charges having always been paid hitherto by India. There lives no such dangerous enemy of the British Exchequer as the British public servant, military or civil, in India or elsewhere, once placed in a position to influence the incidence of charges between the London exchequer and his own; and it must be expected that everybody in India will push to exploit this breach in our line to the fullest possible extent. If, moreover, India by Fabian tactics succeeds in extending the precedent to the new pay-code—I cannot pretend to assess the practical value of the Viceroy's reserved powers in military finance—the results to the British taxpayer may be calamitous. But whatever may happen, it will not be the fault of Cardwell, nor would the scattering of his ashes prevent it, even if accompanied by the posthumous rehabilitation of John Company.

There are other important questions on which the Secretary of State has not disclosed the views of his new military colleagues, such as the relative fighting values of men of the

"Old Contemptibles" (Cardwell) stamp and of the products of a depot-trained long-service system; the size and fighting quality of the Army Reserve produced by the home-staying short-service sections of the Establishment; and the effect, on Army Estimates of the future, when next the cold fit supervenes, of pensioning for life, at about forty, largely increased numbers of long-service men, with physique and expectation of life altogether different from the old pre-Cardwell hard-drinkers. In my time, when pensions were definitely out of fashion, the growth of the pension votes (from causes many decades past) was still a nightmare to me, eating up the money available for fighting men at the rate of a battalion every year, but nobody cared; credit was got at once for any increased liberality, while the full bill would not arrive till long after the Minister, the Members of Parliament and even the civil servants had passed on. Any hope that, by holding fast to a fixed total for Army Estimates, the War Office could be made to pay for its own extravagances in this line was, of course, built on sand.

With all this ground to be re-surveyed, in spite of your last leader, I cling to the hope that the Army Council has yet time for fully informed and dispassionate forethought.

I am, etc.,

Cookham,
April 2nd.

C. HARRIS.

Books and Publications

The Prisoner Speaks

It really needs two people to review this book,* one who knows something of prisons and another who understands insurance. The reason is that Mr Wicks, the author, is an enthusiast for certain insurance reforms and, when he sits down to write about his prison life, he cannot get his mind away from insurance or from the scandals which, in his view, are prevalent among insurance companies. He even finishes the book by reproducing a memorandum which he wrote some years ago on the departmental segregation of insurance assets.

It is a pity, too, that Mr Wicks is a very credulous person and believes all sorts of things which the reader will find it hard to swallow. He believed, for example, that on the first morning of his imprisonment the governor or chaplain would realise that an innocent man had been found guilty and take steps to secure his immediate release. He believes that one of the visitors to the prison, said to be valet to a Cabinet Minister, disclosed to the prisoners he visited Budget secrets before the Budget speech, so that Wormwood Scrubs knew all about the Budget before the House of Commons.

He believes that his food in prison was tampered with, and hints, broadly enough, that an attempt was made to poison him. He believes that among the articles which a well-to-do prisoner can get smuggled in by corrupt officers is an

irregular supply of whisky. He believes that nearly every afternoon an ex-prisoner under various names and disguises visited the prison and took betting orders from customers inside the prison.

He is most credulous of all where politics are concerned, and he attaches extraordinary importance to his own position in the world of international affairs. One of his fellow prisoners was a man intimately associated with Mr Wicks' enemies and actively engaged before his imprisonment in anti-British propaganda and espionage. He and Mr Wicks had long talks together, growing more and more intimate, until the man at last disclosed an anti-British plot of great danger hatched in Paris. Bursting with the importance of this news, Mr Wicks applied to the Governor for permission to communicate either with a certain high officer of State or with an M.P. about the grave danger in which our country stood. The Governor was unsympathetic, and asked sternly whether, contrary to regulations, Mr Wicks had written down an address in Paris which was the headquarters of the anti-British plot.

But for the underlying tragedy, it would be a comic scene. The prisoner, urgent in his demand to be allowed to save his country from the plots that he had discovered, all eagerness, patriotism and enthusiasm. The Governor, official, correct, humourless, desiccated, his mind concentrated on the beloved regulations of the Prison Commissioners, bothered only by the thought that, contrary to regulations, one prisoner might have written down something that another prisoner had told him.

All this credulity of Mr Wicks detracts greatly from the value of the book. A prison is often full of rumours which are not true and with every repetition get further from the truth, until even the original lie becomes itself unrecognisable. Mr Wicks has been far too ready to take them at their nth value, and the only real worth of the book lies in the picture it gives of the mind of an honest if mistaken man sentenced, as he genuinely believed, unjustly.

Books Received

Commercial Banking Legislation and Control. By A. M. Allen, S. R. Cope, L. J. H. Dark, and H. J. Witheridge. (London) Macmillan and Company. 513 pages. 18s. net.

City of Birmingham Handbook, 1938. Edited by L. W. Faulkner. (Birmingham) City of Birmingham Information Bureau. Council House. 344 pages. No price stated.

Farm Mortgage Loans of Life Insurance Companies. By A. M. Woodruff. (London) H. Milford. 204 pages. 11s. 6d. net.

The Massachusetts First National Bank of Boston, 1784-1934. By N. S. B. Gras. (London) H. Milford. 768 pages. 21s. net.

* "The Prisoner Speaks." By H. W. Wicks. Jarrolds. 256 pages. 10s. 6d.

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THE BUSINESS WORLD

A Coal-Tar Centenary

THE centenary has just been celebrated of the birth of Sir William Henry Perkin, who, as a boy of eighteen, discovered the aniline purple and laid the foundation of the coal-tar colour industry. The circumstances of this epoch-making discovery are worth recalling. On the suggestion of Albert, Prince Consort, a certain Von Hofmann, a brilliant student under the great Liebig at Giessen in Germany, then the centre of the most famous chemical school in the world, consented in 1845 to become the first director of the London Royal College of Chemistry. Professor Hofmann was profoundly interested in coal-tar research, and it was in his laboratory, in 1856, that the London-born William Perkin discovered the aniline process, by treating aniline, a product of coal-tar, with bichromate of potash and sulphuric acid. In the following year Perkin started to manufacture the dye commercially at Greenford Green, near Harrow. Although the coal-tar industry was thus cradled in England, it attained maturity in Germany; for the development of subsequent discoveries on a commercial scale gave Germany a virtual monopoly of the manufacture of synthetic dyestuffs. Great Britain herself made little headway until after the introduction of the Import Restrictions Act of 1921, which prohibited imports of foreign dyes except under licence. But between 1922 and 1937, Britain's output of dyestuffs rose from 10,640 to 28,243 tons.

Owing to the manifold uses of coal-tar products, the industry as a whole has risen to a position of considerable importance. In earlier days, when bee-hive ovens were widely used for the manufacture of metallurgical coke, coal-tar was a waste product. Subsequently, it was found that this by-product of the manufacture of gas or coke was a veritable store of chemical riches. From it are derived well over 1,500 finished products. These include the whole series of brilliant synthetic dyes, of which indigo blue and Turkey Red are familiar examples. Ammonia, whose compounds are invaluable in improving the fertility of the soil, is another by-product of the industry. Aspirin, novocaine (the most successful substitute for cocaine), salvarsan (the specific against syphilis), and atoxyl (for the treatment of sleeping sickness) are only a few of the well-known pharmaceutical products procured from coal-tar. But scientific progress in the utilisation of coal-tar has also led to the discovery of new means of destruction. "T.N.T.," lyddite and tear gas are well-known examples.

Coal-tar is obtained by the carbonisation of bituminous coal in horizontal retorts at high temperatures (900°-1200° C.), where the primary object is the production of coal-gas or coke. The yield and composition of the tar depend on the class of coal carbonised, the type of retort setting used, the temperature at which the coal is heated and the way in which heat is applied. The average yield of tar is 10 gallons per ton of coal carbonised, or 5 per cent. of its weight. As coal-tar is a by-product and, consequently, is not produced for its own sake, its output varies, in a large measure, with the demand for iron and steel and for "town" gas. World production of coal-tar in recent years has been estimated as follows by *Die Chemische Industrie*:—

WORLD PRODUCTION OF CRUDE COAL TAR

(In millions of metric tons)

	From coke ovens	Total
1929	6.5	9.0
1934	4.5	7.5
1935	5.25	8.0
1936	6.25	over 9.0

As is to be expected, the United States is the leading producer, with an output of 2,100,000 tons in 1935. In the

same year Britain's output was 1,840,000 tons, compared with 1,450,000 tons produced in Germany, 529,000 tons in France, 516,000 tons in the U.S.S.R., 170,000 tons in Belgium, 167,000 tons in Japan, 140,000 tons in Holland and 100,000 tons in Italy.

The list of derivatives of coal-tar is almost unending. Crude tar itself is used as an anti-corrosive paint. In hydrogenation, as practised in this country at Billingham, it yields petrol. "Fractions" derived from it yield other useful materials, such as motor spirit, fuels for Diesel and oil-burning engines, plastics, disinfectants, sheep dips and timber preservatives. Pitch, the residue after distillation, is used as a binder in the manufacture of briquettes. The products of coal-tar include insecticides, perfumes, photographic chemicals, petrol, rubber accelerators, asphalt, varnish and many others. Moreover, the usefulness of coal-tar has by no means been fully explored even now.

Coal-tar colours are derived from the leading refined products—benzene, toluene, naphthalene, phenol and anthracene—after further treatment. Naphtha is the basic material in the manufacture of intermediate products for the dyestuffs industry. From anthracene arises the whole range of vat colours and many mordant dyes. Benzene, discovered by Faraday in 1825, together with nitric and sulphuric acids, furnishes the almond-smelling oil nitrobenzene, from which is made aniline, the base of a series of brilliant dyes. Indigo blue was first prepared by Baeyer in 1870, and was later extensively and cheaply produced from benzene. It has, incidentally, ruined the plantation industry in India. Similarly, the production of alizarine dye (or Turkey Red) from anthracene has decimated the acreage under the madder plant in France and other parts of Europe.

According to the *Industrial Chemist* the world's production of synthetic dyes has risen from 215,500 metric tons in 1934 to 243,000 tons in 1936. Britain's output in recent years has been as follows:—

BRITISH OUTPUT OF SYNTHETIC DYES

Year	Tons (2,240 lb.)	Year	Tons (2,240 lb.)
1913	4,069	1932	22,045
1926	13,439	1933	23,636
1929	24,911	1934	23,628
1930	19,012	1935	26,211
1931	21,420	1936	27,332
		1937	28,243

British exports of synthetic dyes in 1937 totalled 5,728 tons, against 5,173 tons in 1936. According to the *Journal of the Society of Dyes and Colourists* the estimated output of synthetic dyes by the leading producers in 1935 and 1936 has been as follows: Germany, 73,828 tons (76,752 in 1935); the United States, 53,229 tons (44,752); Great Britain, 27,332 tons (26,211); Japan, 19,065 tons (19,680); U.S.S.R., 25,594 tons (24,600); France, 12,210 tons (10,480); and Switzerland, 7,503 tons (6,681).

Coal-tar has thus provided mankind with many useful products. It has given man antiseptics to sooth and heal his wounds; and it has also, unfortunately, given him high explosives and tear gas. Nor can the manufacture of destructive products be easily restricted by international agreement; for many of these products also serve commercial purposes. For example, high explosives derived from coal-tar may be used either in the mining of minerals or in the destruction of life. But for civilisation's sake we may hope and pray that the wonderful array of coal-tar products, which a British chemist was among the first to reveal to the world, will be used in the service and not in the destruction of humanity.

Indian Banking Trends

THE issue of the annual report of the Reserve Bank of India, followed by the annual meetings of several of the exchange banks, offers a convenient opportunity to review banking conditions in India and the Far East. Like other primary producing countries, India has begun recently to feel the effects of the world trade recession, and business in China has been seriously affected by the Sino-Japanese war. While the exchange bank chairmen, on the whole, gave their shareholders a reassuring account of 1937, they were unable to speak with certainty of the future.

On the Chinese outlook, in particular, their language was very guarded. Mr d'Angers Willis, for example, told the shareholders of the Chartered Bank of India, Australia and China that so far the bank's material losses had been slight. He added the warning, however, that the bank could scarcely expect to be able to work profitably in China and Japan this year. Sir Charles Innes, at the Mercantile Bank of India meeting, equally warned his shareholders that trade in China could not recover until the war ended. Mr Miskin, at the Hongkong and Shanghai Banking Corporation, similarly called attention to the widespread dislocation caused by the war. The chairmen rightly laid stress on China's great recuperative powers; but she is, in fact, suffering more serious and widespread damage than in any earlier war since the opening of the Treaty Ports. Nor can the war's duration or outcome be confidently predicted.

In India the political outlook is infinitely more peaceful. The new constitution is working, and on the whole the Provincial Governments are settling down to their task. India is, however, undoubtedly feeling the first effects of the world trade recession. Her exports have recently begun to fall away, both in volume and in value, but the purchasing power created by increased exports during prosperous months has continued to be reflected in larger imports. For the moment, therefore, India's balance of trade has turned against her. The same phenomenon is apparent in other primary producing countries, like Australia and Argentina.

Nevertheless, as the following table shows, the aggregate trade turnover in 1937 was better than that of earlier years:—

Monthly Average	(Million Rupees)				
	Goods			Treasure Net Imports (+) or Exports (—)	
	Imports	Exports	Export surplus	Silver	Gold
1929	208.6	268.8	+60.2	+6.1	+14.9
1933	95.6	120.4	+24.8	—5.1	—41.8
1934	104.4	123.6	+19.2	—2.8	—49.7
1935	111.9	130.9	+19.0	—7.6	—36.0
1936	101.9	150.4	+48.5	+12.6	—26.6
1937	132.8	168.5	+35.7	+4.9	—13.6
1937 (Jan.) ..	113.8	206.6	+72.8	+16.8	—22.6
1938 (Jan.) ..	150.7	136.5	—14.2*	†	†

* Import surplus. † Figures not available.

The internal price-level has moved in much the same way. The average level of wholesale prices for the complete year 1937 was higher than that of previous years. Even the January, 1938, index was just higher than that of the preceding January. Since the peak was touched last August, however, there has been an appreciable decline:—

WHOLESALE PRICES (CALCUTTA)			
January, 1929.....	100.0	January, 1937.....	69.5
" 1933.....	61.7	August, 1937.....	74.5
" 1936.....	64.5	January, 1938.....	70.9
" 1937.....	72.3		

The reversal of the trend both of external trade and of internal prices has had its inevitable effect upon India's banking position. This is suggested, in part, by the

following summary of recent returns of the Reserve Bank of India:—

Middle of	(Million Rupees)				
	March, 1937	June, 1937	Sept., 1937	Dec., 1937	March, 1938
Assets					
Gold	444	444	444	444	444
Rupee coin	620	556	614	625	629
Balances abroad	267	227	130	35	91
Sterling securities*	783	803	803	803	788
Rupee securities*	234	274	274	274	274
Investments	76	72	77	63	67
Liabilities					
Note circulation...	1,935	1,890	1,811	1,820	1,890
Deposits: Govt. ..	146	110	131	91	158
Banks ..	239	271	294	261	149

* Held against the note issue. The rupee securities are those of the Indian Government.

These returns show a substantial fall during the year in the Reserve Bank's balances abroad, and also in bankers' deposits with the Reserve Bank. The report points out that owing to the active state of trade and the consequent demand for credit at the beginning of 1937, the Reserve Bank thought it advisable to ease the situation by increasing its weekly purchases of sterling. Later in the year came the recession and the gradual shift in the trade balance. The latter factor was reinforced during the year by a shrinkage in gold exports below the level of 1936. Thus, the surplus sterling available for sale to the Reserve Bank gradually diminished.

Prima facie, there is a certain parallel between India and Australia. Both are primary producing countries, and both are members of the sterling area. The banking system of both has at its base what in Australia are called "London funds," whose Indian counter-part is the Reserve Bank's balances abroad. In both countries there seems to be a direct connection between the size of London funds and the supply of bank cash at home. Finally, in both a downward turn of the trade cycle involves at least a temporary diminution in London funds; for exports at once shrink, while imports continue to repeat the last previous upward move of the trade curve.

Here the parallel ceases, for India is a country of complex economic structure, and bankers' balances with the Reserve Bank are an uncertain and unsatisfactory indication of the total supply of credits. Certainly there is no stringency in India to-day. As Mr Langford Tanner explained at the National Bank of India meeting, the exchange banks have had, all the year, resources invested in cash or securities, which might be used in financing trade. In fact, as we pointed out a year ago, the channels of the supply of credit from the Reserve Bank to the indigenous banks and thence to the local shroffs and village bankers, are over-long and tortuous. While credit may be cheap in the centres of finance, it has become dear by the time it has reached the up-country farmer. So far, only the scheduled banks hold balances with the Reserve Bank, but last August the Reserve Bank drafted a scheme for the linking up of all private bankers directly with the Reserve Bank. Unfortunately, the indigenous bankers indicated that the conditions inherent to the scheme did not appeal to them, and so no further progress has been made. The problem of opening up the channels of credit all over India thus remain unsolved.

Meanwhile, for the exchange banks 1937 was a better year than might have been expected, mainly because these resources and their risks are spread over many countries. As their chairmen, however, have been careful to indicate, the current year may be somewhat less favourable. There is no reason to fear impairment of their resources, but some reason to expect a certain shrinkage in earnings. Such a shrinkage would represent the banks' share of the total bill to be paid for trade recession and Japanese military ambitions.

American Mutual Funds

THE Mutual Fund, or Mutual Investment Company, is the latest and currently most popular embodiment which has been given to the investment trust idea in the United States. The general management investment trust has never recovered from the disasters that overtook it in the great depression and is still under a cloud of official and popular suspicion. The fixed trust had a merry but a brief life in the United States. The mutual fund is the third variety, and the only one of the three which continues to attract sums of fresh capital from the public.

The mutual fund has attracted the attention of Wall Street and Washington only during the last few years. But in Boston, its home town, it has long been familiar. There are many similarities between the growth of the mutual fund in Boston and that of the investment trust in Edinburgh. In both cases the idea originated in the existence of large sums of capital administered in a fiduciary capacity by lawyers. The Edinburgh Writer to the Signet developed into the investment trust manager. The Boston attorney developed into the professional trustee, an occupation unique to that city. The Boston trustee, who devoted his whole time to the fiduciary management of other people's money, was among the first to sponsor the living trust, i.e. a trust set up during the lifetime of the donor. And from the living trust to the mutual fund is only a step, since the earliest mutual funds were little more than amalgamations of living trusts.

In the last two years, the mutual investment company has been given powerful assistance by the American Government. The Revenue Act of 1936 gave it special tax exemptions, which can be interpreted as a tacit recommendation to the public. Ordinary investment trusts are subjected to taxation on their incomes, in addition to any tax that may be payable by their shareholders on dividends received. This double taxation would be objectionable enough in itself, but when it is levied on realised capital gains in addition to income, and when it is supplemented by the Undistributed Profits Tax, it can add up to a very heavy burden. Mutual investment companies, however, are allowed to deduct from their income for tax purposes all dividends paid to shareholders, and they thus virtually escape all double taxation. This provision lends particular importance to the legal definition of a mutual investment company. The Act lays down eight requirements which such a company must meet:—

1. It must be organised for the purpose, and substantially all its business must consist of investing in stocks and securities.
2. At least 95 per cent. of its gross income must be derived from dividends, interest and gains from sale of securities.
3. Not more than 30 per cent. of its gross income must be derived from capital gains on securities held for less than six months.
4. At least 90 per cent. of its net income must be distributed to its shareholders as taxable dividends.
5. Its shareholders must upon reasonable notice be entitled to redemption of their stock for their proportionate interest in the corporation's properties, or the cash equivalent thereof, less a discount of not more than 3 per cent.
6. Not more than 5 per cent. of the gross assets of the company taken at cost may be invested in the securities of any one issuer, with the exception of the United States.
7. The company must not own more than 10 per cent. of the capital of any other corporation.
8. It must not have outstanding bonds or indebtedness in excess of 10 per cent. of its gross assets.

These requirements adequately define the mutual investment company. It is, in fact, a mutual investment pool, with the greatest simplicity on both sides of its balance sheet. Its liabilities are all in shares of one variety; its assets are a widely diversified portfolio of investments. In addition, there is the element of redemption, by which

any participant in the pool can withdraw at a valuation at any moment. It is true that the terms of the Act compel a mutual trust to distribute its realised capital profits, but this is in the American tradition both of investment and of taxation, and it will be seen that requirement (3) dissuades a mutual trust from paying too much attention to short-term market movements.

The table overleaf gives some particulars of five selected mutual trusts, including the three largest, and it will be seen how rapid has been their growth in the last few years. In this period the previously existing trusts have grown rapidly, new ones have been founded, and companies which were previously general investment trusts have changed themselves into mutual form to take advantage both of public favour and of the Revenue Act. Most of the older mutual trusts were entirely independent of any investment banking firms. This is no longer true of some of the newcomers, and it remains to be seen whether the disadvantages which have flowed from the close connections between general investment trusts and brokerage houses will also be experienced in the new medium.

On the whole, however, the mutual fund is an admirable medium of investment for the small man. It provides him with a means of investing in industrial equity securities, but with a wide spread of his risks. The provision for withdrawing capital on demand compels the managers to limit their investments to securities that can easily be realised. In practice, much the largest part of the funds of these companies is invested in the best-known industrial equities, with a small admixture of bonds and a varying proportion of cash. In short, the portfolio of such a company is invested in exactly the same sort of securities as the "small man" would himself choose; he is not, as in the usual investment trust, entrusting his money for investment in securities whose names and merits are equally unfamiliar.

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to him. The same factor of withdrawability also provides a most compelling sanction against bad management. In fact, the quality of the management of the mutual funds, due, if to nothing else, to the caution that is forced upon the managers by the nature of the funds, has been above the average. The following table compares the movements in the liquidating values of the shares of five mutual funds with the movements of the Standard Statistics index of 50 common stocks. The comparison, however, is not strictly fair to the mutual funds, since, although their liquidating values have been adjusted for stock dividends, no allowance has been made for the large amounts of capital returned to shareholders in the form of realised profits on sale of securities. In the circumstances, the performance of all the funds is good, and of some of them outstandingly so:—

PERFORMANCE OF MUTUAL FUNDS

	Dec. 31, 1928, to Dec. 31, 1932	Dec. 31, 1932, to Dec. 31, 1936	Dec. 31, 1928, to Dec. 31, 1936	Dec. 31, 1936, to Dec. 31, 1937
<i>Standard Statistics 50-stock index</i>	— 75.1	+ 218.5	— 20.8	— 24.0
<i>Massachusetts Investors' Trust</i>	— 71.5	+ 102.9	— 42.2	— 35.4
<i>Incorporated Investors</i>	— 73.1	+ 136.0	— 36.5	— 38.3
<i>State Street</i>	— 55.4	+ 148.2	+ 10.8	— 35.4
<i>Broad Street</i>	— 46.6(a)	+ 131.2	+ 23.5(b)	— 38.9
<i>Loomis-Sayles</i>	— 16.8(c)	+ 135.7	+ 96.2(d)	— 11.8(e)

(a) Dec. 31, 1929, to Dec. 31, 1932; change in Standard Statistics in same period was — 69.5 per cent. (b) From Dec. 31, 1929; change in Standard Statistics — 2.9 per cent. (c) From Dec. 31, 1930; change in Standard Statistics — 56.5 per cent. (d) From Dec. 31, 1930; change in Standard Statistics + 38.7 per cent. (e) To September 30, 1937; change in Standard Statistics — 18.1 per cent.

Finally, the mutual fund provides for the small investor the great advantage of immediate marketability. It is true that a small discount is charged, but this is little more than the cost of dealing on the Stock Exchange.

These are powerful advantages, and it is little wonder that the small American investor has shown a more constant affection for the mutual fund than for either of its two predecessors in the investment trust field. This has been demonstrated during the past year. In the last quarter of 1937, when the Stock Exchange was falling rapidly, many of the mutual investment companies made very large sales of their shares to the public. The mutual trust has thus passed through a period of declining security values without losing its popularity. Figures showing the development of the mutual funds mentioned above, at various dates since December, 1937, appear in the table at the head of the next column.

There is thus some evidence for the belief that the mutual fund meets a real need. It has, of course, many points of similarity to the flexible unit trusts which have

	Net Assets (\$000)	Net Assets per Share*	No. of Shares*	Yield† %
<i>Massachusetts Investors' Trust</i>				
December 31, 1928	10,941	50.01	219	4.7
December 31, 1932	13,540	14.23	952	6.2
December 31, 1936	128,107	28.87	4,438	7.3
December 31, 1937	97,678	18.64	5,241	5.9
<i>Incorporated Investors</i> —				
December 31, 1928	25,579	40.58	630	2.5
December 31, 1932	15,026	10.92	1,158	9.3
December 31, 1936	77,306	25.77	3,000§	12.6
December 31, 1937	47,660	15.90	2,997§	7.5
<i>State Street Investment Corp.</i>				
December 31, 1928	12,106	95.79	126	2.6
December 31, 1932	7,392	42.73	173	5.8
December 31, 1936	50,194	106.18	473	20.9
December 31, 1937	34,276	68.55	500	6.6
<i>Broad Street Investing Co., Inc.</i>				
December 31, 1929	2,561	28.54	90	4.2
December 31, 1932	1,540	15.24	101	6.2
December 31, 1936	5,862	35.25	166	6.4
December 31, 1937	5,931	21.52	276	5.8
<i>Loomis-Sayles Mutual Fund, Inc.</i>				
December 31, 1930	420	63.56	7	2.4
December 31, 1932	1,060	52.82	19	4.2
December 31, 1936	2,949	124.53	24§	11.8
September 30, 1937	2,539	109.87	23§	2.7**

* Adjusted for stock dividends. † Calculated on dividends paid in twelve months preceding date. § Limit of shares to be issued to public reached. ** Nine months.

been the latest development of the unit trust movement in Great Britain. There is still, however, a considerable aura of fixity hanging over the British flexible unit trusts, whereas the American mutual funds change their investments with much greater frequency. The Massachusetts Investors' Trust, for example, whose portfolio consisted on December 31st last of 111 different securities, had either bought or sold 39 different issues in the preceding three months.

The mutual funds in their present enlarged form are still young and comparatively untried. It is not, however, too early to say that they provide a form of investment for the small saver which more exactly fits his requirements with fewer adventitious complications than any previous American adventure in the investment trust field. Restrictions of company law could prevent the exact application of the pattern in Great Britain. But when confidence returns sufficiently to turn the mind of the markets once more to the problem of providing satisfactory vehicles of investment for small sums, there may be much that could be learned in London from the experience of the "Boston trusts."

Finance and Banking

French Financial Proposals.—On Monday last, M. Blum's new proposals (which are the subject of a leading article on page 75) were outlined in an annexe to the Special Powers Bill, which in itself simply authorises the Government to legislate by decree. The urgency of the present financial position needs no emphasis. The Government has nearly reached the limit of its borrowing powers at the Bank of France, and has had to abandon as impracticable the idea of a National Defence Loan. During the present year, the Government is faced with the following liabilities:—

	Frs. milliards
Ordinary budget deficit	4.0
Extraordinary defence expenditure	15.9
Other extraordinary expenditure	6.8
Railway deficit	8.7
Sundries	1.3
Debt maturities	9.9
Total	46.6

Even this total of Frs. 46,600 millions may not tell the whole story. M. Blum proposes the revaluation of the

Banque de France's gold from a basis of about Frs. 112 to the pound to one approximating to the present value of the franc, whatever that may be decided to be. This may yield up to Frs. 20,000 millions, according to the new value placed upon the franc. Then it is proposed to suspend sinking fund operations for two years, though the text leaves it obscure whether the suspension applies to funds provided for out of the Caisse d'Amortisation revenues. Rentes are to be taxed; there is to be a 4 per cent. capital levy on all capital over a certain limit, and bearer shares on the Paris Bourse are to be replaced by registered shares in order to minimise tax evasion. The special tax on equities is to be reduced from 24 to 18 per cent., but industries' profits from the re-armament boom are to be asked for a special National Defence Contribution.

While many of the above proposals are calculated to arouse the wrath of the tax-payer, especially in the agricultural districts, other proposals of a more specifically

monetary character are equally drastic. Internally it is proposed that contractors to the Government will be authorised to draw bills on the Government for money due to them, and it is elsewhere proposed that the bill of exchange shall be legal tender for all commercial dealings. If these bills are to be of any use when drawn, they must be made ultimately rediscountable at the Banque de France. In that event, France will be adopting something like the Nazi system of internal finance, without the Nazi safeguards of complete control over prices, wages and exchange dealings. It is, however, proposed to centralise all exchange dealings in the hands of the Banque de France, which will only sell exchange against documents showing that the exchange is wanted for a legitimate purpose. It is further suggested that the French banks should convert into francs foreign currency balances held on behalf of their customers, and should invest those francs in Treasury bonds. The idea is mooted that this conversion should be made by using the mechanism of the forward market. But even if the French banks bought sterling forward against their spot sales, they would in turn have to re-sell their Treasury bonds in order to cover their forward purchases. Or is the idea that the forward purchase should be renewed indefinitely through successive "swap" operations? None of these monetary proposals carries great conviction, and cumulatively they give the impression of a perceptible move towards "control" in the French economy.

Britain and the French Proposals.—If the French banks were to convert their sterling balances in the manner suggested in the preceding Note, would the London money market be upset? The argument is that the sterling, consisting of balances with the British joint-stock banks and accepting houses, will be bought by the Banque de France, which will transfer it to its own balance at the Bank of England. There will thus be a substantial change-over of funds from bankers' deposits to other deposits at the Bank of England, and a narrowing of the British credit base. Inquiries in London suggest that little anxiety is felt, partly because no single British house is carrying very much money of this kind. The British authorities, moreover, would have little difficulty in rectifying such a situation if it arose. If the Banque de France desired to leave its sterling lying idle, it would be invited to buy gold from the British Exchange Equalisation Account. The money paid for the gold would be used by the Exchange Account in taking over Treasury bills from the banking system, and thus it would return from other deposits to bankers' deposits. Alternative methods of rectification could no doubt be devised. It will be time to consider these points, however, if and when the proposals take effect.

Historic Reichsbank Return.—The weekly return of the Reichsbank for the week to March 31st is the first to bear the influence of the absorption by that institution of the Austrian National Bank. This influence is most evident in the note circulation, which has risen during the week by Rm. 813.7 millions to a new high record level of Rm. 5,621.6 millions. The holding of bills of exchange and cheques has risen correspondingly by Rm. 980.1 millions to Rm. 5,901.9 millions. Part of this expansion is accounted for by the incidence of the end of the month. As the expansion in the note circulation in the corresponding week of last year amounted, however, to Rm. 493.1 millions only, the latest return clearly bears evidence of the gradual transition from schilling to reichsmark paper currency in the new Austrian province. The return, incidentally, shows no material change in the gold holding. Either, therefore, the transfer of the Austrian National Bank's reserve has not yet been effected or the new metallic and *devisen* reserve has gone to swell the hidden reserves of the Reich. They may, for example, have been included in the omnibus item "other assets," which, according to the latest return, rose by Rm. 432.1 millions during the last week of March. Such a movement is without precedent.

Federal Reserve Board Report.—The annual report of the Federal Reserve Board for 1937 has just appeared. Cabled summaries of its contents suggest that its compilers are seriously concerned with the trend of business conditions in the United States—as, indeed, they may well be. The main objective of Federal Reserve policy during the year is stated to have been the provision of an adequate supply of cheap credit for the genuine needs of business. At the same time, care has been taken to control the volume of member bank reserves in such a way as to avoid all possibility of a dangerous inflationary expansion of credit. When the business situation took a sudden turn for the worse, in the autumn of last year, the Federal Reserve authorities consciously eased the regulations regarding margins on brokers' loans. The report, however, closes on a guarded *non possumus*. It abstains altogether from making suggestions as to the measures which should be taken to counter the business recession; for they would lead the Federal Reserve Board into spheres strictly beyond its responsibilities. The report merely makes the significant comment that monetary control is in itself insufficient to maintain economic equilibrium. In so far as monetary control can be effective, however, it is a weapon which lies ready to hand. The report states that the Federal Reserve authorities have general authorisation to buy or sell \$300 millions of short-term Treasury securities in the open market if necessary, with a view to helping business.

Bank of Scotland.—The balance-sheet of this institution for February 28, 1938, shows that the resources of the bank have been well maintained. Deposits which a year ago dropped to £37,636,000, have now recovered to £39,298,000, or nearly to their level of £39.5 millions in February, 1936. Acceptances have risen since last year from £2,452,000 to £3,713,000. On the other hand, advances have risen only from £9,800,000 to £9,868,000, while discounts (excluding Treasury bills) have fallen from £251,000 to £233,000. Since those Scottish bank balance-sheets which were issued last autumn continued to show an increase in advances, the Bank of Scotland's figures may suggest a moderate check to the movement as a whole. The Bank's cash items have risen since February, 1937, from £5,323,000 to £5,627,000 while Treasury bills have increased from £600,000 to £650,000, and investments from £25,677,000 to £26,112,000. Net profits have fallen from £318,000 to £313,000, but this may well be due to the heavier incidence of taxation, including the National Defence Contribution. The new capital issued last December is beginning to rank for dividend. The whole of the paid-up capital of £1,600,000 was at the same time converted into £2,400,000 fully-paid stock by the transfer of £800,000 from reserves. To compensate for this change

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the rate of dividend has been reduced from 18 to 12 per cent., but the amount distributed remains unchanged.

* * *

Chinese Exchange Allotments.—According to a cable received by the Chinese Embassy in London at the beginning of this week, the Central Bank is to base its foreign exchange allotments upon past experience of legitimate requirements of foreign exchange in excess of supplies available in the market. It is stated that already the Central Bank is making generous allotments; so much so that the first two weekly allotments for the whole of China are nearly as much as the import surplus for a whole month, as indicated by the January and February trade returns. Even at Shanghai, where recently the temporary breakdown of the foreign exchange agreement between the banks was attributed to a shortage of

supplies, the Central Bank claimed that it released during this fortnight more exchange than would have been needed to cover Shanghai's import surplus for the first two months of the year. Also in China as a whole the official allotments under the new scheme were in excess of the Central Bank's actual sales under the relatively free regime prevailing until a short time ago. A final point made is that the Government's foreign exchange requirements are now being provided for separately, instead of being purchased in the open market. This week the rate on Shanghai has been rather firmer, though it is now no better than 1s. 1d., against 1s. 2d. before the breakdown of the Shanghai agreement. Obviously, the Chinese authorities are anxious, as far as possible, to maintain a generous supply of exchange. Whether, in their present plight, they can continue to be generous indefinitely is another matter.

MONEY MARKET NOTES

Foreign Exchanges

THE market in francs this week has been nervous and narrow, and it only took a small order to affect the spot rate either way. This has made it very difficult to find any connection between fluctuations in the rate and passing events in Paris. Early in the week the spot rate for sterling was bid down from Frs. 161½ to Frs. 158½. It subsequently reacted to Frs. 162, but on Thursday afternoon, when the Senate Finance Committee rejected M. Blum's proposals, francs were bid again. There was a fair turnover in dollars, but the rate hovered only between \$4.96½ and \$4.96¼. The heavy gold sales in London on Thursday caused a slight weakening in the rate, as the gold was bought for arbitrage against the dollar. Three months dollars have narrowed to ½ cents premium, which is the smallest margin for a considerable time. Belgas on the whole followed the dollar, but at one time when dollars were bid the cross-rate went out temporarily to the export gold point of Bel. 5.94 to the dollar. The cross-rate has since improved, and it is not thought that Belgium lost much gold. Forward belgas strengthened during the week, the three months' rate coming in from 25 to 19 cents discount. There was little movement in guilders or Swiss francs.

*

The Bank Return

The Easter expansion in the note circulation has now begun, and this week's Bank return shows an increase of £4.3 millions. The total expansion during the past fortnight is just over £10 millions, though this is partly due to payments made at the end of the quarter.

	Apr. 7, 1937	Mar. 23, 1938	Mar. 30, 1938	Apr. 6, 1938
£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.				
Gold	313.7	326.4	326.4	326.4
Notes in circulation	469.9	479.5	485.4	489.7
Banking Dept.				
Reserve	44.6	47.8	41.8	37.6
Public Deps.	24.5	15.6	17.8	12.8
Bankers' Deps.	94.8	109.1	108.1	112.4
Other Deps.	38.3	36.6	37.4	36.8
Govt. Secs.	101.1	105.1	110.8	111.9
Discounts and Advances	7.4	6.6	8.7	10.1
Other Secs.	22.3	20.1	20.2	20.1
Proportion	28.2%	29.6%	25.6%	23.1%

In spite of the week's currency withdrawals, which incidentally have reduced the reserve by £4.2 millions, bankers' deposits are £4.3 millions higher than a week ago. One cause of this increase is a drop of £5.0 millions in public deposits, attributable to the Government dividend payments at the beginning of the month. There have also been small increases in Government securities and discounts and advances, and a small drop in other deposits, all of which have helped to swell bankers' deposits. These now stand at the relatively high level of £112.4 millions.

*

The Money Market

Money is now very easy. In some quarters it was described on Thursday as unlendable, though other quarters reported a moderate demand for funds. Still, loans against bonds, from lenders other than the clearing banks, are obtainable at ½ per cent. With the opening of the new financial year, weekly allotments of Treasury bills have risen to £50.0 millions, and for the moment equal maturities. The market last week obtained a better allotment, and was also able to obtain bills at £99 17s. 6d. per cent. at the tender. Still, the banks are keen buyers of Treasury bills of all dates up to the end of June, while the market are not ready sellers, as bill brokers are well supplied with funds out of current maturities.

	April 8, 1937	Mar. 31, 1938	Apr. 7, 1938
Bank Rate	2%	2%	2%
London Deposit Rate	2	2	2
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½-8	1½-8	1½
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	1½-9½	1½-9½	1½-9½

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. from loans against 1 per cent. Treasury bonds and other gilt-edged stocks, within six months of maturity. 1 per cent. for loans against other collateral.

The total volume of Treasury bills issued by tender was £512 millions at the end of the financial year. The total contraction in the tender issue since December 31st was £110 millions, or practically the same as in the previous year.

The Bullion Market

After keeping the London market relatively short of gold during most of the week, on Thursday the authorities suddenly offered £1,004,000. Before the gold was absorbed at the fixing, the price fell by one penny, which brought it to parity with the American shipping price. It was then taken largely for arbitrage offerings against the dollar, and a secondary consequence was that dollars themselves came on offer against sterling. A further £250,000 was sold after the fixing at the same price, but once this had been disposed of the price returned to 141s. 1½d. per ounce. It is not clear why this large quantity of gold was forced on the market; or whether it represented new gold from Russia or somewhere else, or offerings on behalf of an overseas central bank. It was not Belgian gold. Except for a brief and temporary movement this week, the belga has been within the gold point.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Discount	Amt. dealt in	Cash	Two Mths.
1938					
Apr. 1 ...	140 0½	1½ pm	702	19	18½
" 2 ...	140 1	1½ pm	99	18½	18½
" 4 ...	140 0½	par	391	18½	18½
" 5 ...	140 0½	1 pm	290	19½	18½
" 6 ...	140 1½	1 pm	122	19	18½
" 7 ...	140 0½	par	1,304	19½	18½

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

The silver market has been quieter this week. The reduction in the New York price from 45 to 43 cents an ounce prevents London prices from recovering to their previous level of just over 20d. for the New York parity is now no better than 18½d. per ounce. On a short-term view it is necessary to watch India, for Bombay stocks were only 5,000 bars on April 1st, equal to about 30 days' supply. Hence fresh Indian buying may be imminent. Still, so long as the cash price in London remains above the New York parity, not over-much faith can be placed in it. Nor is there much prospect of an immediate American-Mexican settlement, while the depreciation of the Mexican peso alone makes it unlikely that the previous New York price of 45 cents will be restored.

INSURANCE NOTES

Norwich Union Life Assurance.—This society is the largest of the purely life offices, and is one of the best known British insurance organisations abroad. Not only does it transact a large volume of life assurance in the Dominions and in foreign countries, but it is closely identified with, and owns the whole of the ordinary share capital of, the Norwich Union Fire Insurance Company, whose ramifications are worldwide. Last year total new sums assured increased from £11,091,000 to £11,530,000. Of these figures £4,038,000 and £3,953,000 respectively were obtained outside the United Kingdom. Consideration moneys for annuities increased from £280,000 to £301,000. The net rate of interest on the life and annuity funds was 1s. 4d. per cent. smaller at £4 6s. 6d. per cent., compared with valuation rates of 2½ per cent. for assurances and 3 per cent. for annuities. Death claims amounted to £958,000, against £988,000 in 1936.

*

It may safely be assumed that the trading results of the year were very satisfactory. Total assets increased from £44,754,000 to £47,400,000. The society has always invested an unusually high proportion of its assets in mortgages and loans, which further increased last year from £15,046,000 to £16,134,000. British Government securities fell from £3,740,000 to £3,505,000, but Dominion and Foreign Government securities increased from £3,333,000 to £4,154,000. Debentures amounted to £9,192,000 against £8,159,000, and preference stocks showed little change at £3,374,000. Ordinary stocks consist almost entirely of the shares of the Norwich Union Fire Insurance Company, which still appear at the price at which they were acquired in 1925, namely £6,088,000. On this book value the dividend of 24 per cent. represents a gross yield of 4½ per cent.

*

Norwich Union Fire Insurance.—Up to 1936, the fire premium income of this Society had showed steady reduction for a number of years, caused by a decline in the volume of foreign business, chiefly in the United States and Canada. Last year, however, there was a welcome and substantial increase from £1,637,000 to £1,744,000. Claims amounted to £702,000 against £741,000. Underwriting results were very satisfactory; indeed, they were the best for many years. Accident premium income was £70,000 larger at £1,487,000, and in this department also the results were favourable. In common with general experience, the marine premium showed large expansion from £174,000 to £225,000. First years' claims and expenses amounted to 57 per cent. of the premium income, against 49 per cent. in the previous year. The results of the last two years are shown below:—

	1936		1937	
	Amount	Percent-	Amount	Percent-
	of	age of	of	age of
	Profit	Premiums	Profit	Premiums
	<u>£</u>		<u>£</u>	
Fire	83,604	5.4	169,295	9.7
Accident & Gen.	77,681	5.5	87,862	5.9
	<u>166,285</u>		<u>257,157</u>	
Less Taxes, etc.	75,085		136,230	
	<u>91,200</u>		<u>120,927</u>	
Total net surplus	91,200		120,927	

A transfer of £100,000 has been made to the general reserve out of the profits of the year.

*

The total assets of the Society and its subsidiary companies increased from £5,815,000 to £6,006,000. British Government securities fell from £890,000 to £838,000 and Dominion and Foreign Government securities increased from £829,000 to £882,000. Debenture, preference and ordinary stock holdings only showed minor changes. The value of the investments, at middle market prices on December 31st last, using exchange rates then ruling for currency holdings, exceeds book values, and general reserve now amounts to £1,000,000. The entire ordinary share capital, which consists of 44,000 shares of £25 fully paid, was acquired by the Norwich Union Life Assurance Society in 1925 for £6,088,000, and forms an excellent investment for that Society. The dividend is again at the rate of 24 per cent., of which about 75 per cent. is met by available interest earnings after deducting interest on the debenture stock.

*

Beacon Insurance.—This company, which before 1933 was known as the Abstainers' and General, maintains a separate Abstainers' Section in which the premium rates are lower than for non-abstaining policyholders. Last year, actual deaths in the Abstainers' Division amounted to 75.1 per cent. of those expected by the A1924-29 table, against 76.7 per cent. in 1936. In the General Division they were 90.7 per cent., against 92.2 per cent. New sums assured have shown considerable expansion in recent years, and in 1937 they increased from £1,153,000 to £1,232,000. The net rate of interest earned was 1s. 1d. per cent. smaller at £4 0s. 1d. per cent. When dealing with the 1936 accounts, the chairman drew attention to the greater volume of business transacted in the fire and accident departments. Last year premium income increased by £53,000 to £135,000.

*

It is considered inexpedient to bear the expenses of the company's definite policy of development out of current revenue, and in the meantime £15,000 has been transferred to a development account. The directors propose to arrange for an issue of further share capital. Total assets increased from £4,728,000 to £4,988,000, and mortgages and loans rose from £2,231,000 to £2,459,000. No marked changes took place among Stock Exchange investments, which amount to £2,055,000. Book values are taken at middle market prices on December 31, 1937, but in no case do they exceed the amount payable on redemption. Depreciation, amounting to £38,000, has been transferred from the investment reserve fund, which now stands at £138,000.

*

Provincial Insurance Company.—This non-tariff company, in addition to its home activities, operates in many parts of the British Empire and in some foreign countries, but has never entered the U.S.A. In its thirty-four years of

existence it has built up a steadily progressive business, accompanied by consistently favourable underwriting results. Last year combined Fire and Accident premium income increased from £1,156,000 to £1,244,000. The profit realised was £102,000 compared with the record figure of £105,000 obtained in 1936. The small recession was due to a less favourable experience in the accident department, which is known to include a considerable proportion of motor insurance. Marine premium income increased by £35,000 to £171,000. This increase in income, in conjunction with a less favourable experience, has reduced the ratio of the marine fund from 109 per cent. to 102 per cent. of the premium income. The results of the last two years are given below:—

	1936		1937	
	Amount	Percent-	Amount	Percent-
	of	age of	of	age of
	Profit	Premiums	Profit	Premiums
Fire	34,185	17.4	43,783	20.1
Employers' lia-				
bility	70,333	7.3	57,759	5.6
Marine	5,338		7,004	
	99,180		94,538	
Less items debited				
to profit and				
loss	46,470		65,448	
	52,710		29,090	

Total assets increased from £2,065,000 to £2,305,000. Despite the severe depreciation of security prices during the year, the market value of investments is still in excess of book values. As in 1936, some £50,000 has been transferred to general reserve, which now amounts to £500,000. Interest income increased from £58,000 to £63,000. The preference dividend requires £20,000, and the ordinary dividend, which is repeated at 50 per cent., takes £19,000. The company is soundly managed and in a strong financial position.

*

World Marine and General.—This company, which transacts marine, fire and accident insurance, became allied to the Northern Insurance Company in 1920. Marine premium income last year rose from £110,000 to £135,000. The fund at the end of the year, at £224,000, was equal to 167 per cent. of the year's premiums. Fire and accident premiums were practically unchanged at £124,000. The results of the last two years are given below:—

	1936		1937	
	Amount of Profit	Percent- age of Premiums	Amount of Profit	Percent- age of Premiums
Fire and accident	6,891	0.5	7,007	5.6
Marine	15,000	13.6	15,000	11.1
	14,309		22,007	
Less items debited to profit and loss account ...	3,392		3,363	

Total assets increased from £982,000 to £995,000, of which Stock Exchange securities account for £860,000. This figure is exceeded by the aggregate market value on December 31st last. The financial position of the company is strong. There is a general reserve of £300,000 and a profit and loss balance, after payment of the final dividend, of £150,000. The dividend is again at the rate of 40 per cent., free of tax, and costs £40,000 compared with net interest earnings of £29,000.

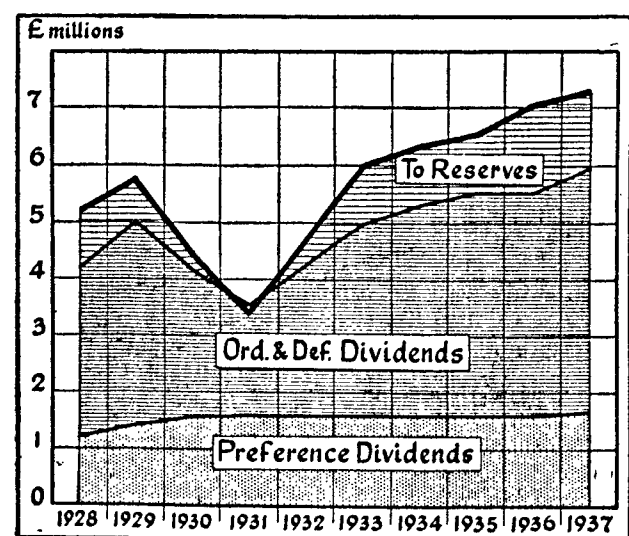
Investment

I.C.I. Report.—The full Imperial Chemical Industries report has been received with general approval. In the first place, it confirms the favourable impression created by the preliminary figures (discussed on page 636 of our issue of March 19th). It is evident from the detailed discussion of each branch of the undertaking at home and abroad that 1937 was a year of general prosperity. In many instances, record sales were achieved, despite the slackening tendency of business towards the end of the year. A note of caution is also introduced in the review of Far Eastern markets. In general, however, the past year was undoubtedly the most successful in the group's history. Its achievements in terms of profits may be assessed in the following table, and these are related to the trend of the past decade in the accompanying chart:—

	1935	1936	1937
	£	£	£
Dividends from subsidiary and associated cos.	7,983,841	8,541,830	9,716,611
Income from investments	368,589	507,592	465,958
Total profits	8,352,430	9,049,422	10,182,569
Taxation	645,891	846,093	1,171,862
Obsolescence & depreciation	1,000,000	1,000,000	1,500,000
Pension fund	150,000	150,000	172,000
Preference dividends	1,590,738	1,591,014	1,663,512
Ordinary stock:—			
Earned	4,965,801	5,462,315	5,675,195
Paid	3,935,512	3,935,913	4,284,158
Earned (%)	10.7	12.0	12.2
Paid (%)	8	8	8½
General reserve	1,000,000	1,500,000	1,500,000
Carried forward	638,740	665,142	556,179

Note.—In 1936, £1,000,000 from central obsolescence, £500,000 from general reserve and £5,434,141 from capital reserve applied to writing down interests in subsidiaries. In 1937, £1,500,000 from general reserve written off investments, and £1,150,000 from central obsolescence written off interests in subsidiaries.

I.C.I. PROFITS AND DIVIDENDS 1928-37



Total income rose by more than one million pounds to £10,182,569, but after heavier taxation requirements and an increased allocation of £1,500,000 to obsolescence reserve, the amount earned for the ordinary stock shows a comparatively small increase from £5,462,315 to £5,675,195. In this respect, the I.C.I. colossus shares the experience of many humbler undertakings. The increase in the ordinary dividend from 8 to 8½ per cent., coupled with the maintenance of the general reserve provision calls, in fact, for a draft of £108,963 on the balance carried forward.

The report adds comparatively little to the statement regarding the position of marketable investments, which was issued with the preliminary figures. The sum of

£1,500,000 has been transferred from general (capital) reserve towards covering total investment depreciation, based on market or computed values, of £1,824,066. Of this amount, a substantial proportion relates to the company's German investments. The problem of Imperial Chemical's investment values has undoubtedly perplexed the market during recent months, but its solution has been regarded in most circles as reasonable and expedient. Interests in subsidiary companies, including net balances on current account, have increased from £67,222,839 to £70,437,729 during the past year. It will be recalled that allocations totalling £6,934,141 were made in 1936 towards writing down their values; following the usual annual review of the assets of wholly-owned subsidiaries, it has been decided to apply £1,150,000 from central obsolescence fund to writing down subsidiary interests, a provision which is taken into account in reaching the total shown above. On the far-reaching changes in management organisation we comment in the succeeding note. Their consequences in terms of profits will doubtless not be immediately apparent. On the other hand, a current yield of £5 9s. 3d. per cent. on I.C.I. ordinary stock, at 31s., may be regarded as reasonable. At least, the present dividend is well covered, even if export markets and domestic trade may experience some recession during the current year. The investor, however, can count on a further expansion in the turnover of several of the newer products, coupled with the group's re-armament equity, to redress some part of any potential setback.

I.C.I. Organisation.—The details of the changes recently effected in the higher management of Imperial Chemical Industries, which are furnished in this year's report, will be closely scanned by shareholders, who have hitherto been passive spectators, in the stalls, of a transformation scene which was not in the original programme. The general effect of the changes is that the functions of sole Managing Director will be put into commission. The Board of Directors will include a Chairman, a President, eight Executive Directors and six Non-Executive Directors. Immediately below the Board, in the hierarchy of control, will be a Management Board (replacing the former General Purposes Committee) which will exercise the functions usually assigned to the office of Managing Director. Under it will be a body known as the Groups Central Committee, which will serve as a connecting and co-ordinating link between the Management Board and the 10 operating Group Boards, whose functions, under powers conferred by the main Board, will be unchanged. These operating groups have the company's principal products as their nuclei—viz. Alkalies, Dyestuffs, Explosives, Fertiliser and Synthetic Products, General Chemicals, Leathercloth, Lime, Metals, Paint and Lacquer and Plastics. The most significant—and, possibly, the most debatable—innovation is the creation of six Executive Committees, concerned respectively with commerce, finance, personnel, research, overseas and technical matters. These Committees will, in fact, sectionalise the business of day-to-day administration. Each has an Executive Director, fortified by a Committee of three other Executive Directors. Presumably, the danger of over-segregating functions which, in the last resort, are merely different aspects of the single duty of central management, has been insured against, partly by overlapping of personnel on the Executive Committees, and partly by making the Chairmen of these Committees responsible directly to a single Management Board. Even those shareholders to whom the personalities of the high command may be so many names will hardly fail to notice two things. The first is that while the Board has 16 members and the Management Board 13, each Executive Committee has only four. The closer the various bodies are to the company's day-to-day business, the smaller and more compact is their personnel. The second feature is that while the Executive Directors are

members of every body from the Executive Committees to the main Board, the highest Executives of all—namely, the Chairman and his Deputy, the President—are on the Board and Management Board only. The Olympian nature of their position is emphasised, but the strain of detailed duties is appreciably relieved. By becoming less Marthesque, they can be the more effectively Marian.

Hadfields Accounts.—Hadfields, Ltd., is one of the few companies whose dividend and report have recently exceeded market expectations. When the dividend was announced, the shares stood at 27s. 6d., and they improved to 29s. 10½d. before the publication of the report. This week, the shares have advanced further to 31s. 3d. The accounts are satisfactory in every way. Earnings, struck after unspecified allowances for depreciation and taxation, and after providing for the reduced debenture interest allocation, have advanced from £219,423 to £269,041. On the ordinary capital, 32 per cent. has been earned and 22½ per cent. paid. Two years ago the dividend was only 7½ per cent., and last year the distribution from profits was 13½ per cent., supplemented by a payment of 10 per cent. tax free from the profit on the disposal of the company's interest in Beans Industries. This year's distribution, moreover, is paid on an increased capital, following the conversion of part of the debentures into ordinary shares. Hadfields, indeed, has been willing to distribute more generously than most companies the fruits of prosperity to its shareholders. The company's medium-term future, however, is very much more firmly assured than that of other steel companies. In the re-armament programme, its products—especially armour-piercing shells—play an increasingly important part. Consequently, the company is relatively protected against trade recession. The strength of the demand for its products, indeed, is well illustrated by the increase of 40 per cent. in the balance sheet total of stocks and work-in-progress. In short, Hadfields ordinary shares appear to be one of the more satisfactory heavy industrial shares, and they offer a yield of £7 4s. per cent.

Industrial Profits in March.—Reports issued last month show that industrial profits rose by the substantial measure of 9.19 per cent., although, as in February, this rate of progress is less rapid than that recorded by "March" companies either in 1937 or 1936. The record of net profits and percentage increases for the past two years is given in the following table:—

Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year	Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year
1936		£	%	1937		£	%
March	236	33,391,656	17.39	April	245	31,712,217	23.36
April	254	38,660,148	9.66	May	255	25,053,946	14.09
May	269	27,354,879	9.41	June	265	43,924,563	21.19
June	214	26,140,561	13.50	July	193	15,260,299	19.62
July	228	14,337,131	15.69	Aug.	62	6,042,402	9.41
Aug.	47	5,562,452	14.21	Sept.	81	7,269,607	27.80
Sept.	107	9,074,987	12.32	Oct.	177	14,884,260	26.97
Oct.	146	8,104,438	18.09	Nov.	206	23,579,407	20.25
Nov.	177	15,591,516	13.49	Dec.	152	18,101,112	14.69
Dec.	175	18,438,723	15.49				
1937		£	%	1938		£	%
Jan.	110	13,222,882	15.92	Jan.	107	13,832,382	19.90
Feb.	208	27,956,583	8.95	Feb.	202	29,792,378	5.52
March ..	307	53,554,168	12.52	March ..	337	56,721,336	9.19

* After debenture interest.

March normally brings a large number of electricity and iron and steel reports. Last month these accounted for some 30 per cent. of total profits and provided over half of the increase. In March last year only three out of 24 groups showed a decline in profits compared with the previous year, but this year such groups numbered seven. Altogether, the latest evidence is not incompatible with some slackening in the rate of increase in industrial net profits.

Foreign Bond Movements.—The full force of market weakness was experienced in the foreign bond market last month, and every section of the index com-

plied by the Municipal and General Securities Company recorded a fall, usually of a pronounced character. Uncertainty regarding the future status of Austrian bonds, under the financial domination of the Greater Reich, coupled with the general weakness of all South American issues on the evidence of a sharp deterioration in agricultural conditions, are the outstanding features of a depressing month. The total index of 109 bond prices has in fact fallen by ten points:—

AVERAGE JANUARY-JUNE, 1934=100.

End of Month	Europe	Near & Far East	Egypt	South and Central America	Complete Index	Under-allocated Bonds	De-allocated Bonds
				States Provinces Total			
1937	(29)				(110)	(56)	
March	100.3	120.8	97.8	126.2	120.1	124.7	115.7
April	100.9	120.2	97.1	124.7	122.7	124.3	115.4
May	101.6	123.1	98.3	124.3	120.7	123.4	116.2
June	101.3	125.5	98.1	124.8	118.2	123.2	116.6
July	105.9	117.6	97.9	127.8	117.5	125.3	116.7
August	103.1	95.3	98.5	122.4	118.4	121.4	107.7
September	101.9	87.2	99.5	116.1	111.8	115.0	102.4
October ...	(28)	89.1	98.3	105.1	108.2	105.8	(109)
November	97.7	81.6	97.9	82.4	74.2	80.4	93.5
December	98.4	81.6	98.6	82.6	75.0	80.7	95.5
1938							(55)
January ...	97.9	71.7	97.8	75.5	67.1	73.4	79.3
February ...	96.2	74.7	97.6	75.4	63.8	72.4	82.7
March ...	83.4	73.9	97.2	61.3	49.4	58.2	69.6

N.B.—Figures in brackets denote number of bonds included.

This week's news is not without some features of encouragement for the bond market, although it provides little basis for a positive investment policy. The receipt of the monthly service funds to cover the Austrian 4½ per cent. and 7 per cent. issues has apparently encouraged expectations that payments will be maintained in full. The 7 per cent. issue touched 47 in mid-week for this reason: Funds representing only 50 per cent. of the April 1st coupon on Brazilian twenty-year funding issue of 1931 have been received in London, New York and Paris, but even this arbitrary payment encouraged the Brazilian market to the extent of a point or two. Reports have also been in circulation regarding the possibility of slight increases in the service on Roumanian loans, though no official announcement has yet been made.

Stock Exchange Dividend.—The Stock Exchange itself has felt the direct force of increased taxation during its latest financial year to March 25th. A final dividend of £9 per share makes a total distribution for the year 1937-38 of £14, compared with £15 paid in respect of 1936-37. The consequent reduction of £20,000 in the gross distribution is more than accounted for by a charge of £17,000 for N.D.C.—the Stock Exchange, in fact, must be one of the first institutions to provide for virtually a full year's contribution—and by an increase of £4,000 for income tax. It appears, however, that the balance carried forward has been increased from £109,612 to £125,500. The shares, which are £36 paid, and carry unlimited liability, were quoted slightly lower at 212-217 following the dividend declaration.

Alliance Trust Results.—Among the older investment trusts, the record of this large Scottish company, which controls investments valued at over £11 millions, is particularly impressive. Gross revenue has exceeded £700,000, thus surpassing the previous "high" of £692,294 in 1930-31. The dividend is restored to 25 per cent., the rate maintained for many years until 1934-35. And now that investment depreciation has become commonplace, it is gratifying that the market value of securities as at January 31st last again exceeded book values. The allocation of revenue in the past three years is shown overleaf.

	Years to January 31		
	1936	1937	1938
Gross revenue	603,473	659,780	707,013
Expenses	26,883	30,051	31,868
Tax and tax reserve	94,428	166,174	139,663
Interest	165,271	160,214	158,055
Preference dividends	76,179	74,355	73,139
Ordinary stock:—			
Earned	240,712	228,986	304,288
Paid	180,952	186,156	199,063
Earned (%)	29.3	28.3	38.2
Paid (%)	22	23	25
General contingent fund...	50,000	40,000	100,000
Carry-forward	44,114	46,944	52,170

The advance in gross revenue last year was at a slightly lower rate, but earnings for the ordinary stock have risen by as much as 10 per cent. to 38.2 per cent. This improvement is due in part to the provision in 1936-37 of £60,000 for a special taxation reserve account, in addition to normal tax payments. This allocation was not repeated in 1937-38, but the general contingent fund receives £60,000 more at £100,000. Distribution policy is and always has been conservative, and its reward is apparent in the satisfactory comparison between market and book values of investments. The report expressly refers to the difficulty of placing a reliable valuation on the mortgage investments, but this branch of the business is being gradually liquidated, and now accounts for no more than 7½ per cent. of total investments. A current price of 515 and a yield of £4 17s. per cent. illustrates the high rating of the ordinary stock. In view of the Trust's earnings record and of its moderate gearing, the stock may enjoy more than average protection against industrial recession.

* * *

Colvilles' Progress.—The results of this leading Scottish steel undertaking last year are striking. Increasing technical efficiency and the steady expansion of the business appear to have played their part, no less than the high level of output. Total profits of £1,046,130 are 42 per cent. higher than in 1936, and while subsidiaries have contributed £54,610 to the increase, their own progress is modestly reflected in dividends. Colvilles' report, now presented in an improved form, shows that the subsidiaries earned £572,262 in 1937 (after tax) against £252,055. The parent company has increased the previous year's depreciation provision of £185,000 by a special allocation of £110,000, so that after an increase in income tax and N.D.C. from £135,000 to £240,000, the earnings for the ordinary stock are £93,300 higher at £426,286. The increase in dividend from 7 to 8 per cent. represents a conservative distribution of net profits, for earnings are equivalent to 14.5 per cent. against 11.1 per cent. Of the surplus, some £150,000 is placed to general reserve, while the balance carried forward is increased by more than £40,000. The Colvilles group has steadily consolidated its position in the Scottish steel industry. Since 1934 a number of important businesses have been acquired, and the current programme of expansion is also impressive. Net additions to the parent company's fixed assets in 1937 exceeded £350,000, and shares in subsidiaries at cost now stand at £2,024,650 against £1,419,650, the balance-sheet total being some £2½ millions higher. The principal changes on the liabilities side are the appearance of a bank loan of £500,000 and an increase from £83,075 to £501,961 in loans, etc., due to subsidiaries. Work is now proceeding on the construction of new coke ovens and blast furnaces at the Clyde Iron Works. Originally, the scheme was to be financed out of an issue of ordinary shares. This method of financing has been varied, for the cost is to be met partly from the company's own resources and partly from a loan of £1,000,000, payable in instalments over the next twelve months. The inference is that less favourable conditions in the capital market have not deterred the company from proceeding with plans designed further to increase the efficiency of the business.

"The Chairman Said"—Investors are looking increasingly to company chairmen for guidance regarding the future trend of business. During the past week, four industrial pronouncements of major importance have been made, and they have faced the business situation with a proper degree of frankness. Even at the Vickers meeting, the chairman underlined two factors which may serve as a check to extravagant dividend hopes. Re-armament activity is affecting the commercial engineering business of the group, and it is apparent, both from statement and from dividend policy, that the management is giving careful consideration to the problems which may arise when defence demands become more normal. On the other hand, the Vickers-Armstrongs works were fully employed last year, and profits on large contracts are not taken into account until their completion. While the business of the group appears as fully assured as any in heavy industry, the chairman's repeated warning that divisible profits may not expand commensurately with gross income is certainly relevant. In some respects, the British Insulated Cables and Associated Electrical Industries speeches covered common ground. Both groups, for instance, have an equity in railway electrification at home and abroad, and new business has been booked for the L.N.E.R. scheme from Manchester to Sheffield, involving for the former company an amount of £1 million. The establishment of new cable works, to which attention has been recently directed, was criticised by Sir Alexander Roger, who declared at the British Insulated meeting, that existing plant was "amply sufficient" to meet all the requirements of the trade. The appreciable improvement in the position of Associated Electrical Industries in recent years underlines the advantages of the generous depreciation provisions set aside last year. The group, of course, is considerably interested in export business, and while it is not expected that the volume of business this year will equal that of 1937, a serious recession is not anticipated, since unfilled orders at the beginning of the year were large. The difficulties inherent in a world trading organisation, dependent in considerable degree upon the price fluctuations of one primary commodity, were discussed in detail by Sir George Beharrell at the Dunlop Rubber meeting. He expressed his conviction that rubber restriction must be maintained, and his audience undoubtedly appreciated his emphasis on the strong financial position which the company has built up in recent years. This should serve as a cushion against the unfavourable contingencies which may have to be faced during the current year.

* * *

U.S. Steel Report.—The measure between peak and depression in the United States steel industry last year is suggested by a fall of 75 per cent. in the operations of United States Steel Corporation. Production early in the year compared favourably with 1929 levels; yet December saw a lower operating rate than any recorded during the previous two and a half years. For the whole year, however, the Corporation was able to earn \$94,944,000 for dividends, against \$50,583,000 in 1936; to pay off all preference arrears (16½ per cent. in all was distributed); to earn \$4.18 per common share, and to add \$27,695,000 to the earned surplus carried forward. Even the \$1 common stock dividend looks generous enough in to-day's circumstances. Gross sales rose by 28 per cent. to \$1,396 millions, net operating income was almost doubled at \$122½ millions, and miscellaneous income, at \$130½ millions, showed a similar degree of improvement. The production statistics given in the report show that the output of steel products was 15.7 per cent. higher, at 12,762,000 tons, while shipments of other items such as pig iron, coal and limestone rose to an even greater extent, and almost 60 per cent. more iron ore was produced. In fact, operations were at a sufficiently high level in the greater part of the year to overshadow the serious recession of the early winter. Prices, moreover, were increased (largely to meet higher wages and production costs), and averaged 11 per cent. higher than in 1936. Demand for iron and steel products was most satisfactory in the first half of the year, but orders declined heavily when seasonal demand should have been recovering.

Yet, even in the third quarter, 73.6 per cent. of steel capacity was in operation, and earnings per common share were as high as \$2.79. Employment did not reach its peak until August, and the report attributes the improvement in earnings primarily to the "reasonably constant" use of producing facilities during most of 1937. The year closed with 21 per cent. of capacity in operation. This contrast between extremes in 1937 is an unhappy augury for the current year, for accumulated orders which kept the plant going at a reasonably high level until the autumn have long been cleared off. Inventories totalled \$331,479,000 at the end of 1937, as compared with \$286,004,000 a year earlier, a rise due in part to prices and in part to increased volume. The anticipated spring recovery has proved a phantom, and common shareholders can hardly look forward to any considerable improvement this year. The stock has recovered this week to \$42, a few points above its recent "low."

* * *

"Three Counties" Electric.—The dividend on the "B" ordinary shares of Shropshire, Worcestershire and Staffordshire Electric was reduced last year from 6½ per cent. to 5½ per cent. Profits for the past three years are analysed below:—

	1935	1936	1937
Units sold (millions)	200	234	269
Increase (%)	11.1	17.0	16.5
Net profit	500,913	596,068	618,611
Less transfer to reserve account ...	175,000	225,000	240,000
	325,913	371,068	378,611
Interest, etc., receivable	143,733	151,760	131,954
Net income	469,646	522,738	510,565
Interest payable	191,580	203,372	206,883
Preference dividends	135,000	135,000	135,000
Dividend on "A" ordinary shares ...	24,000	24,000	24,000
"B" ordinary shares:—			
Earned	119,066	160,366	144,682
Paid	138,912	159,250	134,750
Earned (%)	4.9	6.5	6.0
Paid (%)	6	6½	5½
Carried forward	54,294	55,411	65,343

The provision which the company makes by transfers to reserve in lieu of depreciation, compared with our standard scale, appears to be somewhat low. The latter would require some £40,000 in excess of the £240,000 actually provided.

* * *

Last year's growth in net profit was disappointing in relation to an increase in expenditure on capital account of over 15 per cent. Partly, no doubt, this is due to the effect of rising costs, to which the report refers. It may also have been partly due to reductions in tariffs which have not yet been fully reflected in increased consumption, or to the time lag between expenditure on capital account and its fructification in net revenue. If the two latter explanations are valid, earnings for the current year may cover the reduced rate of dividend with a more generous margin for depreciation.

* * *

Hudson's Bay Profits.—The fortunes of the Hudson's Bay Company are intimately linked with conditions in the Canadian wheat belt and the world's fur markets. The recession in profits for 1937-38 is, therefore, not a matter for surprise. Total profits and the amount earned for dividends are each about £57,000 lower at £326,520 and £169,309 respectively. The first ordinary dividend for eight years, however, has been paid, following the payment of preference arrears in the previous year. The distribution is 3 per cent., less tax at 3s. 0½d., but an additional 1 per cent. (not subject to tax) is paid from the land account surplus. The 3 per cent. payment is covered by earnings of 6.3 per cent., compared with earnings of 8.9 per cent. in the previous year, after allowance for

normal preference dividends. Recovery continued at a high level in Canada until the second half of 1937, but in the Prairie Provinces the situation was governed by the serious drought in Saskatchewan. The estimated value of the wheat crop in these provinces was \$155 millions last year against \$195 millions in 1936, though the average price of wheat was higher. In view of conditions in Saskatchewan, the continued improvement in profits from the company's retail stores is satisfactory, but even in this department operations began to decline last autumn. Fur collections in the 1936-37 season rose slightly, but prices realised at the London auctions were considerably lower. Moreover, the results of fur trading in the 1937-38 accounts cover the year to May 31, 1937 only, and the decline in prices will presumably be felt to a greater extent in the current year. The ordinary shares now stand at 20s., but it is difficult to assess their prospects of recovery under present conditions.

* * *

Engineering Company Results.—Recently published engineering company results are distinctly favourable, in view of increased cost of materials and labour. These factors, however, were more than offset by a high level of turnover. In the following table we compare the profits in 1936 and 1937 of four companies whose reports have attracted attention in the past fortnight. Except for Churchill Machine Tool, the companies have been introduced to the market only in recent years:—

Company	Pref. div.	Ordinary Shares				Ordinary Shares	
		Earned		Paid		Price	Yield
		£	%	£	%	s. d.	%
British Timken (£1) 1936	...	83,824	44.0	28,594	15½	57 6	5.2
1937	...	93,007	41.4	33,750	15½		
Churchill Mach. Tool (£s.) 1936	10,524	46,220	93.1	22,515	45½	20 6	9.7
1937	5,166	66,957	45.0	59,553	40		
Craven Bros. (Man.) (£s.) 1936	...	39,918	13.6	37,500	12½	9 9	7.7
1937	...	66,172	24.4	45,000	15		
Trussed Concrete (£s.) 1936	2,607	21,156	16.1	16,393	12½	10 0	8.3
1937	3,000	44,638	22.1	30,100	15		

† Also 20 per cent. capital bonus. ‡ Also bonus in ordinary shares of 125 per cent. to ordinary and 45 per cent. to preference shareholders.

The progress shown is at a high rate, especially as it is hardly affected by capital gearing. None of the companies has any loan capital, and only two have moderate preference share issues.

* * *

British Timken, makers of roller-bearings, earned £133,007 in 1937, against £111,824 (after depreciation but before tax) and are maintaining the 15 per cent. cash dividend. The rate of earnings is only slightly reduced on a capital as increased by the previous year's 20 per cent. scrip bonus. This bonus is repeated and, as in 1936, is in effect paid out of current profits, for the allocation to general reserve exactly covers bonus requirements. Churchill Machine Tool, manufacturers of precision grinding machines, have in recent years regained a further degree of prosperity after a series of years in which considerable earnings were not distributed. Craven Bros. (Manchester) also retained all earnings in the business in 1934 and 1935, and though the latest dividend of 15 per cent. is 2½ per cent. higher than in 1936, it is on a



conservative basis, for total profits were almost doubled at £86,808. A construction company, Trussed Concrete Steel, has shown an equally interesting trend. Prospectus profits, which already showed a steep rise since the depression, have been completely surpassed, and the balance (before depreciation and tax) in 1937 amounted to £79,398, against £41,906. This company has adopted the somewhat unusual procedure of applying share premiums of £20,860 towards a dividend equalisation reserve of £25,000. In general, investors will welcome these and similar results of engineering companies in 1937, but the high yields obtainable on the ordinary shares reflect a fairly cautious assessment of earnings possibilities on a long-term view.

Mining Reports

Robinson Deep.—Additions to the treatment plant financed from the share issue made in 1936 resulted in the milling of an increased tonnage last year. A reduction of 1s. 7d. to 33s. 5d. in average yield per ton was largely counterbalanced by lower working costs, due to a substantial curtailment of the development footage. Although this factor arose from a shortage of native labour, it did not preclude an increase in the ore reserve tonnage. Tax requirements were somewhat larger than in 1936. Progress during the past three years is analysed in the following table:—

	Years ended December 31		
	1935	1936	1937
Tons milled.....	1,215,000	1,265,000	1,350,000
Working profit	£911,210	£934,190	£947,060
Dividends	£326,570	£525,000	£562,400
Amount per "B" share	2/9	4/6	5/-
Carried forward	£60,910	£58,150	£73,150
Development footage	55,870	52,547	39,260
Ore reserve, tons	6,032,000	6,102,000	6,607,000
Value, dwt.	4.9	4.9	4.8
Average net price for gold ...	142/-	140/1	140/6

Out of the balance of working capital still in hand, a further expansion of the capacity of the treatment plant from 115,000 tons to 125,000 tons per month has just been completed. Its utilisation would appear to depend upon the maintenance of the improvement in the supply of native labour which has recently occurred. Dividends on the "A" shares will call for £37,500 in 1938, as against £62,500. In view of this fact, and of the probability of some further expansion in output, the maintenance of last year's dividend total on the "B" shares seems confidently to be expected. Their yield basis is fully 8 per cent.

Simmer and Jack.—Owing to underground fires and labour troubles, this company last year did not benefit fully from the reconstruction programme carried through in 1936. Nevertheless, output, earnings and dividends increased substantially. A decline of 1s. per ton to 30s. in yield was accompanied by a saving of over 2s. in costs. A larger development footage did not produce a corresponding expansion in the ore reserves. The consulting engineer reports that work in the upper levels of the mine has indicated the existence of large blocks of medium-grade ore on both the main reef and the main reef leader; while development on the south reef in the Howard shaft area has also given encouraging results. Hoisting and ventilation will be facilitated by the completion of the South Deep vertical shaft. Results for the past three years are set out below:—

	Years ended December 31		
	1935	1936	1937
Tons milled.....	1,126,500	1,209,500	1,209,500
Working profit	£441,210	£537,190	£537,190
Dividends	£37,500	£225,000	£225,000
Amount per share	1s. 6d.	1s. 6d.	1s. 6d.
Carried forward	£550	£69,430	£69,430
Development proceeding with plans designed	64,690	64,690	64,690
Ore reserve efficiency of the business.	2,374,000	2,374,000	2,374,000
Value	4.9	4.9	4.9
A	140/7	140/7	140/7

On the basis of last year's dividends, the yield on the 2s. 6d. shares at 12s. 9d. is no more than 6 per cent. It should be noted, however, that in 1936 some £215,680, and in 1937 some £190,380 was appropriated from profits for expenditure on capital account. Requirements under this heading will presumably be on a much smaller scale in future.

General Mining.—The revenue of this corporation consists mainly of dividends upon its shareholdings. Since these payments were maintained last year, profits declined by only £13,900 to £527,600. Reserve again receives £200,000, raising the fund to £800,000, and a sum of £10,000 is again set aside for additional provision for taxation. After the payment of 5s. per share (25 per cent.), as before, the somewhat increased balance of £132,150 is carried forward. At current quotation of 88s. 9d., ex the final distribution of 3s., the shares yield about 5½ per cent.

De Beers Report.—No surprise was occasioned by the absence of any further dividend on De Beers deferred shares, although at first sight an actual falling off in profits last year was somewhat unexpected. The explanation, however, arises from the sale, in 1936, of certain investments which were not required for the purpose of control, and were realised to expedite the payment of arrears on the preference shares. The profit from this source amounted to £416,770, as against £79,140 in 1935, and £84,860 last year. Despite the fall in sales during the second half of the year the "Diamond Account" shows a credit of £2,536,600, compared with £2,243,800 in 1936, while interest and dividends received were, on balance, little changed at £843,900. Greater activity in mining and treatment operations required increased expenditure, totalling £994,730, against £639,680, while £220,000 was appropriated for taxation.

The net sum available is £2,264,300, some £611,700 less than the corresponding figure in 1936. Two years' preference payments to the end of 1937 absorbed £2,000,000, and the 15s. dividend on the deferred required £860,840, leaving £732,760 to be carried forward, against £1,329,350 brought in. The balance sheet shows several interesting changes. Some 57,275 deferred shares have been issued in exchange for the majority of the preference shares of Premier (Transvaal) Diamond, and share premiums of £572,750 resulting from the transaction, have been added to reserves. Another new item under reserves is for £121,800, representing diamond sales in advance, which will be credited to profit and loss for 1938. A reduction of £1,515,100 to £2,099,750 in investments is largely attributable to the sale of the company's holding in Rhodes Fruit Farms and to the re-classification of certain investments under current assets. The revenue account for the current year will benefit from the distributions totalling £512,500 declared by the African Explosives and Industries, though the comparative figure for the previous year was not apparently disclosed. But it is difficult to forecast the company's income from its holdings of shares in other diamond concerns, and from its own sales. The diamond industry is sensitive to economic conditions, particularly in the United States. The yield of 10 per cent. on the preference issue covers a measure of risk, while the deferred shares have obviously moved into a more speculative category.

Consolidated Diamonds.—The accounts for last year of this company, which is controlled by the De Beers, show a rather substantial decline in revenue. After allowing for depreciation on a somewhat increased scale, and

slightly reduced debenture interest, the balance available amounts to £442,100, as against £766,500. Payment of the preference dividends, including arrears, absorbed £1,092,000 in 1936. Preference dividends last year, with two interim payments of 6d. each on the ordinary, absorbed respectively £168,000 and £224,000, leaving £201,550 to go forward. As anticipated in market circles, there is no further dividend on the ordinary. The financial position shows improvement, the surplus of current assets over liabilities amounting to £395,000, against £327,000. As in the case of De Beers, a departure is made in stating the diamond sales in advance, the amount to come into credit for the current year being £120,800. Results last year, both as regards mining and prospecting, are described by the consulting engineers as satisfactory.

Other Company Results.—A number of rubber company results, and also the profits of a further batch of investment trusts and of London store companies, are analysed in our usual table of profit and loss accounts, which appears on page 128 and covers over 60 companies in all. The results are discussed on page 103 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings will be found in this issue from page 128. Lord Elphinstone, at the *Bank of Scotland* meeting, referred to the continued improvement in the Scottish constructional industries, and disclosed that the demand for smaller advances was still increasing, although larger borrowers were obtaining more finance outside ordinary banking channels. The chairman referred favourably to the efforts which are now being made to extend Scottish industry, particularly in the lighter trades. At the *North Union Fire Insurance* meeting, Mr Ernest Hicks expressed satisfaction with the progressive volume of home fire business, while profit from the foreign section had been satisfactory. Addressing members of the *Norwich Union Life Assurance Society*, Mr Hicks reported that the excess of market book values of investments was still considerable. New business obtained had set up a fresh record. A surplus over the book value of investments was also reported at the *Wesleyan and General Assurance* meeting by Mr John B. Field. Premium income and the total of new sums assured had increased in 1937.

The respective chairmen's surveys at the annual meetings of *Dunlop Rubber Company*, *British Insulated Cables*, *Vickers*, and *Associated Electrical Industries* are discussed in a Note on page 98. At the *Sunday Pictorial Newspapers* meeting, Mr John Cowley reported that the newspaper had received a not unfavourable proportion of national advertising. At the *Daily Mirror Newspapers* meeting, Mr Cowley reported rapid strides in sales, and announced a change in the method of dividend distributions, designed to replace quarterly dividends by an interim and a final payment. Sir Max J. Bonn declared at the *United Glass Bottle Manufacturers* meeting that the high technical efficiency and low unit costs of the glass bottle industry should enable it to withstand competition from tin and fibrous containers. Sir Max pointed out that the heavy order book at the beginning of the year largely reflected the anticipation of requirements by the company's customers. Sir Sydney Skinner referred to the satisfactory progress of the rebuilding scheme now being carried out by *John Barker and Company*, and to the company's determination to seek additional trade in the face of a somewhat difficult trading outlook in the current year.



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The High Commissioner for Southern Rhodesia, Rhodesia House, 429, Strand, London, W.C.2.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
APRIL 26 APRIL 28

MARKET conditions this week have been undistinguished though prices have improved a little on balance, since the "House" has shown occasional powers of response to minor buying interest. The opening advance, based on forecasts of the Anglo-Italian pact, and of peace in Spain, was thus in sharp contrast to the depressing conditions of the previous week. Sentiment, however, remains unpredictable, although a modest return of public interest has carried the mild rally, which was due mainly to bear covering on Tuesday afternoon, somewhat further.

A firm opening in the gilt-edged market was followed, after a breathing space early on Tuesday, by further rises, although their causation appeared mainly to be due to bear covering. In mid-week, indeed, the slackening of professional activity temporarily exposed a lack of interest on the part of the general investor. War Loan was most prominent, both in the early improvement, and also in the mid-week decline. Further selling of New Zealand stocks followed the report of an increase in social services, but other Dominion issues were generally firm.

European bonds responded to the improved atmosphere at first, and the Austrian 7 per cent. issue was especially strong in mid-week. German issues improved on German buying, but did not maintain their best levels. Japanese bonds were responsive to the arrangement to maintain the yen, and reports of progress in the negotiations regarding the future of the Chinese Customs Administration assisted the Customs and salt loans. South American issues were rather firmer early in the week.

Limited business was reported in home rail stocks, though they made some response in sympathy with the early improvement. The traffics, however, were followed by a reaction, although Great Western ordinary closed higher on balance on Wednesday. Argentine rail stocks were depressed by the week's dividend decisions, and by the sharp reversal of the republic's economic position.

Although the firm tone in the industrial market appeared rather half-hearted at times, certain sections enjoyed a modest increase in support. In particular, leading re-armament issues—including Hadfields and Vickers—attracted a few buyers, while Tube Investments provided a mid-week feature. Movements in electrical equipment shares were limited and irregular. Clyde Valley improved on the new share issue, but otherwise business in supply shares was small. Small improvements on little business were the rule among motor, aircraft and engineering shares. Traditional provincial support assisted brewery shares, but tobacco issues showed less consistent movements. Among the miscellaneous leaders, Imperial Chemical Industries improved sharply on the eve of the report (discussed on page 96), but reacted slightly on profit-taking. Several of the miscellaneous industrial leaders, including

Murex and Turner and Newall, held their improved levels, and building material issues were somewhat higher.

After a firmer opening, checked early on Tuesday, oil shares made fair gains. The pause was renewed on Wednesday, and although prices were rather firmer on Thursday, the volume of business remained small. A similar trend was also evident in rubber share dealings, although it was measured more by the tone of the market than by any significant changes in prices.

Kafir shares opened firm, with a steady if not exciting volume of business. Bear covering assisted the late recovery on Tuesday, and prices were then well maintained, although the volume of business showed a disappointing decline. Little interest, however, was shown in the developing mines, in the absence of Cape support. Diamond shares began well, but the publication of the De Beers report was followed by a fall in both issues. In the Rhodesian copper group, Rhokana promptly recovered the deduction of the dividend, and Roan Antelope improved on the interim announcement, and support was renewed on Thursday.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains	Corret. 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Apr. 1	7,205	11,455	84.9	127.9
Apr. 4	7,395	12,225	85.3	128.0
Apr. 5	6,300	10,110	86.0	128.1
Apr. 6	6,770	11,520	86.4	128.4
Apr. 7	6,545	10,530	87.1	128.4
1938 High...	...	...	87.2	131.0
Low...	...	...	79.4	126.9
			Mar. 18	Mar. 17

* Approx. total recorded in S.E. List. † 1928 = 100.

ACTUARIES' INVESTMENT INDEX

Again the week's fall in the Actuaries' Index of 151 industrial ordinary share prices has been quite trifling, the index standing on Tuesday last (April 5) at 65.0, compared with 65.2 and 68.2 a week and a month ago respectively. The corresponding yields are 5.68, 5.65 and 5.33 per cent. A selection of the separate indices follows.

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices, 1938 High
	Mar. 8, 1938	Mar. 29, 1938	Apr. 5, 1938	
Insurance (10) ...	118.4	110.8	111.8	121.5
Coal (9) ...	95.9	92.6	91.1	106.7
Cotton (6) ...	30.8	29.0	27.3	37.1
Elec. mfg. (12) ...	117.8	112.4	111.3	129.7
Iron and st. (17) ...	57.5	57.1	56.3	66.4
Oil (4) ...	76.0	67.1	68.5	84.9
Home rails (4) ...	58.6	57.8	58.3	71.0

Group	Yields (%)			Prices 1938 Low
	Mar. 8, 1938	Mar. 29, 1938	Apr. 5, 1938	
Insurance ...	3.58	3.83	3.79	110.8
Coal ...	5.53	5.61	5.71	91.1
Cotton ...	2.88	2.99	3.13	27.3
Elec. mfg. ...	5.40	5.97	6.08	111.3
Iron and steel ...	7.21	7.34	7.59	56.3
Oil ...	6.60	6.78	7.29	68.5
Home rails ...	5.64	5.67	5.61	57.1

New York

RAILROAD affairs have provided the main interest in Wall Street this week, but turnover has gradually shrunk, to the accompaniment of weaker prices in all sections. The improvement in rails was limited from the first to the bonds, in anticipation of the President's message next week, but fears developed later that an agreed programme has not been achieved, and losses were generally recorded throughout the railroad list. The reduced rate of steel operations, estimated by *Iron Age* at 32½, against 35½ per cent. of capacity last week, produced dejection in industrial stocks at first, but the leaders scored gains on Tuesday, particularly at the end of the day. The mid-week reaction, however, cancelled most of the improvement, at least in pivotal stocks. Apart from a rise in Austrian 7 per cents. and the firm front of utility bonds, this section of the market has been quiet and irregular. Business indicators are providing a little sign of immediate recovery for the market.

New York Prices

	Close Latest Mar. 31, 1938	Close Latest Mar. 31, 1938
1. Rails & Transport		
Atchafalpa	22½	25½
Balt. & Ohio	4½	5½
B.M.T.	5½	6½
Can. Pacific	5½	5½
Ches. & Ohio	23½	26½
G.N. Ry. Pk.	13½	14½
Illinois Cent.	6½	7½
N.Y. Central	10½	12½
Norfolk Pac.	6½	7½
Pennsylv. R.	14½	16½
Southern Pac.	9½	10½
Southern Ry.	5½	7½
Union Pac.	55½	62½
Greyhound.....	8	9½
2. Utilities and Communications		
Am. W. Works	6¼	7¼
C.W. & S.	1	1½
Con. Edison	17½	18½
Col Gas & Elec	5½	6½
Ed. Bond & Sh.	4½	5½
Nat Pwr & Lt.	5½	6½
N. American	14½	15½
Pac Gas & Elec	23	24½
Pac. Lighting	32¼	34
Pub Serv N.J.	25½	28½
Stan Gas & Lt.	2	3
United Corp.	21½	25½
Un. Gas Imp.	9	9½
Amer. Tel.	111½	124½
Internat. Tel.	6	7½
Westn. Union	16½	21
Radio	4½	5½
B. Pref	37½	41
3. Extractive and Metal		
Am. Rol. Mill	13½	15½
Beth. Steel	41½	43
Beth. Steel P.	75	82
Republic St.	11½	13½
U.S. Steel	39½	41½
U.S. Steel Pk.	95½	100
Alaska J'neau	8½	9½
Am. Metal	24	25
Am. Smelting	29½	32½
Anacosta	22½	24½
Bolin Alum.	16	17½
Cerro de Pas.	28½	32
Int. Nickel	36½	42½
Kennecott	28½	30½
Patino Mines	8½	9½
Tex. G. Sul.	26½	29½
U.S. Smelt.	44½	50½
Vanadium	11½	13½
Atlantic Refg.	17½	18½
Phillips Petr.	27½	30½
Shell Union	10½	12
Socony Un. Pk.	93	96½
Shell Vac.	107½	123½
Stan. Oil Cal.	25½	27½
Stan. Oil N.J.	40½	43½
Texas Corp.	33½	36½
4. Manufacturing		
Briggs	13½	16
Chrysler	37½	40
Elec. Autolite	13½	15
Gen. Motors	27½	28½
Hudson Mtr.	5	6
Nash Keltner	7½	8
Packard Mtr.	34½	40
Bendix Avtn.	8½	10
Boeing Airprn	32½	35½
Douglas Air.	20½	21½
United Aircr.	40½	43½
Air Reduction	40½	43½
Allied Chem.	12½	13½
Col. Carbon	55	57
Dupont	94	95½
Un. Carbide	58½	61½
U.S. Ind. Alc.	14	15½
Alis Chalmers	35	37½
Gen. Electric	67½	70½
West. Elec.	63½	67½
American Can	75½	82
Addressograph	16½	18½
Caterpillar	29½	35
Cont. Can.	37	41
Ingersoll Rnd	61	62½
Int. Harvester	52½	53½
Johns Manville	59	62
Am. Radiator	51	52½
Corn Prods.	53½	57½
11 Case & Co.	64½	69½
Glidden	13½	16
G. Am. Trans.	29½	32½
Celanese of A.	9½	12
Ind. Rayon	14½	16½
Colgate Palm.	71½	82
Eastm'n Kdk.	122	134½
Gillette	78	83
Lambert Co.	81½	92
Loew's	33½	36½
20th Cen. Fox	17	17½
5. Retail Trade, &c.		
Mont. Ward	25½	27½
J. C. Penney	55	58½
Sears Roebuck	47½	51
United Drug	5	5½
Walgreen	15½	16½
Woolworth	36½	38½
Borden	15½	16½
Gen. Foods	23	24½
Kroger Grey.	12½	14
Nat. Biscuit	15½	17½
Nat. Dairy	12	13½
Stand. Brands	6½	7½
Am. Tob. B.	59½	68½
Lig. Myers B.	81½	86½
Lorillard	13½	15½
Reyn. Tob. B.	34½	37½
Nat. Distillers	17½	19½
Schenley Dis.	18	18½
6. Finance		
Comel. Credit	23½	27½
Atlas Corp.	54	6
Com. Inv. Tr.	31½	34

By courtesy of the Standard Statistics Company, Inc., of New York, we print the following index figures of American

values calculated on closing prices (1926 = 100).

WEEKLY AVERAGES

	1938		Mar. 23, 1938	Mar. 30, 1938	Apr. 6, 1938
	Low	High			
347 Ind's. ...	75.9	101.5	85.7	75.9	80.8
32 Rails ...	19.0	31.4	21.3	19.0	20.9
40 Utilities ...	57.7	78.8	64.6	57.7	63.8
419 Stocks ...	63.7	86.4	71.9	63.7	68.4
Av. yield % ...	3.35	5.37	5.47	6.24	5.83
	High	Low			

* 50 Common Stocks.

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

Mar. 31	Apr. 1	Apr. 2	Apr. 4	Apr. 5	Apr. 6
83.6	87.7	91.2	90.7	93.1	91.1

High: 116.9 January 11th. Low: 83.6 March 31, 1938.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
Mar. 31	1,270	9,730	227
Apr. 1	1,860	7,970	139
Apr. 2	600	4,880	92
Apr. 4	690	6,380	116
Apr. 5	690	7,140	124
Apr. 6	480	6,110	95

* Two-hour session.

Capital Issues

CAPITAL ISSUE TOTALS			
Week ending	Nominal Capital	Conversions	New Money
April 9	£	£	£
To the Public	Nil	Nil	25,000
To Shareholders	25,000	Nil	25,000
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	454,340	Nil	920,007
Sav. Certs. w/c Mar. 31	Dr 950,000†	Nil	Nil
	† 12 days.		
Year to date	Including Conversions	Excluding Conversions	
1938 (New Basis)	57,897,049	44,591,542	
1937 (New Basis)	134,302,548	122,716,006	
1938 (Old Basis)	38,864,074	26,808,672	
1937 (Old Basis)	76,718,521	48,074,329	

Destination (Excluding Conversions)			
Year to date	U.K.	Brit. Emp. exc. U.K.	Foreign Countries
1938 (New Basis)	35,281,352	6,880,961	2,429,229
1937 (New Basis)	93,820,764	27,742,102	1,153,140
1938 (Old Basis)	20,234,449	4,175,099	2,399,124
1937 (Old Basis)	41,719,796	6,354,533	Nil

Nature of New Borrowing (Excluding Conversions)			
Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	19,448,099	3,897,613	21,245,830
1937 (New Basis)	30,066,531	13,289,044	78,360,431
1938 (Old Basis)	14,780,122	2,260,722	9,767,828
1937 (Old Basis)	17,177,933	7,511,952	23,384,444

NOTE: "Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

STOCK EXCHANGE INTRODUCTION
Border Breweries (Wrexham), Ltd.—Particulars of issue of £200,000 4½ per cent. first mortgage debenture stock and 57,160 6 per cent. cumulative £1 preference shares. Stock redeemable at 102, by December, 1987, by drawings from 1945, or at 105 from 1958 on notice. Profits, after depreciation: 1935, £30,952; 1936, £37,726; 1937, £42,525. Total assets, £717,626.

Eastbourne Gas Company.—Issue of £29,850 3½ per cent. debenture stock to Messrs. Seymour, Pierce and Company at 100½ net. Redeem-

able at par 1968 or from 1963 on notice. Interest ranks with existing debenture stocks.

Tottenham and District Gas Company.—Issue of £98,000 3½ per cent. debenture, disposed of through Messrs. Laurence, Keen and Gardner at 100½, less ¼ per cent. brokerage. Redeemable at par 1963. Interest ranks with other debenture stocks, etc.

Commercial Gas Company.—Issue of £200,000 3½ per cent. debenture stock which Messrs. Seymour, Pierce and Company have purchased at 100½ net. Redeemable at par September 1, 1968, or from 1963 on notice.

CONVERSIONS AND REPAYMENTS
Coventry Corporation.—The outstanding £876,556 of 6 per cent. stock, 1938-48, will be repaid at par, with interest, on July 1, 1938.

Lincoln Corporation.—The holders of £750,000

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937		Prices, Year 1938 Jan. 1 to Apr. 6, inclusive		Name of Security	Price, Apr. 6, 1938	Change since Mar. 30, 1938	Yield, Apr. 6, 1938	Prices, Year 1938 Jan. 1 to Apr. 6, inclusive		Name of Security	Price, Apr. 6, 1938	Change since Mar. 30, 1938	Yield, Apr. 6, 1938
High-est	Low-est	High-est	Low-est					High-est	Low-est				
841 1/2	73 1/2	79 1/2	71	Consols 2 1/2% (1957)	74 1/2	+1 1/2	4 1/2	13 1/2	12 1/2	Com. Bk. of Aus. 10% District B. £1 1/2 p.d.	12 1/2	...	4 1/2
113	105 1/2	111 1/2	96	Do. 4% (1957)	110 1/2	+1 1/2	5 1/2	53 1/2	51 1/2	En. S. & Aust. £5 3/4 p.d.	53 1/2	...	5 1/2
101 1/2	94 1/2	102 1/2	89	Conv. 2 1/2% 1944-49	98	+1 1/2	2 1/2	103 1/2	101 1/2	Hambros £10, £2 1/2 p.d.	103 1/2	...	2 1/2
103 1/2	97 1/2	104 1/2	92	Do. 3% 1948-53	101 1/2	+1 1/2	3 1/2	108 1/2	106 1/2	Hong. and S. £125, £87	108 1/2	...	3 1/2
106 1/2	99 1/2	107 1/2	95 1/2	Do. 3 1/2% after 1961	101 1/2	+1 1/2	3 1/2	112 1/2	110 1/2	Lloyds £5, £1 p.d.	112 1/2	...	3 1/2
108	105	106 1/2	98 1/2	Do. 4 1/2% 1940-64	106 1/2	+1 1/2	4 1/2	118 1/2	116 1/2	Martins £20, £2 1/2 p.d.	118 1/2	...	4 1/2
117 1/2	111 1/2	115 1/2	112 1/2	Do. 5% 1944-64	112 1/2	+1 1/2	5 1/2	124 1/2	122 1/2	Midland £1 1/2 p.d.	124 1/2	...	5 1/2
92 1/2	89 1/2	93 1/2	87 1/2	Fund. 2 1/2% 1956-61	92 1/2	+1 1/2	2 1/2	128 1/2	126 1/2	Nat. Dis. £2 1/2 p.d.	128 1/2	...	2 1/2
96 1/2	93 1/2	97 1/2	94 1/2	Fund. 2 1/2% 1952-57	96 1/2	+1 1/2	2 1/2	132 1/2	130 1/2	Nat. of Egypt £100, £10 p.d.	132 1/2	...	2 1/2
101 1/2	97 1/2	102 1/2	99 1/2	Fund. 3% 1959-69	101 1/2	+1 1/2	3 1/2	136 1/2	134 1/2	N. of Ind. £25, £12 1/2 p.d.	136 1/2	...	3 1/2
116 1/2	109 1/2	114 1/2	110 1/2	Fund. 4% 1960-90	112 1/2	+1 1/2	4 1/2	140 1/2	138 1/2	N. Prov. £5, £1 p.d.	140 1/2	...	4 1/2
99 1/2	96 1/2	100 1/2	97 1/2	Nat. D. 2 1/2% 1944-46	99 1/2	+1 1/2	2 1/2	144 1/2	142 1/2	Roy. Bk. of Scotland	144 1/2	...	2 1/2
114 1/2	107 1/2	112 1/2	107 1/2	Victory Bonds 4% 1946	114 1/2	+1 1/2	4 1/2	148 1/2	146 1/2	St. of S.A. £20, £5 p.d.	148 1/2	...	4 1/2
103 1/2	99 1/2	101 1/2	97 1/2	War L. 3 1/2% 1952	103 1/2	+1 1/2	3 1/2	152 1/2	150 1/2	Union Dis. £1 p.d.	152 1/2	...	3 1/2
96 1/2	93 1/2	97 1/2	94 1/2	Local Loans 3%	96 1/2	+1 1/2	3 1/2	156 1/2	154 1/2		156 1/2	...	3 1/2
102 1/2	99 1/2	101 1/2	97 1/2	Austria 3% 1933-53	102 1/2	+1 1/2	3 1/2	160 1/2	158 1/2		160 1/2	...	3 1/2
72	62	67 1/2	63 1/2	India 2 1/2%	65 1/2	+1 1/2	2 1/2	164 1/2	162 1/2		164 1/2	...	2 1/2
85 1/2	74 1/2	81	75	Do. 3%	78 1/2	+1 1/2	3 1/2	168 1/2	166 1/2		168 1/2	...	3 1/2
98 1/2	87 1/2	94	88 1/2	Do. 3 1/2%	91 1/2	+1 1/2	3 1/2	172 1/2	170 1/2		172 1/2	...	3 1/2
119 1/2	112 1/2	116 1/2	114 1/2	Dom. & Col. Govts.	116 1/2	...	...	176 1/2	174 1/2		176 1/2	...	3 1/2
107 1/2	105	108 1/2	105 1/2	Austr. 5% 1945-75	107 1/2	...	...	180 1/2	178 1/2		180 1/2	...	3 1/2
105 1/2	101	104 1/2	100 1/2	Canada 4% 1940-60	102 1/2	...	...	184 1/2	182 1/2		184 1/2	...	3 1/2
118	114 1/2	118 1/2	115 1/2	Nigeria 5% 1950-60	115 1/2	+1 1/2	5 1/2	188 1/2	186 1/2		188 1/2	...	5 1/2
119	114 1/2	118 1/2	115 1/2	N. Zealand 5% 1946	116 1/2	...	...	192 1/2	190 1/2		192 1/2	...	5 1/2
107 1/2	103 1/2	107 1/2	102 1/2	Queens 5% 1940-60	103 1/2	...	...	196 1/2	194 1/2		196 1/2	...	5 1/2
114 1/2	110 1/2	112 1/2	110 1/2	S. Africa 5% 1945-75	111 1/2	...	...	200 1/2	198 1/2		200 1/2	...	5 1/2
103	93	96 1/2	89	Foreign Governments	90	+1 1/2	5 0/2	204 1/2	202 1/2		204 1/2	...	5 1/2
105 1/2	97 1/2	102 1/2	24	Arg. 4 1/2% Sgr. Bds.	47 1/2	+1 1/2	9 10/2	208 1/2	206 1/2		208 1/2	...	9 10/2
91 1/2	84 1/2	89 1/2	48	Austria 7% 1937	47 1/2	+1 1/2	5 0/2	212 1/2	210 1/2		212 1/2	...	5 0/2
102 1/2	95 1/2	99 1/2	95	Do. 4 1/2% 1934-56	97 1/2	+1 1/2	4 1/2	216 1/2	214 1/2		216 1/2	...	4 1/2
33 1/2	24 1/2	33 1/2	31 1/2	Bulgaria 7 1/2% 1970	33 1/2	...	7 1/2	220 1/2	218 1/2		220 1/2	...	7 1/2
89 1/2	37	37 1/2	16	Brazil 5% Fd. 1914	19 1/2	...	18 0/2	224 1/2	222 1/2		224 1/2	...	18 0/2
24	15	19 1/2	16 1/2	Chile 6% (1929)	16 1/2	...	14 0/2	228 1/2	226 1/2		228 1/2	...	14 0/2
95 1/2	54 1/2	60 1/2	40 1/2	China 5% (1912)	51 1/2	+1 1/2	9 14 1/2	232 1/2	230 1/2		232 1/2	...	9 14 1/2
101 1/2	99 1/2	101 1/2	99 1/2	China 5% (1913)	101 1/2	+1 1/2	10 1 1/2	236 1/2	234 1/2		236 1/2	...	10 1 1/2
100	92 1/2	98	94	Czechoslovakia 8%	97 1/2	+1 1/2	8 1/2	240 1/2	238 1/2		240 1/2	...	8 1/2
106 1/2	100 1/2	103 1/2	100 1/2	Denmark 3%	102 1/2	+1 1/2	3 1/2	244 1/2	242 1/2		244 1/2	...	3 1/2
1812	11	13	10 1/2	Egypt Unified 4%	10 1/2	...	5 6 1/2	248 1/2	246 1/2		248 1/2	...	5 6 1/2
66	52 1/2	60	53 1/2	French 4% (British)	54 1/2	+1 1/2	12 19 1/2	252 1/2	250 1/2		252 1/2	...	12 19 1/2
49 1/2	33 1/2	35 1/2	32 1/2	Ger. 7% Dawes Ln.	32 1/2	...	17 1/2	256 1/2	254 1/2		256 1/2	...	17 1/2
40 1/2	30	34	25	Do. 5 1/2% Young Ln.	25 1/2	...	8 9 1/2	260 1/2	258 1/2		260 1/2	...	8 9 1/2
62	47 1/2	58 1/2	30	Greek 6% Sub. Ln.	39 1/2	+1 1/2	9 9 1/2	264 1/2	262 1/2		264 1/2	...	9 9 1/2
88 1/2	53	60	38	Hungary 7 1/2%	55 1/2	...	10 0 1/2	268 1/2	266 1/2		268 1/2	...	10 0 1/2
94 1/2	57 1/2	64 1/2	43	Japan 5 1/2% 1936-65	55 1/2	...	10 12 1/2	272 1/2	270 1/2		272 1/2	...	10 12 1/2
121 1/2	103 1/2	112 1/2	111 1/2	Do. 6% (24) red. 1959	111 1/2	+1 1/2	12 0 1/2	276 1/2	274 1/2		276 1/2	...	12 0 1/2
61 1/2	40 1/2	47 1/2	36	Norwegian 4% 1911	40 1/2	...	3 7 1/2	280 1/2	278 1/2		280 1/2	...	3 7 1/2
83	56	72	54	Peru 7 1/2% 1922	54 1/2	...	8 19 1/2	284 1/2	282 1/2		284 1/2	...	8 19 1/2
20 1/2	13	15	11	Poland 7%	13 1/2	+1 1/2	14 0 1/2	288 1/2	286 1/2		288 1/2	...	14 0 1/2
96 1/2	88 1/2	92	80	Roum. 4% Con. 1922	82 1/2	...	13 1/2	292 1/2	290 1/2		292 1/2	...	13 1/2
118	111 1/2	115 1/2	110 1/2	U.K. & Arg. C. 3%	111 1/2	...	3 6 1/2	296 1/2	294 1/2		296 1/2	...	3 6 1/2
118 1/2	112 1/2	117 1/2	114 1/2	Corporation Stocks	114 1/2	...	...	300 1/2	298 1/2		300 1/2	...	...
95 1/2	82 1/2	87 1/2	83	Bir. Man. 5% 1946-56	83 1/2	...	3 10 1/2	304 1/2	302 1/2		304 1/2	...	3 10 1/2
101	93	97 1/2	94	Do. 4 1/2% 1948-58	94 1/2	+1 1/2	3 11 1/2	308 1/2	306 1/2		308 1/2	...	3 11 1/2
104 1/2	100 1/2	105 1/2	101 1/2	L.C.C. 3% 1954-64	101 1/2	+1 1/2	3 6 1/2	312 1/2	310 1/2		312 1/2	...	3 6 1/2
				Liverpool 3% 1954-64	102 1/2	...	3 6 1/2	316 1/2	314 1/2		316 1/2	...	3 6 1/2
				Mid. 3 1/2% 1957-62	102 1/2	...	3 6 1/2	320 1/2	318 1/2		320 1/2	...	3 6 1/2

(a) Interim dividend. (b) Yield on 3 1/2% basis. (c) Final dividend. (d) Dividends for full year. (e) Paid in £N.Z. (f) Allow for exchange. (g) Flat yield. (h) Yield based on 2 1/2% coupon. (i) Yield based on 3 1/2% coupon. (j) Yield based on 4 1/2% coupon. (k) Yield based on 5 1/2% coupon. (l) Yield based on 6 1/2% coupon. (m) Yield based on 7 1/2% coupon. (n) Yield based on 8 1/2% coupon. (o) Yield based on 9 1/2% coupon. (p) Yield based on 10 1/2% coupon. (q) Yield based on 11 1/2% coupon. (r) Yield based on 12 1/2% coupon. (s) Yield based on 13 1/2% coupon. (t) Yield based on 14 1/2% coupon. (u) Yield based on 15 1/2% coupon. (v) Yield based on 16 1/2% coupon. (w) Yield based on 17 1/2% coupon. (x) Yield based on 18 1/2% coupon. (y) Yield based on 19 1/2% coupon. (z) Yield based on 20 1/2% coupon.

Prices, Year 1938 Jan. 1 to Apr. 6, inclusive				Last two Dividends		Name of Security	Price, Apr. 6, 1938	Change since Mar. 30, 1938	Yield, Apr. 6, 1938	Prices, Year 1938 Jan. 1 to Apr. 6, inclusive				Last two Dividends		Name of Security	Price, Apr. 6, 1938	Change since Mar. 30, 1938	Yield, Apr. 6, 1938
High-est	Low-est	(a) %	(b) %	(c) %	High-est					Low-est	(a) %	(b) %	(c) %	High-est	Low-est				
25 1/2	21 1/2	Nil	Nil	Iron, Coal, &c. - cont.	21 10 1/2	...	Nil	55 1/2	45 1/2	6 1/2	5 1/2	Finlay (Jas.) & Co. £1	46 1/2	...	15 0	46 1/2	...	15 0	
26 1/2	23 1/2	Nil	1 c	Thornycroft, John £1	24 1/2	...	Nil	61 1/2	51 1/2	7 1/2	6 1/2	Gallagher Ltd. Ord. £1	5 1/2	...	4 14 0	5 1/2	...	4 14 0	
27 1/2	24 1/2	6 b	3 c	U. States Steel \$100	26 1/2	+83	2 7 1	7 1/2	3 9	Nil	Nil	Gaumont-Brit. 10/-	5 1/2	+6d	Nil	5 1/2	+6d	Nil	
26 10 1/2	19 10	10 c	10 c	Un. Steel Cos. Ord. £1	26 1/2	+3d	6 17 2	20 6	11 3	6 a	10 b	Gen. Refractor's 10/-	15 3	+9d	10 0	15 3	+9d	10 0	
28 1/2	22 1/2	10 c	10 c	Vickers 10/-	22 9	+6d	4 8 0	30 3/2	23 1/2	22 1/2	15 a	Getstetter (D) 5/-	26 10 1/2	...	6 0	26 10 1/2	...	6 0	
28 1/2	22 1/2	10 c	33 a	Ward (Thos. W.) £1	25 1/2	...	8 0	95 7/2	68 1/2	5 a	2 a	Harrods £1	65 7 1/2	...	5 12 0	65 7 1/2	...	5 12 0	
36 1/2	33 1 1/2	10 1/2	12 1/2	Weardale S. etc. £1	35 1/2	...	7 4 9	25 1/2	21 1/2	8 c	9 c	Imp. Airways £1	22 6	...	5 10 0	22 6	...	5 10 0	
36 1/2	33 1 1/2	10 1/2	12 1/2	Whitehead I. & S. £1	47 1/2	-18	7 3 9	35 3/2	27 6	3 c	5 1/2 b	Imp. Chem. Ord. £1	30 9 x	+1 10	5 10 0	30 9 x	+1 10	5 10 0	
50 1/2	40 7 1/2	22 1/2 b	12 1/2 a	Yarrow & Co. £1	42 6	...	7 0 0	13 7 1/2	9 9	Nil	5 c	Imp. Smelting £1	10 7 1/2	-7 1/2	5 10 0	10 7 1/2	-7 1/2	5 10 0	
				Textiles								Imp. Tobacco £1	42 1/2	+1 6	3 14 0	42 1/2	+1 6	3 14 0	
5 9	3 6	Nil	Nil	Bleachers £1	3 9	-6d	Nil	75 4	6	17 1/2 a	17 1/2 b	International Tea 5/-	11 6	+3d	5 13 9	11 6	+3d	5 13 9	
5 1/2	3 4 1/2	Nil	Nil	Bradford & Bt. £1	4 4 1/2	-1 10 d	Nil	515 1/2	387 1/2	8 1/2	5 a	Lever & Unilever £1	36 3	+2 6	4 8 3	36 3	+2 6	4 8 3	
7 6	4 10 1/2	Nil	Nil	Brit. Cel. Ord. 10/-	5	-3d	Nil	12 1/2	10 3/4	8 b	4 a	Lyons Brick £1	52 6	+2 6	7 12 4	52 6	+2 6	7 12 4	
41 1/2	32 6	10 c	10 c	Calico Printers £1	5	-	Nil	40 3	32 9	4 b	4 a	Marks & Spen. A 5/-	51 3	+2 6	3 18 1	51 3	+2 6	3 18 1	
48 1 1/2	36 1/2	31 1/2 a	7 b	Coats, J. and P. £1	35 7 1/2	+7 1/2 d	5 12 0	60 1/2	43 9	22 1/2 c	20 c	Murex £1 Ord.	43 1/2	+1 8	4 15 0	43 1/2	+1 8	4 15 0	
39 9	33 1 1/2	7 1/2 b	2 1/2 a	Courtaulds £1	40	+2/-	5 5 0	54 5	5	14 1/2 b	8 1/2 a	Philips (Godfrey) £1	33 1 1/2	-7 1/2	7 2 0	33 1 1/2	-7 1/2	7 2 0	
39 9	31 10 1/2	Nil	Nil	English Spw. Ctn. £1	35 1/2	+1 1/2 d	Nil	60 7 1/2	42 6	32 1/2	12 1/2 a	Pinchin Johnson 10/-	28 6	...	6 2 0	28 6	...	6 2 0	
33 9	25 1/2	3 a	5 1/2 b	Fine Cotton Spin. £1	41 1/2	...	6 16 0	37 2	32 6	21 2 a	21 2 a	Prices Trust Ord. 5/-	33 1 1/2	+1 10 1/2	6 16 0	33 1 1/2	+1 10 1/2	6 16 0	
49 4 1/2	40 1/2	+12 1/2 c	+12 1/2 c	Linen Thread Sct. £1	45 1/2	+1 10 1/2	5 11 10	35 6	26 3	7 1/2 10	10 b	Radcliff & Sons Ord. £1	51 x	+1 6	4 6 0	51 x	+1 6	4 6 0	
18 9	10 7 1/2	6 c	Nil	Patons & Baldwins £1	10 7 1/2	...	11 6 8	40 6	26 3	12 1/2 a	32 1/2 b	Sears (J.) Ord. 5/-	12	-	10 0 1	12	-	10 0 1	
				Whitworth & Mtt. £1				58 9	42 6	31 1/2 a	21 1/2 c	Smithfield & Arg. Mt. £1	10 x	-6d	8 0 0	10 x	-6d	8 0 0	
45 3	34 9	10 c	10 c	Electrical Manufacts.	36 6	+6d	5 9 0	14 3	11 6	15 2 a	18 1/2 b	Spillers Ord. £1	55 1/2	+7 1/2 d	5 14 3	55 1/2	+7 1/2 d	5 14 3	
95 6	77 6	5 a	15 b	Associated Elec. £1	82 6	...	4 17 0	14 3	11 6	15 2 a	18 1/2 b	Swed. Match. B. Kr. 25	23 1/2	+1 1/2	4 14 0	23 1/2	+1 1/2	4 14 0	
89 4 1/2	78 9	15 b	5 a	British Insulators £1	80 7 1/2	-1 10 1/2	4 19 0	14 6	9 6	21 2 c	4 c	Tilling, Thos. & Co. £1	43 9	...	4 11 5	43 9	...	4 11 5	
30 1/2	18 9	6 a	6 1/2 b	Callenders £1	23 9	+1 3	2 15 0	60 6	52 9 3/4	21 2 a	12 1/2 b	Tob. Secrs. Ord. £1	57 6	+2 6	5 11 3	57 6	+2 6	5 11 3	
31 6	26 3	Nil	10 c	Crompton Park. A 5/-	28	+6d	7 12 0	25 7 1/2	21 1/2	Nil	Nil	Triplex Safety G. 10/-	38	-1 3	5 4 0	38	-1 3	5 4 0	
77 1/2	67 1/2	17 1/2 c	17 1/2 c	English Electric £1	28 1/2	+2 1/2	4 16 0	83 1/2	70 1/2	44 1/2	14 1/2 a	Tube Investments £1	79 1/2	+1 10 1/2	5 17 6	79 1/2	+1 10 1/2	5 17 6	
41 3 1/2	25 1/2	15 b	6 a	General Electric £1	16 10 1/2	+2 1/2	4 16 0	83 1/2	70 1/2	44 1/2	14 1/2 a	Turner & Newall £1	80 1/2	...	4 16 0	80 1/2	...	4 16 0	
29 3	25 1/2	6 c	7 1/2 c	Hewlett (W. L.) £1	35 1/2	...	5 14 0	68 4 1/2	52 6	5 a	11 b	United Dairies £1	52 1/2	-2/-	4 16 0	52 1/2	-2/-	4 16 0	
41 3	25 1/2	6 c	7 1/2 c	Johnson & Phillips £1	26 3	...	5 14 3	53	30 7 1/2	60 c	35 c	Unilever Molasses 6 1/2	21 10 1/2	+7 1/2 d	6 5 0	21 10 1/2	+7 1/2 d	6 5 0	
				Siemens £1				86 1/2	74 4 1/2	7 1/2 a	16 1/2 b	Walpole Mrs. Def. £1	36 3	+7 1/2 d	6 18 0	36 3	+7 1/2 d	6 18 0	
				Electric Light, &c.				87 1/2	70 1/2	35 1/2	16 1/2 b	Wiggins, Teape Ord. £1	33 9	...	5 6 8	33 9	...	5 6 8	
113	87 3/8	Nil	81 c	Brazil Trac. no par.	88 3/4	+3 1/4	11 8 6	87 1/2	70 1/2	35 1/2	16 1/2 b	Woolworth Ord. 5/-	63 1/2	+1 10 1/2	4 15 0	63 1/2	+1 10 1/2	4 15 0	
68 1/2	62 6	6 a	9 b	Bournemout & Co. £1	63 9	...	5 6 0	57 1/2	46 1/2	46 1/2	14 1/2 a	Ashanti Goldfields 4/-	59 4 1/2	+5/-	6 8 0	59 4 1/2	+5/-	6 8 0	
34 3	24 6	31 1/2 a	4 a	British Pow. & Lt. £1	26 6	...	5 6 0	27 7 1/2	18 4 1/2	6 1/2 a	15 b	Burma Corp. Rs. 9	9 4 1/2	+1 1/2 d	14 13 0	9 4 1/2	+1 1/2 d	14 13 0	
41 1/2	36 3	3 a	5 b	City of London £1	34 1/2	+6d	4 7 6	38 9	34 9	5 1/2 a	7 1/2 b	Commwhinn. Mng. 5/-	1 10 1/2	+1 1/2 d	Nil	1 10 1/2	+1 1/2 d	Nil	
51/-	45 3	3 a	5 b	Clyde Valley Elec. £1	40 6	+1 6	3 19 0	39 3	32 6	6 b	3 a	Cons. Glids. of S. Al. £1	66 10 1/2	+3 7 1/2	6 0 0	66 10 1/2	+3 7 1/2	6 0 0	
38 1/2	34 1/2	3 a	4 a	County of London £1	48 1/2	-6d	4 7 0	70 7	60 6	15 a	45 b	Cons. Glids. of N. Al. £1	17 1/2	...	8 10 4	17 1/2	...	8 10 4	
38 1/2	34 1/2	3 a	4 a	Edmundsons £1	36 0	...	5 9 6	70 7 1/2	52 6	95 c	95 c	De Beers (Def.) £2 1/2	53 9	+1 3	7 8 9	53 9	+1 3	7 8 9	
32 1/2	28 9	2 1/2 a	5 a	Lancashire Elec. £1	32 6	...	4 12 0	12 10 1/2	8 9	11 1/2 b	6 a	Io'burg. Cons. £1	91 x	+1 2	6 0 0	91 x	+1 2	6 0 0	
48 1/2	43 6	3 a	9 b	London Ass. Elec. £1	40 1/2	...	4 13 4	3 6	1 6	Nil	Nil	Rhokana Corp. £1	14 1/2	+1 1/2	(Nil)	14 1/2	+1 1/2	(Nil)	
38 1/2	33 1/2	2 1/2 a	4 1/2 b	Metro. Electric £1	47 1/2	...	5 2 0	81 3	62 6	20 c	32 1/2 c	Rio Tinto £5	15 9	+1 6	8 2 6	15 9	+1 6	8 2 6	
42 1/2	26 6	2 1/2 a	4 1/2 b	Midland Counties £1	35 6	...	3 19 9	16 14	14 3	30 a	Nil	Union Corp. 12 6 fy pd	79 1/2	+7 1/2	5 12 6	79 1/2	+7 1/2	5 12 6	
39 1/2	26 6	2 1/2 a	4 1/2 b	North-East. £1	28 6	...	4 18 6	69 10 1/2	51 10 1/2	20 c	20 c	W. Witwatersrand 10/-	64 1/2	+3	Nil	64 1/2	+3	Nil	
32 1/2	24 6	2 1/2 a	4 1/2 b	North Metro. £1	46 3	...	4 10 0	12 1/2	9 14	Nil	Nil	Wiluna Gold £1	5 9	+3d	Nil	5 9	+3d	Nil	
39 1/2	34 1/2	2 1/2 a	5 b	Scottish Power £1	38 1/2	...	4 4 0	19 1/2	13 1/2	78 1/2	80 1/2								
40 8	37 6	3 a	5 b	Yorkshire Electric ...	38 1/2	...	4 4 0	21 7 1/2	13 7 1/2	78 1/2	80 1/2								
				Gas				21 7 1/2	13 7 1/2	78 1/2	80 1/2								
25 1/2	21 6	5 1/2 a	5 1/2 b	Gas Lt. & C. £1	22 6	+9d	4 19 0	19 1/2	13 1/2	78 1/2	80 1/2								
137 1/2	118	6 a	2 1/2 a	Imp. Cont. S. £1	118 1/2	-1	4 15 0	10 1/2	9	2 1/2 c	6 1/2 c								
23 3/8	21 6	2 1/2 a	2 1/2 b	Newcom. Cont. S. £1	23 3/8	...	5 4 3	92 1/2	51 1/2	Nil	Nil								
109 1/4	101 1/4	2 1/2 a	3 b	S. Metropolitan S. £1	105 1/2	...	5 4 3	13 9	5 2 1/4	10 c	10 c								
				Motors and Cycle															

Industry and Trade

Lord Hirst and the Trade Outlook.—In his address to the annual meeting of the Federation of British Industries Lord Hirst, the retiring President, said that he saw no slump ahead. His evidence, however, was derived not so much from the latest signposts of economic trends as from the achievements of the past. In his view the recent recession is unjustified on economic grounds, but is due to the psychological effect of world affairs. Lord Hirst was quite justified in pointing out that industrial activity remains at a high level, but his contention that there are now more people in employment than ever before is not altogether correct, for the number of insured persons at work in Great Britain has fallen from 11,706,000 last September to 11,380,000 in the past month. Moreover, Lord Hirst did not mention the widespread decline in new orders, as a result of which many important industries, including cotton and wool textiles, and the tinplate trade, have sunk back into a condition of depression. Furthermore, the relative slowness of the decline in general business activity since last autumn is largely due to the long time-lag between the placing of new orders and their completion in certain important industries, including building, iron and steel, and engineering. Increased armament expenditure may soften the impact of shrinking civil orders during the next few months, but it is unlikely to prevent some further contraction in general business activity. On the other hand, Lord Hirst's forecast that re-armament is unlikely to be completed within five years may well prove correct. Indeed, the latest developments on the international political stage indicate that we are only at the beginning of a colossal armaments race whose end no one can foresee.

Seasonal Increase in Employment.—The slight improvement in employment noticeable in February continued during the past month. The number of insured persons at work in Great Britain on March 14th was 11,380,000, an increase of 56,000 over February 14th and of 71,000 over January 17th. Concurrently, the number of unemployed persons on the registers of the employment exchanges of Great Britain declined by 61,440 to 1,749,000 between February and March. At first sight the increase in employment seems satisfactory, suggesting that the downward trend in British business activity has been arrested. It must be remembered, however, that employment normally shows a strong seasonal increase between January and May. And, if allowance is made for seasonal variations, the trend of employment remained downward last month. Our index of employment, for example, which is adjusted for seasonal variations, declined from 110½ (1935 = 100) in January to 110 in February and 109½ in March. The increase in the number

of persons at work has thus masked the continuance of the downward trend. Moreover, the number of insured persons employed last month showed an increase of only 16,000 over the corresponding month a year earlier, and the number of registered unemployed was actually 202,000 higher than a year ago.

UNEMPLOYMENT BY INDUSTRIES

Industrial Group	Numbers in Thousands				Percentages
	Mar. 15, 1937	Feb. 14, 1938	Mar. 14, 1938	Mar. 14, 1937	
Coal-mining	130.9	98.7	103.6	11.9	- 2.7
Engineering	44.2	57.1	51.1	6.6	+ 0.7
Motor vehicles, cycles and aircraft	14.3	27.0	24.1	6.9	+ 2.3
Metal goods manufactures ..	31.2	53.2	56.7	16.9	+ 7.1
Building	155.5	174.3	142.2	13.7	+ 1.5
Public works contracting	117.5	112.0	106.9	36.3	- 4.3
Cotton	38.9	91.6	94.8	23.2	+14.0
Woolen and worsted	15.0	47.0	47.3	21.2	+14.5
Tailoring	24.2	29.0	25.2	11.7	+ 0.2
Hotels, boarding-houses, etc., service	69.6	83.1	80.8	18.2	+ 3.7
Distributive trades	198.0	212.4	207.9	10.1	+ 0.2
All persons registered (including other trades)	1546.9	1810.4	1748.9	...	...

As the accompanying table shows, the increase in unemployment has been most marked in the cotton and wool textile industries, which have suffered severely from the decline in export orders. The coalmining, building and contracting industries are the only branches of activity listed in the table which experienced a decrease in unemployment during the past twelve months. A year ago, however, employment in building and contracting was affected by adverse weather conditions. As the downward trend in employment has been masked by a slight seasonal improvement, it may appear all the more abrupt in the summer, when business activity usually shows a decline.

Consumers Reduce their Purchases.—Although the rate of increase in the value of retail sales, as measured by the monthly indices published by the *Board of Trade Journal*, has tended to slow down in recent months, the value of turnover has so far remained ahead of last year. It has been suspected, however, that the increase in the value of turnover has masked a decline in volume during recent months. This surmise has now been confirmed by the evidence given in the annual report of the Retail Distributors' Association issued this week. In a series of charts the course of the value of department store sales since 1935 is compared with their volume. The diagrams show that the sustained expansion of the volume of turnover was suddenly reversed last spring. Since then the volume of

transactions in the principal departments has shown a distinct decline. This development goes a long way to explain the decline in new orders for consumption goods which has been in evidence since last summer. In view of the importance of retail trade, it is to be hoped that the authorities will, in future, supplement the monthly statistics of the value of retail sales with indices showing the trend of the volume of turnover, especially as the technical difficulties of adjusting values for changes in prices appear to have been largely overcome.

Setback in the Tinplate Industry.—The slump in the tinplate industry has been one of the most surprising developments in the British iron and steel trade since the beginning of the year. In 1937 production exceeded all records with an output of 957,700 tons, compared with 814,800 tons in 1936. As recently as last September the mills operated at 80.5 per cent. of their nominal capacity under the pooling scheme, and the proportion of the capacity employed averaged 73 per cent. during the past year. Since January production has rapidly declined. Early in March quota restrictions, which were suspended during the 1937 boom, were restored, and allocations for the period from the beginning of March to the end of May were fixed at a maximum figure of 60 per cent. of capacity. Demand, however, has recently fallen far below this estimate and the returns of the Welsh Plate and Sheet Manufacturers' Association show that the industry operated at only 43.7 per cent. of its capacity during the week ended March 19th. At the end of February there were in operation only 266 tinplate mills and 65 sheet mills, compared with last year's peak figures of 402 and 106 mills, respectively. The proportion of unemployed persons in the industry was then 35.2 per cent., against 15.2 per cent. at the corresponding date in 1937, and only 9.6 per cent. last September. The industry rarely carries heavy stocks, but these now exceed 11,000 tons, compared with last year's smallest weekly total of 1,442 tons. Prices, however, are regulated by the International Tinplate Association, and, in spite of the heavy fall in the price of tin, these have remained unchanged since last December at from 22s. 6d. to 23s. per basis box, f.o.b.

The setback is attributed to overstocking during the past year, followed by a sharp contraction in world exports since January. The decline in exports has been most severe in the United States, but British exports to Continental countries during January and February were less than one-third of shipments in the corresponding period last year. Had it not been for an increase from 26,500 tons to 43,400 tons in consignments to Empire markets, the position of the industry in South Wales would be even worse. It is hoped that there will be an improvement when stocks have been reduced, but the outlook is unpromising, and the European Cartel will find it difficult to weather the storm, particularly in view of the inauguration of tinplate manufacture in Belgium and the demand of that country for an export quota.

Government and Cotton Cloth Supplies.—During the last few months meetings have been held between representatives of the Lancashire cotton industry and the Government's Supply Department to ascertain what each manufacturer could supply in the event of a national emergency. A further meeting was held at the beginning of this week at the offices of the Manchester Chamber of Commerce. There was a discussion concerning the arrangements to be made for manufacturers to co-operate with the Supply Department in its attempt to obtain the required information. It is understood that the firms concerned will supply particulars of their capacity to provide the textiles likely to be required. From time to time Lancashire firms receive substantial Government contracts for khaki drills, ground sheets, tent cloths and other service equipment for

the army, navy and air force. It has been suggested that the Government might take advantage of the present relatively low prices by purchasing sufficient stocks to last over the first few weeks of any emergency. Such a policy would also do something to mitigate the severe recession in the cotton industry.

Further Decline in Shipping Rates.—The deterioration in world economic conditions is reflected in the persistent decline in our index of tramp shipping freight rates. As the table below shows, the decline in freight rates continued during the past month, when our index was 16.2 per cent. below the figure for March, 1937, and 32.0 per cent. below the figure for last September. Moreover, the index for last month was the lowest since November, 1936.

The Economist INDEX OF FREIGHT RATES
(1898-1913=100)

	Average, 1913	Mar., 1937	Dec., 1937	Jan., 1938	Feb., 1938	Mar., 1938
European waters.....	110.0	150.4	140.8	124.6	117.6	109.3
North America.....	113.1	117.1	118.0	118.5	109.3	110.6
South America.....	123.4	119.3	109.4	110.6	122.4	129.6
India.....	106.3	151.4	141.2	142.6	130.3	120.0
Far East and Pacific.....	117.4	143.3	127.1	128.6	120.4	111.8
Australia.....	127.9	145.1	121.7	130.0	113.4	111.6
Total.....	116.3	137.8	126.4	125.8	118.9	115.5
1913 = 100	100.0	118.4	108.6	107.9	102.1	99.2

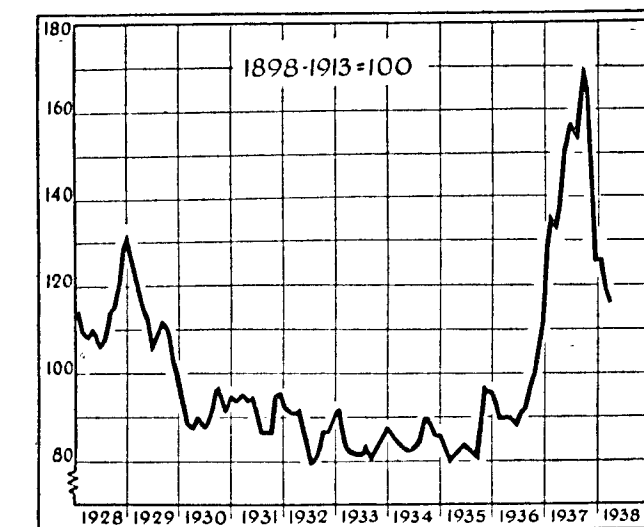
As the next table shows, freight rates declined between February and March on most of the principal trade routes:—

	Index No.	Inc. or dec. Points		Index No.	Inc. or dec. Points
Home trade	97.8	-10.8	South America:—		
Bay—outwards.....	104.6	—	Outwards	106.3	+14.7
Bay—homewards.....	148.4	-16.1	Homewards	153.0	- 0.2
Mediterranean:—			India—outwards ..	101.1	- 4.2
Outwards.....	82.8	+ 1.1	India—homewards ..	139.0	-16.3
Homewards	124.3	-13.2	Far East, etc.	111.8	- 8.6
North America.....	110.6	+ 1.3	Australia	111.6	- 1.8

The latest reports from the freight markets remain unpromising.

The accompanying diagram shows the movements of *The Economist* tramp shipping freight index during the past ten years:—

THE ECONOMIST SHIPPING FREIGHT INDEX



The decline since last September has been as sudden as the previous advance. And there are no indications that the current trend is likely to be reversed in the near future. International trade and commodity prices are still declining, while total shipping capacity is being increased by the

(Continued from page 103)

showed a profit of \$19,654,860, plus a non-recurring profit of \$2,839,503 from the sale of an investment. Dividends declared in 1937 were \$14,949,988, including \$13,070,625 (\$1.00 per share) on the common stock.

Edmundsons Electricity Corporation, Ltd.—The results of the operations of the Edmundsons group of companies during March, 1938, as compared with March, 1937, show an increase of 7 per cent. of units sold.

John Dickinson and Company.—Net profits for 1937 £369,290, an increase of £92,274. Ordinary dividend maintained at 10 per cent. plus a bonus of 4 against 2 per cent. To reserves:—General, £100,000 (£50,000); contingency, £35,000 (£25,000). Carry forward £4,000 higher at £76,970.

Amalgamated Anthracite Collieries.—Trading profits 1937 £294,052 against £345,141. Tax £16,000 (£27,000). Debenture interest £114,265 (£117,783). To debenture reserve £56,144 (£105,613). Carry forward £257,709 (£194,606). Depreciation and general reserve stands at

£529,593. It is not proposed to set aside further sums for depreciation.

Van Den Berghs and Jurgens.—Trading profits 1937 £1,438,196, an advance of £230,003. Net profits, before tax, are £1,172,643 against £940,040. Income tax and N.D.C., £323,096 (£187,787). To reserve £200,000 (same). To contingencies reserve £50,000 (nil). The ordinary dividend absorbs £715,462. Carry forward reduced from £266,167 to £150,325.

Army and Navy Stores.—Net profit for year to January 29, 1938, £180,638, is £9,264 lower. Ordinary dividend and bonus unchanged at 15 per cent. To reserve £15,000 (£20,000). A further £25,000 placed to development account. For N.D.C. £6,000. Carry forward reduced from £124,870 to £103,055.

General Motors Corporation.—Net profit 1937 \$196,437,000 (\$4.38 per share), compared with \$238,482,000 (\$5.35 per share) for 1936. Current assets \$492,899,000 (\$513,986,000); current liabilities \$145,683,000 (\$174,300,000); net sales \$1,606,790,000 (\$1,439,290,000).

United Premier Oil and Cake Mills.—Total income 1937 £100,047, against £121,197 for 1936 which included £23,648 from profits of previous years. Ordinary dividend and bonus unchanged at 12½ per cent. To reserve £10,000 against £25,022. Carry forward raised from £39,855 to £39,877.

Mexican Eagle Oil.—The company has joined with the other oil companies concerned in filing injunction proceedings with the Mexican Supreme Court, claiming *inter alia* the illegality of the Expropriation Decree of March 18th. The petition has been admitted, and the date for hearing is set down for some time in September.

Civil Service Supply Association.—Profits for the year ended February 28, 1938, are £64,002 against £67,662. There is left £61,340 (against £61,103) after debenture interest. Dividend on "A" shares of 6 per cent. against 5½ per cent. last year; £6,000 to reserve (same); £2,660 to debenture redemption account (first allocation). Carry forward £31,445 against £29,637

completion of tonnage ordered during the period of rising rates. Although current rates are still well above the depression level, it is doubtful whether they are sufficient to enable shipowners to provide for normal depreciation, for running costs have shown a substantial increase in the past two years.

* * *

Oil Market Developments.—The precipitous decline of business activity in the United States, which has wrought havoc on so many of the commodity markets, has had a depressing influence on prices of petroleum products in recent months. This development may be illustrated by the following price indices from the current issue of the *Petroleum Press Service* :—

	GULF EXPORT PRICES.			
	Gasoline (64/66 Be)	Kerosene (44 water white)	Gas Oil (30° pl.)	Fuel Oil ("C" Bunker)
	(1929 = 100)			
1932 Average	48.3	53.0	79.5	63.0
1934 "	48.4	54.1	89.7	122.0
1936 "	56.5	51.4	77.9	113.3
1937 "	60.9	64.1	100.2	121.7
1937 March	61.0	64.1	93.7	124.2
June	63.1	60.8	98.4	125.5
September ...	63.7	65.5	102.5	119.5
December ...	53.1	66.9	108.4	112.9
1938 January	52.0	65.0	108.4	108.8
February	51.1	60.2	98.0	105.6
March	50.4	58.9	95.2	102.3

The decline in American gasoline prices since the autumn, however, is not due to a decline in the demand for motor spirit; in January, for example, consumption achieved an all-time record for that month. The fall has been caused by the maintenance of production at too high a level during the winter, and to the consequent accumulation of stocks to the record level of 93 million barrels, against about 83 millions at this time last year. Selling pressure was reduced and demand on the home market registered a marked improvement last month owing to increased purchases in anticipation of the advance in railway freight rates at the end of March. The larger output of gasoline was the inevitable consequence of the high level of refinery operations, resulting from the hopes entertained last autumn that the consumption of lighter fuel oils would reach record dimensions during the winter months.

* * *

These hopes have not been realised. The mild weather reduced the demand for domestic heating, while the business recession was responsible for a diminished consumption by industry. Thus stocks of fuel oil, so far from showing the normal seasonal decline, actually registered an increase. Efforts have been made in certain States to adjust crude oil production to the lower level of demand—though for technical reasons this is by no means easy—and refineries have also curtailed their operations in certain instances; but these efforts have not been adequate. It may be concluded, therefore, that, apart from the unlikely contingency of an early and sustained improvement in American business prospects, the oil industry will have to refrain from the normal seasonal expansion of its operations if the price structure is not to be seriously undermined in coming months.

* * *

A New Nitrate Agreement.—After protracted discussions, an international nitrate convention was concluded three years ago. This convention, which comprises all the European synthetic producers and the Chilean nitrate industry, provided for the international regulation of sales and prices of nitrogen fertilisers. Unless renewed, the convention will lapse at the end of June. During the past few weeks there has been an informal exchange of views between the leading producing interests in order to prepare the way for a new agreement. Although no official information is available, the conclusion of a new agreement is confidently expected. There are few industries which are so dependent on international co-operation as the nitrate trade. The world's capacity for the production of

nitrogen is nearly twice as large as requirements, and nearly all producing countries are dependent on exports. Without an international agreement, therefore, over-production and price-cutting are inevitable. The current agreement has removed both these dangers. Prices have remained fairly stable and production has been kept below consumption, so that some reduction of stocks has been possible. According to the British Sulphate of Ammonia Federation, world consumption of nitrogen reached the record of 2,675,000 metric tons in the fertiliser year 1936-37, an increase of over 600,000 tons over 1934-35, the last year before the conclusion of the current convention. Production in 1936-37, at 2,594,000 metric tons, also reached a record, but it was only about 525,000 tons higher than in 1934-35. In view of the success of the convention, producers are unlikely to let it lapse at a moment when the downward trend of the prices of agricultural products may lead to a decline in the consumption of fertilisers.

* * *

Foot and Mouth Disease.—Hopes expressed in January that the epidemic of foot and mouth disease was spending its force have unhappily been falsified. The Ministry of Agriculture, following reported infection at Banbury market on March 24th, has imposed a Standstill Order, prohibiting the movement of stock except by licence, over most of England. The situation in the Midlands is grave. Cattle shows at Hereford, Crewe, York, Lechlade, Lincoln and Ipswich in April, and at Oxford in May, are threatened with cancellation. The number of outbreaks reported since April 1, 1937, has risen from 155 to 297 in three months of this year; and the numbers of animals destroyed from 7,514 cattle to 13,800, 14,497 sheep to 22,900, 6,197 pigs to 9,500 and 7 goats to 16. The amount of compensation paid to farmers since April 1, 1937, is reported at about £433,000, compared with £232,000, between April 1, 1937, and January 1st this year. The new Standstill Order, which in effect bans markets and shows in the greater part of agricultural England, will probably be maintained for at least a fortnight. At a crucial point in the livestock farmer's year, the Order serves as a sharp reminder that, so far from being under control, the disease has appreciably increased in intensity since the encouraging forecasts of early January.

* * *

World Using Less Cotton.—The preliminary results of a census of raw cotton consumption during the six months ended January, 1938, were published recently by the International Federation of Master Cotton Spinners' and Manufacturers' Associations. Exclusive of Italy, the world's mill consumption of cotton in this period amounted to 13,124,000 bales against 14,337,000 in the corresponding period of the previous year—a drop of 1,213,000 bales or 8.5 per cent. Detailed figures are as follows:—

Variety	(In thousands of bales)		Change
	Six months ended Jan. 31, 1937	Jan. 31, 1938	
American	6,309	5,572	— 737
East Indian	2,891	3,120	+ 229
Egyptian	565	576	+ 11
Sundries	4,572	3,856	— 716
Total	14,337	13,124	— 1,213

Total consumption of all varieties of cotton in Great Britain in the half-year ended January, 1938, was 1,429,000 bales, compared with 1,455,000 bales in the previous six months and 1,396,000 bales in the corresponding period a year ago. These figures bear witness to the decline in the activity of the cotton textile industry in recent months. Meanwhile, mill stocks of all kinds of cotton, excluding those of China, Italy, Japan and Spain—from which countries no reports were received—reached an aggregate of 5,050,000 bales on January 31, 1938, against 5,900,000 bales a year earlier, when only Italy was excluded from the figures. The world's total spindles are given as 147,157,000, against 149,618,000 in July last, both figures being exclusive of Italy.

INDUSTRIAL REPORTS

markets remains restricted. Coastwise trade is also easing in certain directions, partly owing to smaller requirements of public utility concerns. The London trade has slackened. Local industrial demands continue satisfactory. There is a plentiful supply of all classes of coal, with the price trend still easy.

*

Newcastle-on-Tyne.—The North-East coal market is quiet, but most collieries are fairly well supplied with orders up to the Easter holidays. In Durham, coking and gas coals are well booked, but second grades of unscreened steam coals are in poor request.

Iron and Steel

Sheffield.—The iron and steel market has undergone very little change this week. So far as pig-iron is concerned, the volume of buying is at a very low ebb, although a slightly better demand for foundry sorts shows signs of developing. Supplies generally are well in advance of market requirements. There is very little easing of the demand for basic steel billets, but good headway is now being made in overtaking arrears of delivery. Acid billet requirements are maintained on a good scale, and there is a substantial call for structural steel, wire rods and stainless steel sheets.

*

Glasgow.—There was some improvement in the lighter branches this week. Although re-rollers of light sections are by no means fully employed, the bookings this week have been more satisfactory and the number of inquiries greater. In the sheet trade there has been some improvement in export business, local sheet makers having secured several orders. Heavy steel-makers are still fully employed, and new work is plentiful, particularly for heavy plates. Since the beginning of this month, Admiralty work to the extent of about £2½ millions has been placed with shipyards in Scotstoun and Greenock, which, with the work already on hand, will ensure regular employment for shipyard workers in these districts for a couple of years at least. A number of important shipbuilding tenders are under consideration, and further vessels for Clyde yards are expected shortly.

*

Cardiff.—The tinplate industry remains depressed. According to the latest output returns, operations are at 45.3 per cent. of capacity. Although this is a slight improvement, there has been a further reduction in the number of mills in operation. Shipments of tinplates at Swansea last week totalled 4,873 tons, compared with 3,971 tons the previous week, and 9,104 tons in the corresponding week last year, and stocks, at 11,800 tons, are heavier than they have been for many years. One of the blast furnaces in South Wales and Monmouthshire has been blown out, and there are now six in operation, compared with seven at the beginning of the year. Prices of heavy materials and of semi-finished products are unaltered.

Textiles

Cotton (Manchester).—Business has again been limited. Curtailment of production in spinning and weaving continues on a large scale. There are now 98,216 unemployed operatives in the industry, an increase of 3,208 on the month and of 55,930 on the year.

Raw cotton prices have fluctuated. Bearish sentiment has been accentuated by the poor world consumption reports. Increased interest is now being taken in the prospects for the new American crop which has had favourable weather so far.

Spinners have given out very unsatisfactory reports concerning the business done. Delivery instructions have also been disappointing.

In some sections of the cloth market inquiry has been more active. Manufacturers have been prepared to accept very low prices and some of the quotations have been considered attractive. If it were not for the large stocks held, current prices would be favourable for free operations.

RAW COTTON delivered to Spinners
(Thousand bales)

Variety	Week ended		Total Deliveries	
	Mar. 25, 1938	Apr. 1, 1938	Aug. 1, 1936- Apr. 2, 1937	Aug. 1, 1937- Apr. 1, 1938
American	23.7	22.8	819	890.8
Brazilian	4.0	2.8	247	213.0
Peruvian, etc.	1.6	1.9	105	86.3
Egyptian	10.8	5.2	280	245.8
Sudan Sakel ...	1.8	2.4	102	105.6
East Indian	11.3	8.9	323	242.7
Other countries	3.8	2.5	148	125.6
Total	56.0	46.5	2,024	1,909.8

*

Jute (Dundee).—The depression in the jute market is acute. This is mainly the result of the Indian jute mills failing to come to an agreement to curtail their output. Stocks of hessians in Calcutta rose sharply during March. Stocks of hessians are now 353 million yards, an increase of 57 million yards since the end of February, while stocks of sackings increased by 13 million yards to 112 million yards. A further weakening of prices for Calcutta goods has followed, and this has been reflected in a decline in prices for the raw material. New crop reports are very satisfactory this year and a larger crop is expected to be sown. Last year at this time, reports were unfavourable and prices tended to advance, ruling at anything from £4 10s. to £5 per ton higher than they are now.

Negotiations are still proceeding between the Associated and the "outside" mills for an amicable agreement to curtail working hours, and there are hopes that a solution will be found in the near future. With the price of 10 oz. 40 in. hessians falling to 15s. 9d. and 8 oz. to 12s. 10d. for near shipment, the Indian mills are definitely losing money, and the low level naturally affects the prices ruling at other centres. Dundee manufacturers cannot afford to reduce their terms further and they are resorting to curtailment of production. It is estimated that the works in Dundee are running at less than 50 per cent. of capacity.

THE COMMODITY MARKETS

THE trend of the prices of the principal primary products remained downwards during the past week, both in this country and in the United States. In particular, the majority of the sensitive commodities, such as non-ferrous metals, rubber, cotton, vegetable oils, wheat and raw sugar, were marked down in price during the past week.

The sharp decline of prices during the past few weeks is partly due to the growing realisation that an early and sustained improvement of business conditions in the United States is unlikely. Pessimism has been increased by the growing disparity between the production and consumption of a large number of primary products.

In the United States, Moody's index of the prices of staple commodities (December 31, 1931=100) declined from 142.1 to 139.8 during the week ended last Wednesday. The extent of the decline is revealed by the fact that a month ago the index stood at 150.9 and at 226.3 a year ago.

Metals

Copper.—After falling back to £37 17s. 6d. per ton, i.e. the lowest level of the current year, the standard cash price for copper recovered and closed at £38 11s. 3d. on Wednesday, a net gain of 10s. on the week. There have been substantial sales throughout the week, but the market proved broad enough to absorb them without a new pressure on prices. In spite of this encouraging feature, the outlook for copper cannot be regarded with confidence. Reports from consuming centres, both in this country and on the Continent, speak of declining new orders and the accumulation of stocks of semi-finished and finished products. At the same time, the position in the United States remains unsatisfactory. In March domestic sales in that country were only 20,635 short tons, compared with 23,520 short tons in the preceding months and 53,100 short tons in March, 1937. Production outside the United States is well under control, and the output in the United States is on the decline. Nevertheless, producers may be unable to keep prices stable if consumption should show a further decline.

*

Tin.—Tin fluctuated within wide limits this week. At one time the standard cash price fell to £167 10s. per ton, i.e. the lowest level since the spring of 1933, and although the closing price was £1 10s. above that level, there was a net loss of £4 on the week. The market is much disturbed by the

unsatisfactory industrial outlook in the United States, which normally takes some 50 per cent. of world supplies. At the same time, the absence of any official news regarding Malaya's attitude towards the tin buffer pool is affecting the market adversely, particularly as the opposition against the pool is increasing in private circles, both in Malaya and in this country.

*

Lead and Spelter.—Lead declined by 8s. 9d. per ton this week, to close at £15 10s. per ton, while spelter lost 2s. 6d., closing at £13 13s. 9d. per ton. There was no new feature on the two markets this week.

SALES ON LONDON METAL EXCHANGE

Date	Copper	Tin	Lead	Spelter
1938	Tons	Tons	Tons	Tons
March 25	1,950	270	950	900
" 28	2,850	335	800	875
" 29	1,200	450	850	700
" 30	2,200	950	1,600	1,000
" 31	2,000	850	650	1,400
April 1	1,425	425	850	1,600
" 4	1,700	380	1,350	2,000
" 5	1,575	305	800	1,750
" 6	1,100	230	800	1,650

U.K. STOCKS

	Mar. 26, 1938	Apr. 2, 1938
Copper (Br. official w/houses):	Tons	Tons
Refined	7,663	7,507
Rough	24,800	24,956
Tin (London and Liverpool)	4,514	4,567

Grains

After showing a firmer tendency a week ago, wheat prices registered a further decline, revealed by the fall in Liverpool futures (May) from 6s. 10d. per cwt. to 6s. 5d. during the week ended last Wednesday. The immediate cause of the decline in prices was the renewal of Australian selling pressure and forecasts of a heavy winter wheat harvest in the United States. The area under winter wheat in the United States is 51.5 million acres, against 47.1 millions last year. Inclusive of spring wheat, the total area under the "golden grain" in the United States is 73.8 million acres, compared with 68.2 millions in 1937. Should last year's average yield of 12.8 bushels be repeated this season, the total crop would be 964 million bushels. Prices of other grains also showed a decline this week.

SALES OF BRITISH CEREALS

	Week ended	
	Mar. 26, 1938	Apr. 2, 1938
Wheat	cwt. 175,488	cwt. 178,797
Barley	cwt. 38,954	cwt. 31,800
Oats	cwt. 37,294	cwt. 27,169

AMERICAN WHOLESALE PRICES

	Mar. 30, 1938	Apr. 6, 1938		Mar. 30, 1938	Apr. 6, 1938
GRAINS (per bushel)—	Cents	Cents	METALS (per lb.)—cont.	Cents	Cents
Wheat, Chicago, May	86½	81¼	Tin, N.Y., Straits spot	38.90	37.80
Winnipeg, May	123½	123½	Lead, N.Y., Spot	4.50	4.50
Maize, Chicago, May	60½	59½	Spelter, East St. Louis, spot	4.25	4.15
Oats, Chicago, May	30	27½			
Rye, Chicago, May	64½	58½	MISCELLANEOUS (per lb.)—		
Barley, Winnipeg, May	60½	57½	Cocoa, N.Y., Acerra, May	5.33	5.05
			Coffee, N.Y., cash		
METALS (per lb.)—			Rio, No. 7	4½	4½
Copper, N.Y., Domestic spot	9.27½	9.35	Santos, No. 4	7¼	7¼
Producers' export	9.55	9.62½	Cotton, N.Y., Am. mid., spot	8.61	8.53

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 Quarters)

	Week ended	Season to		Week ended	Season to
	Mar. 26, 1938	Apr. 2, 1938		Mar. 26, 1938	Apr. 2, 1938
From—			To—		
N. America	424	302	19,613	16,369	
Argentina and Uruguay	156	210	15,439	5,730	
Australia	302	523	8,593	9,225	
Russia	87	34	11	4,517	
Danube and dist.	129	100	7,049	5,468	
India	36	16	996	1,095	
Other Countries	24	26	1,169	602	
Total	1,158	1,211	52,870	43,006	
U.K.	166	126	10,757		
"Orders"	178	452	14,542	8,977	
France	9	14	923	641	
Belgium	17	46	3,380	3,652	
Holland	15	17	1,282	2,380	
Italy	10	29	4,012	766	
Greece	141	45	1,778	1,566	
Scandinavia	35	43	1,427	1,204	
Austria, etc.	30	39	1,409	1,512	
Other European Countries	238	140	852	3,607	
Ex-European Countries	267	220	10,983	7,944	
Total	1,158	1,211	52,870	43,006	

Other Foods

Provisions and Meat.—Meat prices at Smithfield showed little change this week. Hams were also sold at last week's prices, but quotations for bacon registered an advance. Similarly, most grades of butter were dearer and the market in eggs was also firmer.

*

Colonial Produce.—The prices of the majority of commodities under this heading registered a decline this week. Raw sugar fell below 5s. per cwt., thus underlining the importance of the forthcoming meeting of the International Sugar Council on April 27th. Coffee was also marked down, but the demand for tea at the Mincing Lane auctions showed some improvement and prices for Indian tea showed a slight rise. Cocoa prices are scarcely changed on the week.

*

Vegetables.—Sales of all seasonal lines of vegetables at Covent Garden were good during the past week, states *The Fruitgrower*. Tomatoes, cucumbers, radishes, lettuce and spring onions were all in steady request, and cucumbers, although more plentiful, maintained their price. English asparagus is arriving more rapidly. House-grown beans were cheaper, and there were large supplies of Madeira beans and some green peas. Forced marrows had a steady sale, and rhubarb was abundant and cheap. Supplies of new potatoes were good, though trade in old potatoes was slow. Kitchen green-stuff and cauliflower were plentiful and cheap, but good carrots and parsnips were scarce and their prices were maintained.

(Continued on page 122)

BRITISH WHOLESALE PRICES

	Mar. 30, 1938	Apr. 6, 1938
CEREALS AND MEAT		
GRAIN, Etc.—		
Wheat—		
No. 2, N. Man. 496 lb.	s. d. 56 9	s. d. 54 3
Eng. Gaz. av., per cwt.	7 8	7 7
Liv. May, per cental	6 10	6 5
Flour, per 280 lbs.—		
Straits, d/d London	35 0	35 0
Manitoba, ex store	37 6	36 6
Barley, Eng. Gaz. av.	11 11	11 7
Oats, Maize, La Plata, landed, 480 lb.	8 5	8 2
Rice, No. 2 Burma, per cwt.	7 7½	7 7½
MEAT—		
Beef, per 8 lbs.—		
English long sides	4 8	4 8
Argentine chilled hinds	3 10	3 10
Mutton, per 8 lbs.—		
English wethers	5 0	5 0
N.Z. frozen wethers	2 10	2 10
Lamb, per 8 lbs.—		
N.Z. frozen	5 2	5 2
Pork, English, per 8 lbs.	6 6	6 8
BACON (per cwt.)—		
English	102 0	104 0
Danish	103 0	105 0
Dutch	100 0	102 0
Irish	104 0	106 0
HAMS (per cwt.)—		
Canadian	98 0	98 0
United States	90 0	90 0

OTHER FOODS

BUTTER (per cwt.)—		
Australian	115 0	118 0
New Zealand	115 0	118 0
Danish	116 0	121 0
CHEESE (per cwt.)—		
Canadian	77 0	76 0
New Zealand	69 6	70 0
English Cheddars	98 0	94 0
Dutch	54 0	48 0
COCOA (per cwt.)—		
Acerra, I.I.	31 0	31 6
Trinidad	40 0	40 0
Grenada	40 0	40 0
COFFEE (per cwt.)—		
Santos sup. c. & f.	30 0	28 6
Costa Rica, medium to good	50 0	50 0
Kenya, medium	44 0	43 0
EGGS (per 120)—		
English (15-15½ lb.)	9 6	10 0
Danish (15½ lb.)	9 0	9 0
FRUIT—		
Oranges, Jaffa	8 9	8 6
" Brazilian	14 0	14 0
Lemons, Malaga	12 0	12 0
" Sicilian	15 6	15 3
Apples, Amer. (var.)	11 0	11 0
" (var.)	7 0	8 0
Grapes, Almeria	10 6	10 6
Grapefruit, Jaffa	7 0	7 0
LARD (per cwt.)—		
Irish, first bladders	68 0	68 0
U.S.	50 0	49 6
PEPPER, per lb.—		
Black Lampong (in Bond)	0 2¼	0 2¼
White Muntok	0 4½	0 4½
POTATOES (per cwt.)—		
King Edward	6 0	6 0
SUGAR (per cwt.)—		
Centrifugals, 96%, prpt. shpm.	5 0	4 11½
c.i.f. U.K./Cont.	18 6	18 4½
Refined—London	22 9	22 7½
Yellow Crystals	23 3	23 1½

COAL (per ton)—		
Welsh, best Admiralty	s. d. 22 6	s. d. 22 6
Durham, best gas, f.o.b. Tyne	21 6	21 6
Sheffield, best house, at pits	22 0	22 0
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d/d	109 0	109 0
Bars, Middlesbrough	265 0	265 0
Steel rails, heavy	202 6	202 6
Timplates	22 6	22 6
NON-FERROUS METALS (per ton)—		
Copper—		
Standard cash	38 1/3	38 11/3
Three months	38 2/6	38 12/6
Tin—		
Standard cash	173 0/0	169 0/0
Three months	173 5/0	169 15/0
Lead, soft foreign	15 18/9	15 10/0
Cash	16 0/0	15 12/6
English, pig	18 0/0	17 15/0
Spelter, G.O.B.—		
Spot	13 16 3	13 13 9
Aluminium, ingots and bars	100 0/0	100 0/0
" rolling bullets	102 0/0	102 0/0
Nickel, home and export	185 0/0	185 0/0
Antimony, Chinese	67 0/0	66 0/0
Wolfram, Chinese	60 0/0	54 0/0
Platinum, refined	£ s. d. 7 0 0	£ s. d. 7 0 0
Quicksilver	£ s. d. 31 0	£ s. d. 31 0

* March 24 and 31 respectively, and do not include the Government tax.

	Mar. 30, 1938	Apr. 6, 1938
SUGAR (per cwt.)—cont.		
Crushed	s. d. 21 0	s. d. 20 10½
Granulated	18 10½	18 9
Home Grown	19 9	18 7½
TEA* (Auction Average) (per lb.)—		
N. India	14 16	14 05
S. India	16 58	16 11
Ceylon	17 15	16 89
Sumatra	13 75	12 99
Africa	12 25	11 36
Total	12 79	12 97
TOBACCO (per lb.)—		
Virginia stemmed and unstemmed, common to fine	s. d. 0 8	s. d. 0 8
Rhodesia stemmed and unstemmed	2 6	2 6
Nyasaland stemmed and unstemmed	1 10	1 10
East Indian	0 7 0	0 6 6
Unstemmed	1 10	1 3

TEXTILES

COTTON (per lb.)—		
Raw, Midland-American	d. 4 86	d. 4 83
" Sakellaridis, F.G.F.	8 04	8 03
" Giza, F.G.F.	7 09	1 08
Yarns, 32's Twist	1018	1018
" 40's Weir	1038	1038
" 60's Twist (Egyptian)	172	172
Cloth, 32 in. Printers, 116 yds.	s. d. 17 10	s. d. 17 10
" 16 x 16, 32's & 50's	24 2	24 2
" 36 in. Shirtings, 75 yds.	10 4	10 4
" 19 x 19, 32's & 40's	10 4	10 4
" 38 in. ditto, 38 yds.	9 4	9 4
" 18 x 16, 10 lb.	7 6	7 6
" 39 in. ditto, 37½ yds.	6 9	6 9
FLAX (per ton)—		
Livonian ZK	67 0	66 0
Pernau HD	68 0	68 0
Slavet Medium, 1st sort	87 0	87 0
HEMP (per ton)—		
Italian PC	71 0	71 0
Manilla, Apr.-June "J2"	26 0	26 0
JUTE (per ton)—		
Native 1st mks., c.i.f. H.A.R.B.	18/13	17/8/9
Apr.-May	17/2/6	16/10/0
Daisee 2½ c.i.f. Dundee, Apr.	17/2/6	16/10/0
SISAL, African, Apr.-June	17 10	17 0
SILK (per lb.)—		
Canton	7 9	7 9
Japan	6 0	6 0
Italian, raw, fr. Milan	7 6	7 6
WOOL (per lb.)—		
English, Southdown, greasy	15½	15½
" Lincoln hog, washed	13	13
Queensland, scd. super combg.	23	23
N.S.W. greasy, super combg.	13	13
N.Z., greasy, half-bred 50-56	12½	12½
" Crossbred 40-44	11½	11½
TOPS—		
Merinos 70's average	28	28
" 64's	26	26
Crossbred 48's	16	16
" 46's	15½	15½

MINERALS

COAL (per ton)—		
Welsh, best Admiralty	s. d. 22 6	s. d. 22 6
Durham, best gas, f.o.b. Tyne	21 6	21 6
Sheffield, best house, at pits	22 0	22 0
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d/d	109 0	109 0
Bars, Middlesbrough	265 0	265 0
Steel rails, heavy	202 6	202 6
Timplates	22 6	22 6
NON-FERROUS METALS (per ton)—		
Copper—		
Standard cash	38 1/3	38 11/3
Three months	38 2/6	38 12/6
Tin—		
Standard cash	173 0/0	169 0/0
Three months	173 5/0	169 15/0
Lead, soft foreign	15 18/9	15 10/0
Cash	16 0/0	15 12/6
English, pig	18 0/0	17 15/0
Spelter, G.O.B.—		
Spot	13 16 3	13 13 9
Aluminium, ingots and bars	100 0/0	100 0/0
" rolling bullets	102 0/0	102 0/0
Nickel, home and export	185 0/0	185 0/0
Antimony, Chinese	67 0/0	66 0/0
Wolfram, Chinese	60 0/0	54 0/0
Platinum, refined	£ s. d. 7 0 0	£ s. d. 7 0 0
Quicksilver	£ s. d. 31 0	£ s. d. 31 0

	Mar. 30, 1938	Apr. 6, 1938
GOLD, per fine ounce	s. d. 139 11	s. d. 140 0½
SILVER (per ounce)—		
Cash	1 6½	1 7

MISCELLANEOUS

CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20

COMPANY MEETINGS

BANK OF SCOTLAND

SATISFACTORY RESULTS OF YEAR'S OPERATIONS

STRONG LIQUID POSITION

IMPROVED CONDITIONS FOR SCOTTISH INDUSTRIES

LORD ELPHINSTONE'S REVIEW

The annual general meeting of the proprietors of the Bank of Scotland was held within the head office, Edinburgh, on the 5th instant, The Right Honourable Lord Elphinstone, K.T., presiding. In submitting the directors' report, the chairman said:—

My Lords, Ladies and Gentlemen, I assume that as usual we may hold as read the report by the court of directors of the affairs of the bank as at February 28th last, a copy of which you have all no doubt received.

To fill a vacancy on the board, the directors by virtue of the powers contained in the bank's constitution invited Colonel Norman Kennedy to be an ordinary director, and I am glad to say that he agreed to accept office. His appointment will, I am sure, be welcomed by the stockholders, and will come up for confirmation by them to-day.

TRADE AND INDUSTRY

On the last two occasions on which I occupied this chair, I was able to refer to the steady improvement in business conditions in this country, and it is satisfactory to record that the recovery was maintained during the past year. There have doubtless been during the past few months some indications of a set-back from the higher levels of production and employment attained in the earlier part of the year, but we all earnestly hope that the prevailing uncertainty as to world conditions will before long be removed, and that a more stable situation generally will be experienced. When that desirable end for which this country is striving is attained, we can, I think, look forward hopefully to the future.

Every effort must, of course, be made to promote an extension of our overseas connections, and the somewhat artificial stimulus to our home markets due to the heavy and increasing expenditure on armaments must not be allowed to obscure the necessity for fostering our foreign trade, although it must be admitted that the field is still greatly circumscribed by tariff and currency restrictions imposed under a widespread tendency to attain national self-sufficiency. In this connection the steps being taken to reach closer trade collaboration with the United States and other countries are to be heartily welcomed.

In Scotland our staple industries—iron and steel, coal and engineering—continue to operate under improved conditions. The home market for coal remains strong, but the export trade is difficult and uncertain. Shipbuilding also is showing a much higher level of activity, but the scarcity of orders for commercial tonnage, which existing conditions do not tend to encourage, is a regrettable feature. Agriculture, for the assistance of which we lend freely and substantially, on the whole shows distinctly better results. Conditions in the jute industry cause anxiety, and it is hoped that measures will be devised to ameliorate them. The Scottish herring fishing trade seems to be as far from prosperity as ever, and some means must surely be found to lift it out of the depths to which it has fallen.

The efforts now being made to extend Scottish industry in general, especially among the lighter trades, are to be strongly commended and in this connection it is hoped that the Empire Exhibition to be opened in Glasgow next month and the establishment of the trading estate at Hillington will meet with unqualified success.

THE BANK'S BALANCE SHEET

Turning now to the bank's balance sheet you will observe that effect has been given to the resolutions adopted at the extraordinary general meeting of the proprietors held on December 21st last. The issue of additional capital stock which was then authorised was largely over-subscribed, and the capital now stands at £2,400,000 fully paid. The reserve fund has been adjusted in terms of the said resolutions by the addition of the premium on the new stock together with an allocation from the "balance carried forward," and by the withdrawal of a sum sufficient to pay up the uncalled liability

on the whole of the stock. With the allocation of £50,000 from this year's profits the reserve is now £2,050,000, and in addition we have a sum of £150,084 representing the balance of undivided profits carried forward.

It will be observed that our stock is now being quoted officially in units of one pound—a change which we consider will be appreciated by our stockholders.

You will agree, I think, that the figures we present as the result of the operations of the past year—the two hundred and forty-second of our history—are satisfactory. The difficulty of obtaining remunerative rates on our London money at call and on short notice continues, and at the same time taxation and other charges show a very substantial increase. Our connections, however, both in Scotland and in London, continue to extend. Our foreign exchange department again shows satisfactory progress.

Deposits amount to £39,298,450 compared with £37,635,697 a year ago. As usual, the average for the first ten months of our financial year was in excess of the total on February 28th. Heavy withdrawals invariably take place during the last two months. I may add that we have no money from outside sources, our deposits representing entirely lodgments from our own customers.

The note circulation at £3,363,767 is higher by over £124,000. The average circulation for the year is again substantially in excess of the corresponding figure for the previous twelve months.

The changes in drafts issued and acceptances do not call for comment.

LIQUID ASSETS

On the assets side, cash, bank balances, documents *in transitu* and money at call and short notice amount to £10,425,456, i.e. 22 per cent. of our liabilities to the public. Bills discounted (including a moderate holding of Treasury Bills) and our investments amount to £26,994,984, or 58 per cent., giving a total of £37,420,440, or 80 per cent. of our liabilities to the public in liquid assets.

ADVANCES

Advances amount to £9,868,287, showing a small increase over last year's figure. The average amount lent for the greater part of the year was considerably in excess of the total at February 28th. Several advances of substantial amount were repaid towards the close of our financial year. We continue to experience an increasing demand for smaller advances, but our larger borrowers do not seek from us to the same extent the facilities to which we have been accustomed. The practice of financing business requirements through other than ordinary banking channels continues to be a feature of the existing cheap money conditions.

INVESTMENTS

Our investments at £26,111,794 show an increase of £434,563. The market value is substantially in excess of the value in our books.

BANK PREMISES AND HERITABLE PROPERTY

During the year a substantial sum has been expended on the purchase, reconstruction and renovation of properties. To accommodate the increasing business at our Princes Street, Edinburgh, branch we have purchased a property at 94 Princes Street, and the business will be transferred there shortly. New branches have been opened at Hillington Road, Glasgow, and Troon. Extensive reconstructions and additions have been completed at Perth and various other branches, and several houses for agents, have been acquired. After writing down substantially the initial expenditure involved in these acquisitions and reconstructions the whole of the properties of the bank, including heritable property yielding rent, stand in the books at £465,000 which, it will be recognised, is a moderate figure.

RESULTS FOR THE YEAR

I need hardly say that in accordance with our invariable practice ample provision has been made for every known bad and doubtful debt before our profits are arrived at.

	£
The nett profits are	313,253
Add : The balance from last year (less amount allocated to reserve	145,995
	459,248
Deduct :	
Applied to reserve fund	50,000
Transferred to trustees for officers' pension fund	30,000
Transferred to heritable property accounts	25,000
Dividend paid in October last on £2,250,000 stock (paid up to extent of £1,500,000) at the rate of 18 per cent. per annum, less income tax	101,250
Dividend now proposed on £2,250,000 stock fully paid, at the rate of 12 per cent. per annum, less income tax	101,250
Dividend on £150,000 new stock fully paid, for the period from the date of payment of the stock to February 28th, at the rate of 12 per cent. per annum, less income tax	1,664
	204,164
	309,164
Leaving to be carried forward	150,084
The reserve fund will then be	2,050,000
Add : The balance carried forward.....	150,084
Total	2,200,084

BANK STAFF

It will be observed that a dividend of 12 per cent. on the fully-paid stock is the equivalent of 18 per cent. on the partly-paid stock, so that the actual distribution to the proprietors for the full year will be equal to that for the previous year.

Once again I have pleasure on behalf of the court of directors in expressing our appreciation of the highly efficient service rendered by the executive, agents and staff throughout the year. The Staff Joint Council continues to operate very successfully.

Mr John Whitelaw Johnston, our London manager, recently expressed his desire to retire as at April 30th, after over forty-eight years' service, and the board accepted his resignation with very sincere regret. They have already placed on record their appreciation of the outstanding service he has rendered to the bank, and I feel sure the proprietors will join with them in their good wishes to him on his retirement.

To succeed Mr Johnston as manager, the board appointed Mr Alexander Ballingall, at present assistant manager. Mr David Palmer Petrie has been appointed assistant manager.

DIVIDEND

I have pleasure in moving that the report and balance sheet as submitted be adopted and that a dividend be now declared at the rate of 12 per cent. per annum less income tax on 2,250,000 of fully-paid stock for the half-year to February 28th, and that a dividend at the same rate less income tax be declared on the £150,000 of new stock recently issued, from the date of payment of the stock to February 28th, both dividends to be payable on April 16th.

The motion was agreed to.

The Lord Elphinstone, K.T., and the Lord Henry Scott were unanimously re-elected Governor and Deputy-Governor respectively for the current year. Colonel Norman Kennedy, D.S.O., T.D., Mr Harry Auldjo Jamieson and Mr S. Crawford Hogarth were re-elected ordinary directors.

The alterations in the regulations for the management and administration of the bank specified in the notice to the proprietors of March 23rd, 1938, were duly approved.

Mr H. L. Usher, C.A., and Mr R. Arthur Morrison, C.A., were re-appointed to conduct the audit of the bank's books for the current year, and a vote of thanks to the Chairman terminated the meeting.

WESLEYAN AND GENERAL ASSURANCE SOCIETY

CONTINUED PROGRESS

MR JOHN B. FIELD'S REVIEW

The ninety-seventh annual general meeting of the members of the Wesleyan and General Assurance Society, Limited, was held, on the 5th instant, at the Central Hall, Corporation Street, Birmingham, Mr John B. Field, the society's chairman, in the chair.

The Chairman, in the course of his speech, said:—You will share my pleasure in observing that our society has had a successful year, and will turn with interest to the figures of the various departments of its business.

ORDINARY DEPARTMENT

The premium income of the ordinary department was £760,633. This is £27,659 more than that of the year 1936. An interesting feature is that over £760,000 new sums assured, out of the total of £1,649,933, represented policies for £500 and over. This is a record.

The valuation was made by the actuary on the same basis as last year, and reveals a total surplus of £206,918. This has enabled the directors to declare a bonus at the rate of £1 18s. per cent. of the sum assured, which is the same rate as that declared last year.

INDUSTRIAL DEPARTMENT

The premium income of the industrial department has increased by £40,458, and now stands at £1,405,461.

The valuation of liabilities disclosed a surplus of £188,733. The directors decided that a portion of this sum—namely, £100,415—could safely be distributed as profit. Since 1928 it has been the practice of the directors to allot 60 per cent. of any divisible profit to the industrial department policyholders, and, continuing this prac-

tice, the sum of £60,249 has been so allotted in giving benefits additional to those provided by the industrial assurance contracts. Over the period a total of £655,174 has been applied for these policyholders who have no contractual right to participation in profits. The current allocation is in the same form as last year, so that additions are made to the sums payable on claims arising either by death or maturity on or before April 1, 1940.

The remaining 40 per cent. of the divisible profit of the industrial department, amounting to £40,166, has been allocated as follows: namely, £21,140 for the benefit of with-profit policyholders of the ordinary department, and £19,026 for distribution to the outdoor staff.

ANNUITY, SICKNESS, AND CAPITAL REDEMPTION DEPARTMENTS

The annuity department has grown rapidly in recent years, and the fund now amounts to £224,671.

In the sickness department, which has been closed to new business for many years, there are very few contracts remaining.

The capital redemption fund amounts to £517,060. The actuary has strengthened the valuation basis and the surplus is likely to increase from year to year.

FIRE, ACCIDENT, MOTOR VEHICLE, AND EMPLOYERS' LIABILITY INSURANCE DEPARTMENTS

The premium income of the fire, accident, motor vehicle and employers' liability insurance departments now stands at £44,046, there having been an increase of £4,009 in the year. The funds amount to £62,575. All the risks are reinsured, and there are therefore no outstanding insurance liabilities as a charge on the funds.

FUNDS AND ASSETS

The funds of all the departments of the society amount in total to £14,835,809. They are covered by assets which stand in the balance sheet at £15,644,709.

The increase in the assets during the year amounts to £910,865. This new money has been invested under the majority of the headings shown in the balance sheet.

Mortgages on property have been increased, and now stand at £3,947,255. The magnitude of this figure is mainly due to the operation of the society's house purchase scheme, under which £425,522 was advanced during the year to enable householders to purchase their homes.

PROGRESS

It is interesting to look back over a period of ten years to see exactly what results have been achieved by the society. The premium income of the society has increased from £1,692,377 to £2,238,591; the ordinary department fund from £3,745,896 to £6,200,151; the industrial department fund from £4,110,063 to £7,828,769; the investments and general reserves together from £100,000 to £600,000; and the assets from £8,198,527 to £15,644,709.

The figures for the year 1937 make it clear that prosperity and progress have been maintained. The actuary, in his report to the directors, states that he expects substantial surpluses for many years to come, and he adds that the finances of the society are in good order and the actuarial reserves are adequate.

The report and accounts were unanimously adopted.

JOHN BARKER AND COMPANY,
LIMITED

DIVIDEND OF 15 PER CENT.

The forty-fifth ordinary general meeting of John Barker and Company, Limited, was held, on the 7th instant, in the Derry and Toms Building, Kensington High Street, London.

Sir Sydney Skinner (chairman and joint managing director) said that the year had not been a particularly easy one. In the early part of 1937 there was a serious bus stoppage lasting four weeks, and as their trade was largely dependent upon transport facilities for their customers this adversely affected them. Their rebuilding scheme was progressing satisfactorily, and every effort was being made to safeguard their customers from any inconvenience. The dislocation, rearrangement and replacing of departments had added to the cost of maintaining and conducting the business. Bearing those matters in mind the final net profit of £344,817 was not altogether unsatisfactory.

With regard to the rebuilding, during the year several floors in the Western Section were completed and opened for trade, and the part now practically finished, striking a new note in architecture and window furnishings, gave promise of a magnificent block of premises when completed. The third and fourth floors, completed during the last few days, were some of the finest fashion floors in the whole of the store trade in spaciousness and selection of merchandise.

The reserve accounts at £1,085,000 were the same as for the last eight years, but this was after allocating £100,000 out of this year's profit to the rebuilding and modernisation reserve, and transferring a like amount from that account and writing it off the book value of the properties. Cash stood at £593,889.

Gross profit amounted to £1,548,510, or a drop of £45,260 compared with the previous year, and the net profit of £344,817 was £45,383 less than for the previous year. The final figure was after providing for the new charge of N.D.C. and the Coronation holiday bonus and the cost of rearranging departments affected by the building operations. But for those factors their expenses would have been considerably lower and their final net profit not far short of that for the previous year.

The position in regard to local taxation, in the form of rates, assessments and demands, to which he called attention last year, had been aggravated rather than relieved, and the burden of increased assessments bore heavily upon the company despite every effort for reduction.

Quite apart from unforeseen circumstances and international complications, the trading outlook for 1938 promised to be difficult. He could assure the shareholders, however, that their arrangements were made and their organisation laid out for additional trade, and he sincerely hoped that they would not be disappointed when the current year's results came up for review.

The report and accounts were unanimously adopted, and the payment of a final dividend of 10 per cent. on the ordinary shares, making, with the interim dividend already paid, 15 per cent. for the year, was approved.

NORWICH UNION LIFE INSURANCE
SOCIETY

RECORD NEW BUSINESS

The one hundred and thirtieth annual general meeting of the Norwich Union Life Insurance Society was held, on the 5th instant, at Norwich.

Mr. Ernest Hicks (the president) referred to the retirement as general manager and actuary of Mr H. G. Wilton, F.I.A., and his appointment to the board, and in moving the adoption of the report and accounts for 1937 said that last year he had referred to the disturbing events which had occurred during 1936, and he was sorry to say that 1937 did not produce any solution to the many international problems which were confronting us at the beginning of the year. Indeed, the position in the Far East became definitely worse, while in Europe there was much unrest in many countries, and civil strife still raged in Spain, where, unfortunately, there seemed no immediate prospect of peace. Although the Society did not transact business in either of the two centres of conflict, the general financial disturbance and lack of confidence throughout the world had made things extremely difficult for all large financial institutions such as their own.

The Society had last year to find investments for over five millions of money, and the problem which faced the Finance Committee was: what could be recommended which would combine adequate security with a fair rate of interest? They had for many years been one of the leading offices for mortgage business and were able in 1937 to put out in this way nearly £2,500,000.

VALUE OF SECURITIES

The values of their Stock Exchange securities appeared in the balance sheet at or under the mean market prices as at December 31, 1935, with the exception of any investments made since that date, which were written at cost or under. The margin in their favour between the present market values and the values at which the various investments stood in the balance sheet was still a very considerable one, and he would add that in valuing securities with a fixed redemption date no credit was taken for any excess of market value over the ultimate redemption figure.

Their new business of £11,530,120 constituted a record in the Society's history, being £439,337 in excess of that for 1936, which was their previous high-water mark. Of the total new business, 66 per cent. was obtained from the United Kingdom, 24 per cent. from the Dominions and 10 per cent. from foreign countries.

Notwithstanding the large increase of new business, the expense ratio for the year worked out at only 14.65 per cent. of the premium income. When he reminded members that even in pre-war days the expense ratio rarely fell below 15 per cent., it would be agreed that they were not paying too much for their business.

Their mortality experience for 1937 was also one of the most favourable on record, and bore testimony to the care exercised by their medical directors in the selection of lives. They had paid out as much as £957,602 in respect of claims by death, but in spite of a larger volume of business, this figure was actually £30,714 less in amount than the corresponding figure for 1936. In addition, sums assured totalling £1,709,240 became due under matured policies.

SATISFACTORY RATE OF INTEREST

Despite an increase in the rate of income tax in 1937, the Society was able to show a net return of £4 6s. per cent. on its total funds, a reduction of only 1s. 3d. per cent. in the net rate for 1936. It had been a source of considerable satisfaction to the board, while market rates of interest were falling, to feel that the Society's reserves were on a basis which assumed an earned rate of interest of only 2½ per cent., so that even to-day there was a margin of no less than £1 16s. per cent. between the valuation rate and the net rate actually obtained on their funds. This basis of reserves had now been continuously maintained for over 35 years.

On December 31st last the total sums assured, excluding capital redemption policies, on the Society's books, exceeded £123,500,000. That, he thought, would perhaps give them the best idea of the magnitude of their business, and of the responsibilities which rested upon the directors and officials. He would remind them that theirs was a mutual society with no shareholders, and if their founders could be present that day they would surely be proud of the Society's record and of the service which, as he thought the figures in the report showed, they were rendering to the community.

He had mentioned a year ago that in South Africa and in France they had converted what were previously agencies into branches of the Society. They had now had a year's experience, and he was pleased to be able to say that the new arrangements were working excellently.

The report and accounts were unanimously adopted.

NORWICH UNION FIRE INSURANCE
SOCIETY, LIMITED

ALL-ROUND ADVANCE IN INCOME

The annual general meeting of Norwich Union Fire Insurance Society, Limited, was held, on the 4th instant, at Norwich.

Mr Ernest Hicks (the chairman) said that the accounts compared favourably with those of the previous year. The fire premium income amounted to £1,743,805, showing an increase of £106,858, replacing the decline in volume which had been in evidence for some years. The increase in business was fairly generally distributed, both the home and the foreign departments benefiting. It would seem that he was right last year, when he pointed out that insurance companies' accounts suffered from a lag before improvement in trade became apparent in them, and he then expressed the hope that 1937 would show some advantage from the better trading conditions which had then already set in. He was glad to say that his forecast in this respect had turned out to be correct. Home fire business was progressive in volume and the loss experience satisfactory. In the foreign field various difficulties must have adversely affected, if not their results, certainly the extension of their business, but in spite of this they did make progress, and the profit contributed by the foreign field was satisfactory. The result of the fire account was that they were able to transfer a profit of £169,294 to the profit and loss account, being 9.71 per cent., as compared with £88,604, or 5.41 per cent., in the previous year.

ACCIDENT ACCOUNT

The accident account as a whole produced a premium income of £1,487,041, an increase of £69,848, in which both the home and foreign sections participated. The profit was £87,862, or 5.91 per cent., as against £77,681, or 5.48 per cent., in 1936. The ratio of profit was only slightly greater than last year, but it was obtained from an increased income, in spite of a still further reduction in their American casualty business. They could not, however, be entirely satisfied with their foreign accident account. Motor insurance formed a large part of it, and there were few countries where this could be transacted at a profit. Efforts, in which they co-operated, were being made by all companies to improve this unfortunate position, and they themselves were energetically trying to develop other classes, which gave promise of a better reward. The home section of the account continued to expand, but the tendency for the cost of motor claims to increase persisted. The financial burden upon the motorist, shouldered for him by his insurance company, became increasingly serious. The other departments of their home accident business showed satisfactory progress and in the aggregate good results.

The premium income from marine business now amounted to £225,495, an increase of £51,590 over the preceding year. The marine fund was £206,518, which was substantially in excess of all anticipated liabilities of this department, but they had thought it wise to make no transfer to profit and loss.

The amount brought forward in the profit and loss account was £430,531, and the transfers from the fire and accident accounts totalled £257,156. Interest and dividends came to £159,929 (after deduction of tax), which, shareholders would be glad to see, in view of the trend of interest rates, was an increase over last year. With the transfer fees this gave a total of £847,624. In view of the improved earnings they were in a position to transfer £100,000 to the general reserve, making this £1,000,000, which was in addition to the full departmental reserves maintained for all liabilities. It was also proposed to transfer £75,000 to the pension fund, carrying forward £401,444.

PROGRESS IN ALMOST EVERY DIRECTION

The total assets of the society now amounted to £6,005,951, being an increase of £191,407 on the 1936 figures. It was a satisfaction to summarise the general position at the end of last year, which they could do with a measured feeling of gratification, not to the extent of being content to look upon their achievement as in any sense the goal of their desires, but with the established fact before them that progress had been made in almost every direction. Income had advanced all round, and the aggregate profits were better, those of the fire department being the best they had shown since the Great War. These favourable features would, he was sure, inspire every section of the organisation to go forward in the current year with the object of further extending the already widespread business of the society, its service in many lands, and its prosperity throughout the varied field of its operations.

The report and accounts were unanimously adopted.

SUNDAY PICTORIAL NEWSPAPERS
(1920), LIMITEDSATISFACTORY RESULTS DESPITE YEAR'S
DIFFICULTIES

The ordinary general meeting of Sunday Pictorial Newspapers (1920), Limited, was held, on the 4th instant, in London.

Mr John Cowley, who presided, in the course of his speech, said: The profit for the year ended February 28, 1938, after providing for income tax, National Defence Contribution, working, office and other expenses, contingencies, etc., amounted to £218,881 13s. 10d., which is £28,692 less than the profit of the previous year.

The sum of £20,000 has been placed to reserve account, and £5,000 has been applied as a provision for pensions. After payment of interim dividends totalling 12½ per cent. on the ordinary shares, and providing for the dividend on the preference capital as set out in the appropriation account, there remains £140,170 9s. 7d. to carry forward against a figure of £117,538 brought in from last year.

FUTURE DIVIDENDS PAYMENTS

Before I proceed to comment on our business I want to make a few remarks about our dividend policy. Hitherto we have paid four interim dividends on the ordinary shares each year. An interim dividend has already been declared on account of the current financial year. It is our intention to pay another interim dividend later in the year, and to consider the payment of a final dividend when the result of this year's working is known. Thereafter the policy will be to make one interim distribution, and to pay a final dividend after the close of the financial year. I do not wish you to read into my remarks any possibilities of a greater or lesser return—that, of course, must always depend on our profits—but by adopting the course outlined we shall be following general commercial practice, and incidentally save a little money.

Taking all the circumstances and conditions into consideration, the company's account for the past year is, in the view of your directors, a not unsatisfactory one. When nervousness and the consequent depression began last autumn it was immediately reflected in all newspapers. The less confident feeling which began then gradually increased, and as the months went by developed into a feeling of "no confidence." This feeling, as we all know, has been reflected in markets all over the world, has affected trade generally, and has had its effect also on many of the advertisers in this country. The falling off of advertisements in the national newspapers has been very marked. While your newspaper has suffered a reduced income from this cause, there is consolation in knowing that owing to the wide appeal of the *Sunday Pictorial* and the popularity it enjoys with national advertisers your paper has received a not unfavourable proportion of this class of business.

Now as to the future, it is extremely difficult to decide whether to look on the present year optimistically or otherwise. Since our financial year ended there has been no recovery in the volume of advertisements owing to the lack of confidence in politics and in business which still prevails. It is to be hoped, however, that the political atmosphere will gradually improve so that normal business is resumed and confidence restored in all directions.

A year ago, you will remember, I was somewhat optimistic in regard to the trade outlook, and to the newsprint business in particular. Then the newsprint industry was running to almost 100 per cent. of capacity. To-day that trade, in Canada at any rate, is producing barely 65 per cent. to 70 per cent. of capacity, which condition is not a favourable one by any means. I refer to the paper-making industry because your company holds large investments in pulp and paper-making undertakings. I would add, however, that these investments are of considerable potential value, given normal trading conditions.

THE "SUNDAY PICTORIAL"

Before I conclude my remarks I think I ought to make some reference to the *Sunday Pictorial*. We have a newspaper which is of the convenient and handy size, well printed, containing the proper balance of news, special features, articles by well-known writers and pictures. It is our aim to produce each week a first-class picture newspaper in every respect and by such changes as are thought necessary from time to time endeavour to meet the needs of the Sunday newspaper reading public, so that the *Sunday Pictorial* may make an even wider appeal in the future than in the past.

When we meet in a year's time it is my sincere hope that we will then be living in more settled times with a clear and more favourable outlook. In the meantime, you may rely upon your directors, with their able and enthusiastic staffs, doing all in their power to add to the well-being of your company.

The report and accounts were unanimously adopted.

BRITISH INSULATED CABLES, LIMITED

Manufacturers of all types of bare and insulated cables and overhead conductors for the transmission and distribution of electrical energy, including allied accessories and house wiring systems, also aluminium and copper sheets and sections, electric resistance welders and rivet heaters, lead strip and glazing sections, meters, rail joint bonds, static condensers, magnetic moulding machines, etc.

NEW RECORDS IN SALES AND OUTPUTS

INCREASES OVER WHOLE RANGE OF PRODUCTS

NEED FOR CLOSER COLLABORATION WITH GOVERNMENT DEPARTMENTS

PRODUCTION DELAYED BY "INQUISITORIAL INSPECTION"

SIR ALEXANDER ROGER'S ADDRESS

The forty-second ordinary general meeting of British Insulated Cables, Limited, was held, on the 1st instant, at Exchange Station Buildings, Liverpool.

Sir Alexander Roger, chairman, presided over a good attendance of shareholders.

Mr F. Waine (the secretary) read the notice convening the meeting.

The Chairman, addressing the meeting, said:—I have pleasure in formally submitting to you the directors' report and accounts for 1937, which I presume may be taken as read.

Before proceeding with the business of the meeting I should like to refer to the absence of the vice-chairman, Mr John Ferguson, owing, I regret to say, to serious illness. For many years Mr Ferguson has been a particularly valued member of your board, and I am sure you will join with me and with all his colleagues in sending to Mr Ferguson our sincere wishes for his speedy recovery. (Hear, hear.)

I am sorry to say also we are without our new director, Mr James McKay, who unhappily has a bereavement in his family. Mrs McKay died a day or two ago, and he sends his apologies. I am sure you will ask me on your behalf to send our regrets.

On behalf of my colleagues and myself I have also to record with much regret the resignation, for reasons of health, of Mr Alexander Crook, our secretary. In view of the importance and complexity of our business we have thought it desirable to divide the duties hitherto carried out by one individual, and have appointed Mr F. Waine as secretary and Mr W. H. McFadzean as financial secretary. We are well satisfied with this arrangement.

You will have observed that the accounts have this year been presented in a new form, which we hope you will regard as an improvement.

SALES AND OUTPUT INCREASES

Both in the value of sales and in the volume of output new records have again been achieved. Of particular satisfaction, however, is the fact that these increases have been spread over practically all our products, which, as shown by the leaflet enclosed with the accounts, are now classified under some eighty different headings. The widening of the company's interests for many years past has been, and will continue to be, an important feature of our policy, and the success achieved is a matter of gratification to your board.

The profit on trading, etc., at £821,358, has again been arrived at after "Contingent Reserves Adjustment." The increase of £55,663 in profits, as compared with 1937, is due to the greater volume of turnover, together with the improved factory efficiency and general benefits now accruing from the heavy expenditure made during recent years on modern plant. Without the combination of these factors results for 1937 would not have been so good, as unusual fluctuations in the price of metals and appreciable increases of labour generally.

Adding to the profit of £821,358 the balance brought forward from last account of £380,879, we have a total of £1,202,237. Depreciation of fixed assets on the same scale as applied last year absorbs £143,019, and after providing for directors' remuneration, interest on debenture stock, and dividends already declared and paid on the preference and ordinary capital there is left available

DIVIDEND AND BONUS

From this it is proposed to transfer £100,000 to reserve account and to pay a final dividend of 10 per cent. (less tax) on the ordinary stock, making with the interim already paid a total dividend for

the year of 15 per cent. (less tax). In addition, your directors are pleased to recommend that the cash bonus of 5 per cent. (less tax) on the ordinary stock be again distributed. Our ability to maintain the 1936 rate of distribution on the ordinary stock for 1937 is a source for satisfaction, bearing in mind the increased ordinary capital now ranking.

After making these appropriations there remains £446,992 to be carried forward, which compares with £380,879 brought forward. This shows an increase of £66,000, but neither the amount carried forward nor the amount of cash in hand—namely, £374,000—is too large for the size of our business. We are essentially a trading company and are subject always to the variations of demand, and we must always maintain a strong purchasing position with ability to withstand competition.

Turning now to the balance sheet, "Capital" at £3,000,000 is £333,334 higher, due to the bonus issue made in April last to ordinary stockholders. This was accomplished by making inroads into our reserves to that extent.

"Current Liabilities and Provisions" show relatively little alteration in total, but changes appear in some of the individual items. The amount owing to subsidiary companies has decreased by some £262,000, but this must be read in conjunction with the reduction appearing under the head of "Subsidiary Companies" on the assets side of the balance sheet. Both these changes are largely accounted for by the final application of the rationalisation scheme dealt with in my speech of a year ago, and I am pleased to inform you that the advantages then anticipated have been fully realised. (Hear, hear.) General creditors and contingent reserves fluctuate, of course, from year to year, and on this occasion this item includes provision for the new National Defence Contribution.

TAXATION WITH SECURITY

Your company's total contribution to the taxation requirements of this country is, I can assure you, of a very substantial nature, and I think I should take this opportunity of pointing out that the present burden of taxation, while perhaps just tolerable in a period of national prosperity such as the present, will become increasingly onerous in the event of any recession in trade.

I am bound to add that if the choice of British citizenship lies between high taxation coupled with security and low taxation accompanied by instability and chaos, then I prefer the former. (Hear, hear.) I should, however, add that bureaucratic control, unnecessary interference with the earning of profits and repression of individualism adopted with such disastrous results by many other countries, has gone quite far enough here. (Hear, hear.) Great Britain and the Empire were not built by these methods, and there is no need to copy the economic and political hysteria of other countries.

DEFENCE PROGRAMME

The Prime Minister has stated that the Government is arranging for a further degree of acceleration of the defence programme and has suggested that the leaders of the different sections of industry—employers and employed—should discuss ways in which they could best give the Government the assistance that is needed.

Let me say at once that so far as this company and the group of companies allied with us are concerned, we, in common I am sure with other manufacturers, will do everything in our power to help, but there is a great need for closer collaboration between Government Departments and manufacturers.

It is a striking, but I think true, statement that there are few, if any, manufacturers who would choose to fill their works with Government contracts if other work of the necessary volume were

available. The reason for this attitude of mind is I think primarily the difficulty they have of getting on with the real job of production which is delayed by the inquisitorial inspection to which their goods and their accounts are submitted at every stage.

If the authorities would put before us an approximate programme of their total ultimate requirements, together with a schedule of delivery needs, and place promptly agreed contracts, I am confident some of their present difficulties would disappear. They would certainly buy more cheaply, they would get better deliveries as the factories could be laid out for long-term production, and the manufacturers would be willing even to extend their factories at their own costs if the ratio of the percentage profit to the aggregate turnover rendered it economically possible.

"CLOGGING WHEELS OF PRODUCTION"

Parliament must have the power and the will to protect the public purse against profiteering, but there is a vast difference between profit and profiteering and there must be recognition that the manufacturer is entitled to a reasonable return. (Hear, hear.)

It is difficult to determine what is in fact a fair profit rate on a particular class of goods and the variety is infinite. What might be a reasonable figure applied to a product involving a large proportion of labour relative to raw material would be excessive if applied to another product in which the proportions were reversed.

At present Government Departments have no yard stick to guide them. Every Ministry has its own methods of inspection and examination of goods and of financial accounts, and the officials working under instructions do so with the dread of the Auditor-General and the Public Accounts Committee of the House of Commons.

Methods of safeguard and control which are perhaps admissible and necessary in ordinary times are clogging the wheels of production in the present emergency, and it requires the whole-hearted collaboration of both sides to have these disabilities and delays removed.

BUILDINGS AND PLANT

Returning now to consideration of the balance sheet, "Reserves and Surplus" are down in total by £167,000. This is accounted for by the capitalisation last April of £333,334 of the reserve account, offset to some extent by the appropriation this year from profit and loss account of £100,000, and the increase in the balance carried forward.

On the assets side of the balance sheet "Fixed Assets" amount to £1,816,053. During the year the expenditure on buildings, plant, etc., amounted to the large figure of £206,989. This was met partly by the depreciation allocation of £143,019, leaving a net increase of £63,970.

Through the application of depreciation allocations out of profits all plant purchased prior to 1912 has been fully written off, and in addition the plant and buildings since provided have been adequately written down. Over the last 12 years we have invested some £2,000,000 on new buildings and plant. The benefits accruing from this enormous expenditure covering, as it has, the necessary extension of buildings and the installation of the most efficient machinery obtainable, have already been referred to.

A SUCCESSFUL SUBSIDIARY

"General Investments" are up by almost £127,000, covering sundry additions made during the year. In addition to producing a satisfactory yield, many of our holdings give us an advantageous association with other companies. As usual, a careful estimate of present values has been made, and your board are satisfied that these are in excess of the figures shown in the balance sheet.

"Current Assets" show an increase of some £335,000, accounted for mainly by the increase in stocks and the greater balance of cash in banks and in hand.

Turning to matters of more general interest, there is no branch of our great business of which we are more proud than our wholly-owned subsidiary, British Copper Refiners. Founded only six years ago, the company dealt last year with over 50,000 tons of copper, which was mined and smelted within the Empire by the Roan Antelope Company of Northern Rhodesia, shipped on British bottoms, refined at Prescott, and fabricated into a thousand uses. Profits were not so good as in the previous year, but they were very satisfactory.

IMPORTANT RAILWAY CONTRACTS

Last year I gave you some details of the important Brazilian and Polish railway electrification contracts on which we were engaged. With regard to the former, this work is nearing completion

well up to time, and the Polish contract was completed some months ago. I have only recently returned from a visit to Poland, and I can assure you that our work was carried out to the entire satisfaction of the Polish Government.

We have been fortunate in obtaining contracts from the London and North Eastern Railway for the track-equipment work involved in the electrification of the main line from Manchester to Sheffield, and that part of their London system from Liverpool Street and Fenchurch Street Stations to Shenfield. These contracts cover over 400 miles of single track, have a value of over £1,000,000, and constitute by far the most important railway work yet to be carried out in this country on the overhead system.

EFFICIENCY AND LOW COSTS

We are obtaining our fair share of the work of our class arising out of the rearmament programme, but it amounts to only a small proportion of our aggregate business.

It is, of course, very pleasant to meet you and to talk of record output and profits, but I want to emphasise that they have only been achieved as a result of the heavy capital expenditure made on buildings, plant, etc., in our eternal pursuit of efficiency and low costs, and because of really hard work on the part of our staff and workpeople. Your appreciation of the work of the staff, on which so much depends, is automatically shown through the profit bonus which has been in existence for many years, and with regard to the workpeople we have agreed to allow each of them having one year's completed service one week's holiday with pay. This is in addition to increases of pay and a repetition of the Christmas box that I referred to last year, but I feel sure that these actions of your board will meet with your approval.

The increase in output and the improvement achieved in certain manufacturing processes have, in spite of increased costs of materials and labour generally, enabled us to reduce still further the selling prices of many of our products. The sharing of such benefits with our customers is, as I mentioned to you last year, the considered policy of your board. An investigation shows, for example, that by advancement of technique we have succeeded during the last ten years in reducing the cost of the manufacture of copper wire by over 50 per cent., and yet it shows that we are now earning less profit per ton of output than we then were. This means that more than the whole of the economies in cost has been passed on to our customers. Our reward lies in the fact that we are now disposing of many more tons per annum than formerly.

HIGH SPECIALISATION

There is a general impression that the manufacture of electric cables is easy and necessarily profitable instead of being what it is, a highly specialised branch of electrical engineering. This view seems to be particularly prevalent among a certain class of bargain-hunting buyers, among the trades union leaders and among a certain class of investors, who seem to think that any proposition for the establishment of a small works for the manufacture of any class of electrical conductor is bound to be a success.

The technique and practical experience acquired over many years and stored at immense cost seem to be discounted and disregarded. It is not realised that a cable can only be tested thoroughly after being buried in the ground or in the walls, and that if anything goes wrong the buyer is faced with heavy replacement cost and interruption to his supply. The buyer may have saved a trifling sum on his original purchase, but, unless he is dealing with manufacturers of experience and substance, the initial advantage may be, and frequently has been, totally outweighed by subsequent additional cost.

In a year in which our profits are a record in the history of the company I want to point out that a large proportion is derived not from our trading but from earnings upon investments made out of reserves gradually accumulated over the past fifty years.

The cable plant already existing in this country is amply sufficient to meet all requirements of the trade, and the volume of business available shows in the past few months distinct signs of recession. Surely, therefore, it is folly to start new cable-manufacturing undertakings which, instead of improving employment, have the reverse effect.

GREAT FINANCIAL STRENGTH

Fortunately, we are in a position of great financial strength owing to the conservative policy followed for many years. Our plant, manufacturing technique, and standard of production are beyond reproach, and it is our full intention to maintain the high quality of our products whatever may arise in the matter of competition.

In my speech last year I spoke with optimism of the trading prospects of 1937, and my forecast, as I am sure you will agree, has been fully realised. In view of the adverse factors just mentioned, I cannot hold out such high hopes for 1938. Orders are not so plentiful as they were a year ago, although the works are busy, and particularly so on telephone cable orders for the British Post Office.

The provision of a no-delay trunk service throughout the entire country, representing as it does the mainspring or backbone of telephonic communication, is essential if maximum telephone development is to be achieved, and this statesmanlike policy is being pushed steadily on by the British Post Office.

CONFIDENCE—NOT PESSIMISM

Having given my views for 1938 regarding our own business, I would like to offer a comment on the general business situation in this country. It is this: I have a feeling that the caution and pessimism expressed in all directions are overdone. Our perspective is distorted by reason of international politics and economic troubles in other countries, and we do not sufficiently appreciate that if the bumper year of 1937 had been less good we would be extremely satisfied with the volume of business as it is to-day.

It is perfectly true that business recession in other countries affects business here adversely, but general conditions here are definitely better than elsewhere, the economic position of the country is strong, there are no speculative positions open either on the Stock Exchange or the Metal or Produce Markets, while business of all kinds is being reinforced through the Defence Programme expenditure. Surely it is time for pessimism to be replaced by quiet confidence.

STAFF AND WORKPEOPLE

It gives me pleasure, in conclusion, to ask you to join with me in expressing thanks for all the loyal and efficient service given to the company, both by the workpeople and staff, and, in a particular measure, by our managing director, Mr G. H. Nisbett. (Hear, hear.)

If I may be permitted a personal note, I would like to say that in a long business experience I have never met with a better and finer team spirit, less bickering and jealousy, and more general determination to keep a company in the front rank than in the company of which you are the proprietors. (Hear, hear.)

I now beg to move that the report and accounts be received and adopted and that the dividends and cash bonus therein recommended be paid. (Applause.)

Mr G. H. Nisbett, M.Eng. (managing director), having seconded, the report and accounts were unanimously approved.

Mr D. Johnstone Sinclair proposed the re-election of Major A. L. Chandler, M.C., Mr Eric Taylor, and Mr James McKay as directors. Mr T. H. Martin-Harvey seconded the motion, which was carried.

Mr B. Welbourn proposed and Colonel J. Tennant seconded the reappointment of Messrs Chalmers, Wade and Company as auditors, and this was agreed to.

Mr James Platt, proposing a vote of thanks to the chairman and directors, which was heartily carried, expressed the hope that they would continue the conservative policy which had so successfully maintained the company's prosperity even in the dark days of depression.

The Chairman, in reply, assured the meeting they could rely upon the board doing their very best in good times or in bad for the shareholders, staff, and the workers.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to:—

The Reporting Manager,

THE ECONOMIST,

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Telephone: Central 8631

DAILY MIRROR NEWSPAPERS, LIMITED

SALES EXTREMELY SATISFACTORY

The eighteenth annual general meeting of this company was held, on the 6th instant, in London.

Mr John Cowley (the chairman of the company), in the course of his speech, said:—The profit for the year amounted to £336,584 4s. 11d. From this sum we have placed £20,000 to reserve account and allocated £10,000 as a provision for pensions. After payment of interim dividends on the ordinary shares totalling 15 per cent., and providing for the dividend on the preference shares, as set out in the appropriation account, there is a sum of £131,515 to carry forward, against a figure of £98,931 brought in from last year.

The sales of a newspaper and the advertisements carried are the two chief sources of income, but it is from the advertisement revenue that a newspaper company is able to give a return to the shareholders. Now in regard to the progress in the sales of *The Daily Mirror*, you will remember a year ago I made reference to the steadily increasing demand, and that the promise of the sales was very encouraging. I am now able to say that during the last twelve months the sales of your paper have made rapid strides, and I am pleased to add that to-day the daily sale of *The Daily Mirror* is extremely satisfactory. This position has been achieved by adhering to a policy of spending our money in obtaining the most interesting of the world's news and pictures, and securing the best editorial services. We are very much indebted to our editorial director for his enterprise in this connection.

SUCCESS OF BOARD'S POLICY

Our aim is to produce a daily paper in keeping with modern times and modern thought. This policy has proved highly successful. We have not frittered away our money in useless and abortive attempts to secure sales by pestering every householder in the country to become a reader, nor have we endeavoured to bribe them with an offer of a free gift.

Now in regard to the other revenue received by a newspaper company—from advertisements. As you all know, it is the income from that source which enables a newspaper to show a satisfactory profit and loss account. In this connection I may say *The Daily Mirror* is held in high esteem by national advertisers and their agents.

The paper-making industry in this country, and also in Canada and the United States, has been steadily set back. For the past six months the setback has continued and still continues. This time last year there was a fear in the mind of every newspaper publisher in this country and in America that not only would the price of newsprint be continually increasing, but also that there would not be sufficient paper to supply the requirements of many of them. There is now little fear of the price of newsprint paper becoming dearer for some time to come, and the manufacturers could easily produce 30 per cent. more than newspaper publishers are consuming at the present time.

In this connection I must again refer to your company's investments in the paper-making business. Our investments in Albert E. Reed and Company, the Anglo-Canadian Pulp and Paper Mills, and to a lesser degree the Anglo-Newfoundland Development Company, are (as I have pointed out before) a great asset to your business by reason of the fact that they act as a safeguard for our paper supplies, and it was in connection with those holdings I was hopeful last year that we should be securing an increasing revenue. However, there is the position, and it is to be hoped that when the political atmosphere throughout the world is clearer, and when we know also the extent of the additional taxation which seems to be inevitable, both the business of paper-making and the enterprise of advertisers will again expand.

FUTURE DIVIDEND POLICY

Before I conclude I must refer to the dividend policy of this company. For many years past we have paid quarterly dividends in respect of the ordinary shares. This we propose to vary. After the dividend, and the distribution out of the ascertained realised surplus from sale of investments, already announced to be paid on April 22nd, your directors propose to pay a further interim dividend at some date later in the year, and after our meeting next year to pay a final dividend in respect of the year 1938-39. After that we propose to pay an interim dividend in the autumn of each year, and a final dividend after our annual meeting. Your directors consider this a desirable change, which will be in keeping with the practice followed by most public companies.

The report and accounts were unanimously adopted.

DUNLOP RUBBER COMPANY, LIMITED

SATISFACTORY RESULTS—INCREASED PROFIT

SIR GEORGE BEHARRELL'S ADDRESS

The thirty-ninth ordinary general meeting of the Dunlop Rubber Company, Limited, was held, on the 5th instant, at the Hotel Victoria, Northumberland Avenue, London, Sir J. George Beharrell, D.S.O. (the chairman), presiding.

The Secretary (Mr Charles Tennyson, C.M.G.) having read the notice convening the meeting and the report of the auditors,

The Chairman, after paying a tribute to the work of the late Sir Eric Geddes during the 15 years of his chairmanship, in the course of his speech, said:—As I expect many of you know, it is just 50 years this year since J. B. Dunlop took out the patent for his pneumatic tyre. I wonder if you have ever thought that we owe to the taking out of that patent by a veterinary surgeon in Belfast, and its subsequent purchase and exploitation by the company from which your company derives title, two of the greatest factors in modern civilisation, two factors which have changed and are still changing the whole aspect of the world—I mean modern road and air transport.

A SATISFACTORY REPORT

The Dunlop jubilee is therefore something of importance not only to you as shareholders in the company but also to the whole country and the world at large, and your board are particularly glad that on this interesting occasion they are able to present you with such a satisfactory report of the company's activities. Whatever 1938 may have in store for us, we can be thankful that trading conditions for the greater part of the year 1937 were favourable in the home market, and also in several overseas markets.

In this country, though each month showed an improvement over the corresponding month in 1936, the rate of improvement tended to decline, and in the last quarter there was quite a sharp fall. This tendency was reflected in the slowing down of our own business during the latter part of the year. In foreign countries conditions varied, but in America there was a moderately sharp recession in business activity at the end of the first quarter, and a violent decline in August, which, during the last months of the year, almost reached panic proportions.

COMMODITY PRICES

Commodity prices continued to advance during the early months of 1937, but during the later months prices began to decline generally. The position of rubber was typical. The price of standard smoked sheet on December 31, 1936, was 10½d. per lb. It rose rapidly to the high point of 1s. 1½d. on March 30th, and then fell continuously to the figure of 7d. per lb. on December 31, 1937, the average price for the year being 9½d. per lb.

You will remember that when I addressed you last year I pointed out that if there was a serious drop in price manufacturers would be in a difficult position with regard to their stocks, and I gave this as one of the main reasons which had impelled your board to continue a policy of conservative finance. As stated in the directors' report, the heavy fall in the price of commodities during the year entailed a substantial writing down in the valuation of raw material inventories.

Having regard to these facts and to the continued and even increased political instability in many parts of the world, I think you will agree that the result of your company's trading for the year was eminently satisfactory, showing an aggregate profit higher than for any year since the new form of accounts was adopted and a total available for distribution substantially in excess of last year, in spite of a greatly increased provision for taxation.

PROFIT AND DIVIDENDS

You will have observed that the aggregate total profits of the whole Dunlop group of companies in 1937 were £2,504,000, which, as I said just now, is the highest total for any of the past five years, the lowest corresponding figure being £1,869,000 for the year 1935.

The burden of taxation is increasing rapidly in all countries, and the effect of this has been that the taxation borne by Dunlop subsidiaries has risen to £355,000, representing an increase of £112,000 over the preceding year. In addition to this the main company has had to provide in 1937 for taxation amounting to £496,000, so that the total taxation burden of the whole of the Dunlop group of companies in 1937 was £851,000, and this total does not include local and indirect taxes and Customs duties.

If you refer to the consolidated statement of assets and liabilities, you will see that at December 31, 1937, the total liability for taxation of the whole group amounted to £1,144,000. It is indeed a disquieting thought that industry the world over is staggering under this

crushing burden, which seems destined to become even greater in the immediate future owing to re-armament.

The increases of both taxation and profits held back by subsidiaries naturally reduce the amount available to the main company. However, in spite of this, the total net profit of the Dunlop Rubber Company for 1937 is £1,591,000, and including the balance brought forward from last year of £590,000 the total available for appropriation amounts to £2,181,000.

In view of your company's world-wide interests and the uncertainty of the future, your board has thought it prudent to strengthen further the reserve for contingencies by appropriating thereto the sum of £250,000, thus bringing the total of this reserve up to £1,032,000.

After providing for the preference dividends the board is enabled to recommend a dividend of 8 per cent. on the ordinary stock, and a bonus of 1 per cent., and this dividend and bonus, if approved, will be paid on April 20th.

REVIEW OF ACTIVITIES

In the course of a review of the Dunlop group's activities during the year under review, he said:—I told you last year that there had been an all-round increase in the demand for the products of the cotton mills. The demand increased further in 1937, and the output achieved was a record. As always, great attention is being given to research and improvements in quality, and some important developments are in contemplation.

The result of the plantations company again showed a big improvement over the figures for the preceding year, the increase in net profits amounting to £162,000. This result was, of course, mainly due to the relatively high average price of rubber during the year. 3,415 acres of the immature area—all budded—were brought into tapping during the year, and the yields from the budded areas fully justify the policy of the company in adopting this method of planting, and are in accordance with our expectations.

REGULATION SCHEME—NEED FOR RENEWAL

During the year under report shipments of crude rubber continued under the control of the International Rubber Regulation Scheme, and we have now entered into the final year of that scheme's operation. I have referred to the fluctuations that occurred during 1937 in the price of rubber, and it might be inferred that the committee which controls the scheme has failed in its task.

It is easy to look back and indicate in the light of after-events one or two decisions which might with advantage have been different; but one could not expect the committee to foresee political and economic crises which have come as a shock to the whole of the world. The committee has to frame its policy in accordance with the anticipated consumption of the rubber manufacturing industries of the world and for its estimate of this consumption it must depend upon the forecasts and statistics supplied to it. In the past several months these forecasts have been substantially falsified by a quite unforeseen recession in trade.

I am satisfied that the committee has worked impartially and wholeheartedly to arrive at a stable price which would be fair to both the producer and the consumer.

I would hesitate to suggest what in fact constitutes a price that would be reasonable to the efficient producer, and at the same time fair to the manufacturer, but I can say that if the price of rubber remains at its present level the accounts of your Plantations Company will present an appearance very different from that shown in its last report.

As you are aware, negotiations are at present in progress for a continuation of the regulation scheme for five years from January 1, 1939. It is unthinkable that, in present conditions, restrictions should be abandoned. I am satisfied that the world's potential production is very considerably in excess of any probable requirement of the manufacturers, and the removal of control would bring to the production side of the industry a state of depression and chaos which could not be in the interests of the manufacturer. Manufacturers require adequate supplies and a stable price at a reasonable level. Until there is a better balance between consumption and production, that can be achieved only by regulation of exports.

TYRE DIVISION

Despite acute competition our replacement sales of pneumatic tyres for motor-cars, commercial vehicles, motor-cycles and bicycles were higher than in 1936, while in sales of accessories, Dunlopillo upholstery and industrial tyres new high records were obtained. For these excellent trading results we are indebted not only to the excellence of our products and their ready acceptance by the public, but also to a virile organisation and a trade goodwill which is of the greatest value.

A prominent sales feature of the year has been the introduction of our new "Dunlop Fort" car tyre, first placed upon the market

at the end of May last, and now widely known as "The Tyre with Teeth," on account of the serrated tread pattern which has so largely reduced the risk of skidding, even under the most adverse conditions. The growth of motoring and the ease with which second-hand cars can to-day be purchased demand that your company shall maintain its reputation and strength in the high-quality market, and the new "Dunlop Fort" tyre is being of the greatest assistance in this direction. Its remarkable features are convincing the motoring public that a slightly higher first cost is fully justified, not only by the long life which the tyre gives but by the safety factors which it undoubtedly provides.

In addition, the tyre enables the fullest use to be made of the remarkable braking and accelerative powers of the modern car. Its success is assured. It is a unique production and is rapidly being accepted as such.

RECORD CYCLE-TYRE SALES

Sales to motor-cycle manufacturers showed a definite improvement, as did sales of cycle tyres, which actually constituted a new record for our first equipment business. Our turnover in aeroplane equipment again advanced, and with the great developments which are going forward in aeroplane construction we can look forward to further increases, and provision is being made to cope with them.

Sales of Dunlopillo upholstery continued to increase for public service vehicles, for which the product is now well established, and has indeed become standard equipment.

Last year I told you of the rubber wing which we had introduced for passenger-carrying vehicles, and I said that over 2,500 vehicles were already equipped with this. I am glad to be able to say that this year the number has increased to 5,000 vehicles, and orders are now being received from overseas markets. This is a business which we believe to have a substantial future.

Rim and Wheel Company.—Our rim and wheel works, which of course cater both for motor-cars, motor-cycles, cycles and aeroplanes, have been fully occupied during 1937. The factories are thoroughly modern in every way and have made a satisfactory profit.

RUBBER PRODUCTS GROUP

This group includes footwear, general rubber goods, garments, and sports goods, and it is satisfactory to be able to record that all divisions of the group showed an increase in turnover, and the profits of the group were substantially better than last year.

This excellent result was obtained in spite of the fact that price competition was more intense than ever. This applies particularly to the footwear trade, where we still suffer severely from duty-free imports from within the Empire. We continue to urge upon the British Government the necessity for dealing with this question.

In these divisions we have to deal with price cutting in the home market by British manufacturers. This may become a serious menace if we are faced with a period of falling demand. In order to counteract these difficulties we are striving all the time to improve quality and to derive full benefit from the great goodwill of the Dunlop name. In accordance with the same policy we are paying greater attention than ever to styling our goods, so that they may have the maximum of appeal to the public on the ground of appearance. The progress made in these divisions, both with old and new products, during the past five years, in spite of the peculiar difficulties with which the group is confronted, has been really remarkable.

OVERSEAS MANUFACTURING COMPANIES

I now turn to overseas business, and will take first the Associated Dunlop factories. The year in France has brought steadily rising costs in all departments, caused by the fall in the franc and by social legislation, which raises wages and shortens hours. In spite of this, our position in the market was strengthened during the year and a satisfactory profit has followed. Whether this will continue must depend upon many factors—particularly on whether it is possible to maintain an adequate level of prices for our finished products.

The results of the American company were substantially better in 1937 than in 1936, notwithstanding the severe recession which affected general business in the United States during the last six months of the year. The results for 1938 depend on general trade conditions in America, and our associated company is in a favourable position to take advantage of any improvement.

General industrial and commercial activity in Canada showed substantial improvement, in which the Canadian Dunlop Company shared. As a result the gross margin was substantially in excess of that for 1936, and the company showed a profit for the first time for some years.

Dunlop business in Japan is suffering from the restricted supplies of raw materials available, and from other restrictions resulting from a state of war. Despite the adverse effect of

this during the second half of the year, our turnover and profit increased.

The Dunlop Perdriau Company of Australia, in which you own a minority interest, has enjoyed to the full the general recovery in the Commonwealth and earned satisfactory profits.

In South Africa we have, since the establishment of the factory, had continually to increase productive capacity to catch up with the growing demand for our products. Sales in the year under review increased substantially over the preceding year and, as a complete justification of our policy of local manufacture, I may mention that the sales of Dunlop products in 1937 were largely in excess of those of 1934, the year immediately preceding the commencement of local production. Net profits also show a gratifying increase in comparison with 1936. For 1938 we anticipate further expansion in sales, and we hope at least to maintain the margin of profit.

The Indian Company, which already had a profitable and expanding business, commenced manufacture in the second half of 1936 and has materially improved its position. As it was thought wiser to retain the money for the expansion of the business which is confidently expected, no Ordinary dividend has been declared, although a surplus was available.

The establishment of the Irish factory has justified itself in every way. In 1937 there was a satisfactory increase in sales, and although the gross profit margin was lower than in 1936, increased sales and improved conversion costs enabled a satisfactory profit to be obtained.

I am glad to be able to tell you that our volume of export business and the profits earned in 1937 both showed very substantial improvement compared with 1936.

PROSPECTS

I have now given you a general survey of your company's operations during 1937. I am sure every one realises that the outlook for the near future is shrouded with uncertainty. As I told you just now, conditions at the end of 1937 seemed to be tending downwards practically all over the world. That tendency has continued through the early months of this year, though I am glad to say it is less marked in this country than elsewhere. I believe I am right in saying that the decline began in the United States, and the course of events in that country will undoubtedly have a very substantial effect on conditions in other parts of the world.

American economists and business men are not optimistic as to the prospects of the immediate future, but it is undoubtedly of vital importance to the American Government and the American people that confidence should be recreated, and business and employment set once more on the upward path. The economic background is by no means so unfavourable as it was in 1929, and I think most people are confident that during this year there will be, first, a marked retardation of the decline and then an upward movement, but the timing of these events cannot be foretold. Recent events in Europe and the Far East do not tend towards the establishment of that confidence which is essential to a real trade revival.

In some other foreign countries conditions are in certain respects less favourable than in the United States. I have mentioned the difficulties caused in France by rising costs and the fall in the value of the franc. The removal of these difficulties must depend largely on political considerations, in regard to which any accurate foresight is impossible. It is also impossible to foresee a satisfactory solution of conditions in the Far East, at any rate in the near future.

The purchasing power of South American countries is adversely affected by the fall in the prices of primary products. Trade with Brazil has become more difficult since the recent political changes, which have resulted in closer exchange restrictions, and conditions in Mexico some time ago led the company to suspend trading there.

Fortunately, the outlook in British territories overseas is generally more favourable. General trading conditions in the home market have withstood remarkably well up to now the adverse influences of the recession. The re-armament programme will undoubtedly be of assistance in tiding over the period immediately ahead of us. Your company's organisation has never been so efficient, and its financial position was never so sound. I do not doubt that we shall maintain, and we should extend, our share of the business available. We shall continue to do everything humanly possible to provide against unfavourable contingencies. But a company whose activities are as widespread as ours must take a long view and, in circumstances such as those which prevail to-day, a cautious view.

I am sure, therefore, that you will approve the conservative financial policy which your board has thought fit to adopt, and that it will be a source of satisfaction to you that the company is provided with such an excellent shock-absorber in the shape of reserves.

The report and accounts were unanimously adopted.

UNITED GLASS BOTTLE MANUFACTURERS, LIMITED

EXCELLENT RESULTS OF THE PAST YEAR'S OPERATIONS

SIR MAX BONN'S SURVEY

The twenty-fifth ordinary general meeting of the United Glass Bottle Manufacturers, Limited, was held on the 7th instant, at 8 Leicester Street, London.

Sir Max J. Bonn, K.B.E., the chairman, who presided, said:—No doubt you will take the report and accounts as read, and will have studied them with satisfaction. For the first time they reflect, in some measure, the results of the merger, and strict comparisons with previous years are rather difficult. It may simplify the review I have to present to you if I preface a more detailed consideration by a few general observations.

The financial results of the two manufacturing groups fully justified the mathematics of "relativity" on which the merger terms were based—a particularly pleasing tribute to the accountancy experts.

As you will remember, we acquired our interest in British Bottles, Limited, by capitalising its ascertained earning basis, expressed in U.G.B. shares. If I draw your attention to the footnote to the balance sheet, you will observe that profits made by British Bottles (and its manufacturing subsidiaries) figure in the accounts to the extent only of the dividend received by the U.G.B. It follows, and I wish to emphasise, that British Bottles have retained a substantial balance of profits which, with the carry-forward from 1936, constitutes a satisfactory nucleus for a contingency reserve within the Northern group. We are thus building up a reserve account in British Bottles to meet any possible needs for heavy capital expenditure.

BALANCE SHEET ITEMS

Turning to the accounts, I wish to draw your attention to the following items in the balance sheet:—

The share capital is increased by the 600,000 7½ per cent. preference shares of £1 each and 500,000 ordinary shares of £1 each issued to the Distillers Company, Limited, and their associated companies in discharge of the purchase consideration for the shares of British Bottles, Limited. The investment in the latter company appears in the balance sheet under the heading of "Shares in Subsidiary Companies," and figures at the equivalent of the U.G.B. shares at their nominal value.

Trade creditors have risen from £193,369 to £237,686, and provision for increased taxation, including the item for National Defence Contribution, contingencies and research expenditure, etc., from £180,678 to £227,169.

Turning to the other side of the account, additions to land and buildings, £37,316, include the completion of the new warehouse at St. Helen's Factory.

Stocks of bottles, materials and stores are higher this year by the sum of £38,691, due to large purchases of timber and raw materials made towards the end of the year.

Trade debtors, which have increased from £321,254 to £406,680, reflect greater volume of business. The amount due from subsidiary companies, £106,942, an increase of £93,347, mainly represents the dividend payable by British Bottles, Limited, and an increased dividend by Kork-N-Seal, Limited, which amounts have been received since the end of the financial year. Cash at bankers and in hand is £139,937.

PROFIT AND LOSS ACCOUNT

The increased trading profit, excluding the dividend from our new acquisition, amounted to £66,767. After meeting the increased charges for directors' remuneration £10,058, share issue expenses £5,657, income tax and National Defence Contribution £36,000, and bringing in the dividends from the subsidiaries, the net profit available is £280,811.

RESERVES AND DIVIDENDS

The board has allocated £16,810 to debenture redemption reserve (now standing at £128,201), £60,000 to general reserve (bringing it to £400,000), £15,000 to Staff Benevolent Fund and £20,000 for new head office equipment and rebuilding of the offices at Charlton and St. Helens, so as to bring them into line with modern standards of office amenities.

The year's preference dividend has been paid and in September last an interim dividend of 3½ per cent. (as against 2½ per cent. last year) was distributed on the ordinary shares.

Your directors now recommend a final dividend on the ordinary shares of 6 per cent. less income tax (making 9½ per cent. for the year as against 8½ per cent. last year), and a cash bonus of 2½ per cent. less income tax (same as last year).

INCREASED SALES

The year under review was characterised by a far greater velocity of trade and some increase in selling prices, though in no way comparable to some of the increases we have had to meet in regard to our own costs. Throughout the industry there has been, I am glad to say, a marked reluctance to attract business by undercutting—an evil to which I have had to allude on previous occasions. The steadier tone was no doubt due to the rising manufacturing costs common to all bottle makers, both labour and raw materials, and the greater measure of confidence in the general trade of the country which made it possible to utilise production capacity more adequately without trying to fill one's order book by price cutting. I can only hope that this sweet reasonableness will be maintained should there be any apprehension at some future time as to a setback in the trade cycle.

Our high technical efficiency and low unit value will, as far as I can judge, enable the industry fully to hold its own against the substitute type of containers of which we hear so much from time to time, i.e. the tin container and various fibrous ones.

MEDICINE BOTTLE SERVICE

We are now supplying the well-known "UGB" washed and sterilised medicine bottle service with bottles fitted with white moulded caps produced by our Subsidiary Cap Company, instead of black as hitherto. The Cap Company are now installing injection moulding machines which will enable them to cover the full range of plastic mouldings.

DIRECTORS' REMUNERATION

Reverting to my comments at last year's meeting relating to a limitation of profits, within the provisions of Article 103, to which the directors' commission should be applicable—both in view of the recent merger and by way of general consideration—the board asked your auditors, Messrs Cash, Stone and Company, to give them the benefit of their independent views as to what figure might be deemed fair, both to the general body of shareholders and to the board of directors. The figure arrived at by them, in the light of past achievements and prospective possibilities, was one highly flattering to the management and appreciably in excess of a figure the board themselves had in mind and have adopted.

THE FUTURE

The general trade conditions which prevailed during the greater part of 1937 resulted in our entering the New Year with the highest order book ever experienced. This increase was largely due to a greater number of customers anticipating their requirements, and consequently this heavy booking will discount the volume of new orders for the early part of 1938. I find it increasingly difficult to draw conclusions from any short period comparisons, as so much valuable custom reaches us by way of bulk orders, the dates of which vary considerably from year to year.

STAFF

Obviously, our new relationship with the factories in the Northern group, especially in a year of intense activity, has imposed an endless strain on the management, in spite of the most cordial co-operation from our new associates; I wish to pay a most unqualified tribute to my colleagues, Mr Moorshead and Mr Judd. But they would be the first to wish to relay the tribute throughout all the intermediate grades, from the factory managers down to every single operative.

The report and accounts were unanimously adopted.

ASSOCIATED ELECTRICAL INDUSTRIES, LIMITED

ALL RECORDS BROKEN

The thirty-eighth annual general meeting of Associated Electrical Industries, Limited, was held, on the 1st instant, at Bush House, London.

Sir Felix J. C. Pole (the chairman), in the course of his speech, said:—Profit made during the year, including dividends from subsidiary companies, which dividends in the aggregate were less than the profits earned, amounted to £1,290,008, an increase of £234,384. After deducting depreciation and taxes there remains a balance of £691,493, to which has to be added £176,118, the amount carried forward from the previous year, making the total profit available for distribution £867,611. From this there has been appropriated £100,000 to a special reserve and £100,000 to dividend equalisation account, to which I will refer later. After providing for the dividend on preference stock £78,458, there remains £589,153, and your directors recommend a dividend on the ordinary stock at the rate of 10 per cent. per annum, less tax, leaving a balance to be carried forward of £220,015.

GROWING VOLUME OF ORDERS

If you will now turn to the report you will note the statement that the output from the various works of the group was greater than in previous years. Orders received during the year 1937 as well as orders in hand at December 31st last showed a substantial increase over those for 1936 and constituted a record. As a matter of fact, all previous records have been broken, as will be apparent from the fact that our group had last week 41,721 employees at work. This is almost twice as many as at the lowest period of the slump, and is to be associated with the fact that the value of orders received last year was appreciably more than double the total for the year 1933.

As regards the future, I will content myself by repeating what was said by our managing director, Mr Lusk, at the recent meeting of the British Thomson-Houston Company.

He said: "We regard 1937 as a peak year in our industry and we have not expected that the volume of business available in 1938 will equal that of 1937. On the other hand, we do not expect any serious recession in 1938 from the level of 1937 and we are not disturbed at the prospect of some falling off in incoming orders during 1938, particularly as we started the year with a large unfulfilled order book."

METROPOLITAN-VICKERS ELECTRICAL COMPANY

As you are aware, your company owns the assets of the Metropolitan-Vickers Electrical Company, and therefore, I have usually mentioned some of the outstanding points affecting that company.

In the first place, we are co-operating closely with the Government in connection with the munitions programme.

Large orders received include one from the Victoria Falls and Transvaal Power Company for four more 33,000 kw. turbo-alternator sets for the Klip River power station. This company had previously ordered eight of these sets, so that when the station is completed there will be 12 sets, all of Metropolitan-Vickers Company's manufacture, and it will be unique in being the only power station in the world equipped with 12 33,000 kw. sets of the same design and manufacture.

We have received an order for another 100,000 kw. turbo-alternator set for the London Power Company's Battersea station, also a large repeat order for switchgear for the same station.

(Continued from page 110)

Fruit.—Helped by the exceptionally fine weather, business at Covent Garden last week was generally good, reports *The Fruitgrower*. Prospects for the Easter holiday trade are satisfactory. The apple trade was active, with the exception of cooking apples; pears were again in demand at slightly firmer rates. Hot-house grapes were available in limited supplies from Belgium, but South African grapes were plentiful and prices weakened. Plums from the same source were dearer, and sales of pineapples and melons were good. Oranges continued to meet with fair inquiries, but supplies were limited. Lemons remained steady in price.

Miscellaneous Commodities

Oilseeds and Oils.—Oilseeds and their products have not escaped the wave of depression which seems to have adversely affected most commodities in the past few days. Indian shippers have offered new crop linseed in increasing quantities, and prices have declined by several shillings per ton. Plate linseed has shown some resistance but is also lower. Generally, however, prices are steady for near positions, but the forward market is inactive.

The South African Railways ordered 42 locomotives similar to the 120 previously supplied by Metropolitan-Vickers Electrical company. I had the pleasure of riding on one of the locomotives during my recent visit, and can tell you that the railway officers who are responsible for operation spoke in glowing terms of their performance and reliability. There are now approaching 400 route miles of electrified main line and the change-over from steam to electric working has proved an enormous success.

Another very important railway order is for the London and North Eastern Railway for the electrical equipment for 70 mixed traffic locomotives required for the Manchester-Sheffield electrification, a notable step in the history of the railways of this country as this will be the first section of main line to be worked wholly by electric locomotives.

For some years past we have done a very large business in South Africa, including winders for mines, generating station equipment, and railway electrification. Last year's business was most gratifying, and I can say most definitely that as regards all types of engineering plant your companies have a very high reputation.

The report and accounts were unanimously adopted.

VICKERS LIMITED

INCREASED PROFITS DIVIDEND OF 10 PER CENT.

The seventy-first annual general meeting of Vickers Limited was held, on the 1st instant, in London, Mr A. A. Jamieson (the chairman) presiding.

The Chairman, in the course of his speech, said:—The first feature in the accounts to which I propose to call attention is the redemption of £2,000,000 5½ per cent. debenture stock. This was repaid at 103 on December 1, 1937, the earliest moment permissible under trust deed. Our company has thus been relieved of the necessity of providing interest and sinking fund on this debt.

The net profits for the past year were £1,351,056, an increase of £188,446 compared with 1936. Before arriving at the net profit £60,000 has been charged for the premium paid on the redemption of the debenture stock. After the transfer of £400,000 to reserve and £100,000 to contingencies reserve your directors recommend the payment of a dividend of 10 per cent. on the ordinary stock.

You will remember that in the accounts for 1936 a sum was taken from contingencies reserve in part settlement of the Vickers-Armstrongs' profits guarantee policy. Your directors therefore considered it prudent to replace part of this sum out of the profits of 1937. The appropriation to reserve has also been increased, but there is no intention of building up this reserve to a sum which is in excess of prudent requirements.

The Chairman then gave an exhaustive survey of the position of their associate companies.

Continuing, he said:—With two exceptions (Spanish and Irish companies) every subsidiary company had a satisfactory year and each has contributed by way of dividend to the profit of the parent companies. Disposal of our Irish interests has been negotiated.

The vital importance of continuing research work is fully realised, and in spite of the present heavy demands on our technical staff and productive capacity such work is constantly proceeding.

I would remind you of the statement made at last year's meeting that though gross profits might expand, the net or divisible profits might not show a corresponding expansion. This warning is as true to-day as it was a year ago.

The report and accounts were adopted and the dividend recommended was approved.

Rubber.—The market was dull, buyers showing little interest despite the severe fall in prices last week. Nor are there any indications of an early improvement of consumption sufficient to invite large-scale purchases by manufacturers and, consequently, a rise in prices.

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ended	
	Mar. 26, 1938	Apr. 2, 1938
Landed	2,046	2,790
Delivered	1,369	1,312
Stocks, end of week	75,100	76,588

CURRENT STATISTICS

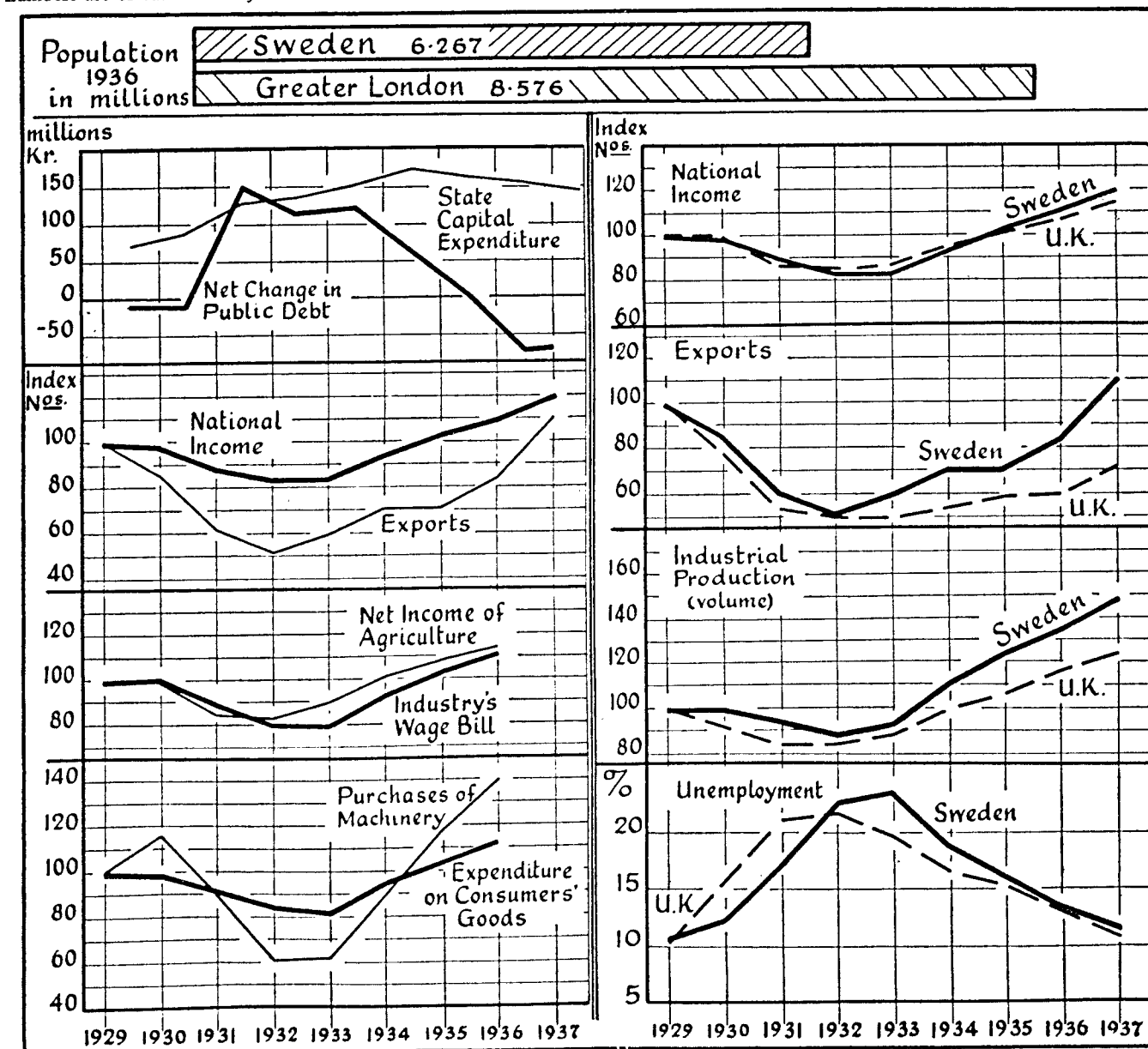
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

Sweden in the Trade Cycle

Recent discussion of the desirability of planning a public works programme to be carried out in the event of a slump lends special interest to the experience of Sweden, whose Government has endeavoured to apply a policy of this nature. On the left-hand panel of the following charts the activities of the State and the rapid rise of exports since 1932 are compared with the national income and certain of its constituents. On the right-hand panel Swedish and British experiences are compared. It should be remarked that the Swedish unemployment percentage is less representative than the British and the numbers unemployed very much less. Except in the case of industrial production the index numbers are of values. They are all based on 1929 = 100.



Finance

BANK OF ENGLAND RETURNS

APRIL 6, 1938

ISSUE DEPARTMENT

£	£
Notes Issued	Govt. Debt. 11,015,100
In circultn. 489,694,053	Other Govt. Securities 188,947,764
In Bnkg. Department 36,713,107	Other Secs. 23,587
	Am't. of Fid. Issue 200,000,000
	Gold Coin & Bullion 326,407,160
	526,407,160

BANKING DEPARTMENT

£	£
Capital 14,553,000	Govt. Secs. 111,886,164
Res. 3,119,687	Other Secs. 10,120,191
Public Deps.* 12,833,497	Securities 20,150,196
Other Deps. 30,270,387	Notes 36,713,107
Bankers 112,446,658	Gold & Silv. 812,706
Other 36,759,522	Coin 179,712,364
149,206,180	
179,712,364	

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

THE WEEK'S CHANGES

(£ thousands)

Bth Departments	Amt., Apr. 6, 1938	Compared with Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	489,694	+ 4,294	+ 19,724
Deposits: Public	12,833	+ 4,933	+ 11,678
Bankers	112,447	+ 4,314	+ 17,616
Others	36,760	+ 623	+ 1,608
Total outside liabilities	651,734	+ 3,042	+ 24,054
Capital and res.	17,673	+ 608	Same
COMBINED ASSETS			
Govt. debt and securities	311,849	+ 1,843	+ 13,909
Discounts and advances	10,120	+ 1,418	+ 2,725
Other securities	20,174	+ 846	+ 5,251
Silver coin in issue dept.	13	+ 3	+ 5
Gold coin and bullion	327,250	+ 16	+ 12,666
RESERVES			
Res. of notes & coin in banking department	37,556	- 4,268	- 7,058
Proportion of reserve to outside liabilities			
(a) Bank, dept. only ("proportion")	23.2%	- 2.4%	- 5.1%
(b) Gold stocks to deposits and notes ("reserve ratio")	50.2%	- 0.3%	+ 0.1%

COMPARATIVE ANALYSIS

(£ millions)

	1937	1938
	Apr. 7	Mar. 16, 23, 31, Apr. 6
Issue Dept.:		
Notes in circ.	470.0	479.5
Notes in banking dept.	43.7	46.9
Govt. debt and securities	196.9	200.0
Other sec.	3.1	0.8
Gold	315.7	326.4
Deposits:		
Public	24.5	11.1
Bankers	94.8	119.0
Others	38.4	35.7
Total	157.7	165.8
Bkg. Dept. Sects.:		
Government	101.1	112.2
Discounts, etc.	7.4	3.6
Other	22.3	20.5
Total	130.8	136.3
Banking dept. reserve	44.6	47.8
"Proportion"	28.3	28.8
Reserve ratio†	50.1	50.7

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £12,549; capital, £14,553,000; res., £3,119,687.

GOVERNMENT RETURNS

No figures of revenue and expenditure have been published for the two days ended Saturday, April 2, 1938.

TREASURY BILLS

(£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate %	Per Cent. Allotted at minimum Rate
1937					
Apr. 2	45.0	73.0	43.0	10.10	77
Dec. 17	50.0	76.8	50.0	11.97	85
" 24	50.0	68.4	50.0	12.04	74
" 31	50.0	80.5	50.0	11.59	47
1938					
Jan. 28	30.0	86.5	30.0	10.08	18
Feb. 4	30.0	88.4	30.0	10.08	18
" 11	30.0	87.7	30.0	10.08	18
" 18	35.0	86.6	35.0	10.14	23
" 25	40.0	92.0	40.0	10.19	33
Mar. 4	45.0	97.8	45.0	10.04	30
" 11	45.0	92.1	45.0	10.13	36
" 18	50.0	82.3	50.0	10.54	54
" 25	50.0	84.6	50.0	9.11	55
Apr. 1	50.0	77.0	50.0	10.34	71

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills. On April 1st, applications at £99 17s. 5d. per cent. for bills to be paid for on any day of the following week were accepted as to about 71 per cent. of the amount applied for. Applications at higher prices were accepted in full. £50.0 millions of Treasury bills are being offered on April 8th.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Portugal appeared in *The Economist* of February 5; Denmark, of March 12; Austria and Poland of March 19; Canada, Czechoslovakia, Danzig, Lithuania, Latvia, Finland and Norway, of March 26; Federal Reserve Reporting Members, Argentina, Bulgaria, Egypt, Estonia, Greece, Hungary, Yugoslavia, Roumania, South Africa and Sweden, of April 2.

U.S. FEDERAL RESERVE BANKS

Million \$'s

	Apr. 8, 1937	Mar. 10, 1938	Mar. 31, 1938	Apr. 7, 1938
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treas.	8,844	9,179	9,213	9,222
Total reserves	9,129	9,659	9,695	9,676
Total cash reserves	274	472	474	449
Total bills discounted	8	8	12	11
Bills bt. in open mkt.	3	1	1	1
Total bills on hand	12	9	13	17
Industrial advances	2,459	2,564	2,564	2,564
Total U.S. Govt. sec.	2,493	2,590	2,594	2,593
Total bills and sec.	12,333	12,862	12,901	12,900
LIABILITIES				
F.R. notes in actual circulation	4,179	4,134	4,122	4,158
Aggregate of excess m. bank res. over reqs.	1,440	1,470	1,560	1,580
Deposits — Member-bank reserve account	6,684	7,311	7,312	7,296
Govt. deposits	275	181	292	244
Total deposits	7,205	7,881	7,919	7,875
Cap. paid in and surplus	305	309	309	309
Total liabilities	12,333	12,862	12,901	12,900
Ratio of total res. to deposit and F.R. note liab. combined	80.2%	80.4%	80.5%	80.4%
U.S.F.R. BANKS AND TREASURY COBINED RESOURCES				
Monetary gold stock	11,592	12,768	12,794	12,803
Treasury and Nat. Bk. currency	2,539	2,670	2,680	2,682
LIABILITIES				
Money in circulation	6,387	6,334	6,329	6,394
Treasury cash and deposits with F.R. Bks.	3,049	3,743	3,843	3,798

NEW YORK FEDERAL RESERVE BANK—Million \$'s

	Apr. 8, 1937	Mar. 10, 1938	Mar. 31, 1938	Apr. 7, 1938
Assets				
Gold coin & bullion	444	444	444	444
Balances abroad	256	72	94	75
Sterling securities	793	788	788	788
Indian Govt. rupee securities	224	274	274	274
Investments	78	64	71	70
LIABILITIES				
Notes in circultn.	1,817	1,783	1,773	1,773
India	81	78	75	75
Burma	136	133	179	194
Deposits: Govt.	230	135	170	146
Bank acceptances	59.5%	57.7%	57.6%	57.4%
Gold and sterling to liabilities	59.5%	57.7%	57.6%	57.4%

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

	Mar. 31, 1937	Jan. 31, 1938	Feb. 28, 1938	Mar. 31, 1938
ASSETS				
Gold in bars	45.1	16.3	16.3	20.9
Cash	25.6	37.6	30.8	22.2
Sight funds	26.5	13.3	13.9	15.8
Bills and acceptances:				
(a) Commercial bills	101.3	127.8	127.7	126.8
(b) Treasury bills	130.7	110.4	100.7	102.8
Time funds at interest	28.7	44.8	55.7	53.9
Sundry bills & invests.	259.4	298.4	300.8	300.5
Other assets	1.4	1.1	1.0	1.2
LIABILITIES				
Capital paid up	125.0	125.0	125.0	125.0
Reserves	22.1	23.2	23.2	23.2
Long-term commitments:				
(1) Annuity trust account deposits	153.2	153.8	154.3	153.2
(2) Govt. deposits	120.8	108.5	108.6	106.1
Short term and sight deposits:				
(1) Central banks:				
Own account	129.6	176.9	173.8	179.2
(2) Central banks:				
For acct. others	4.2	3.2	2.7	3.3
(3) Other deposits	0.2	5.5	4.3	2.2
Sight deposits—gold	23.3	9.4	9.4	9.6
Miscellaneous items	40.4	44.1	45.4	42.3

BANK OF FRANCE.—Million francs

	Apr. 2, 1937	Mar. 3, 1938	Mar. 24, 1938	Mar. 31, 1938
ASSETS				
Gold	57,359	55,807	55,807	55,807
Advances on gold coin	1,099	1,099	1,099	1,099
Bills: Commercial	8,915	11,723	12,207	10,115
Bought abroad	1,165	803	805	805
Advances on securities	3,896	3,852	3,627	3,825
Thirty-day advances	800	1,117	755	997
Loans to State without interest: (a) general	3,200	3,200	3,200	3,200
(b) provisional	20,066	32,704	36,674	38,574
Negotiable bonds	5,640	5,575	5,575	5,575
Sinking Fund Dept.	4,289	4,189	3,925	5,179
Other assets				
LIABILITIES				
Notes in circulation	86,935	94,221	94,815	98,095
Deposits: Public	2,077	2,148	2,218	2,233
Private	14,762	19,235	22,038	21,314
Other liabilities	2,687	3,369	3,505	3,238
Gold reserve to sight liabilities	55.2%	48.2%	46.8%	45.8%

* From July 29, 1937, based on franc at 43 (against 49) milligrams.

REICHSBANK

Million Reichsmarks

	Mar. 31, 1937	Feb. 28, 1938	Mar. 23, 1938	Mar. 31, 1938
ASSETS				
Gold	67.6	70.8	70.8	70.8
Of which deposited abroad	18.9	20.3	20.3	20.3
Res. in foreign currencies	5.7	5.2	5.6	5.2
Bills of exchange and cheques	511.0	7,565.8	2,492.1	5,901.8
Silver and other coin	176.9	152.5	239.8	152.4
Advances	50.9	81.4	44.2	63.3
Investments	478.6	396.4	423.0	392.8
Other assets	843.6	800.9	803.9	1,236.0
LIABILITIES				
Reserves	493.0	493.0	514.4	514.4
Notes in circulation	493.8	1,527.8	3,480.7	5,621.6
Other daily maturing obligations	970.0	891.0	832.2	1,323.3
Other liabilities	183.1	353.2	204.6	213.0
Cover of note circultn.	1.48%	1.44%	1.59%	1.35%

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

	Mar. 29, 1937	Feb. 28, 1938	Mar. 21, 1938	Mar. 28, 1938
ASSETS				
Gold and English stg.	16.01	16.00	16.00	16.00
Other coin, bullion, &c.	5.18	5.49	5.47	5.02
Money at short call—London	26.30	25.69	26.89	26.70
Short-term loans	5.94	12.55	11.77	11.97
Secrts. and Treas. bills	78.06	92.02	91.60	91.40
Discounts and advances	9.20	12.93	11.77	11.97
LIABILITIES				
Notes issued	48.29	49.03	49.03	49.03
Res. p.m. on gold sold	7.75	7.75	7.75	7.75
Deposits, etc.	76.49	87.29	87.24	86.29

RESERVE BANK OF INDIA

Million Rupees

	Apr. 2, 1937	Mar. 4, 1938	Mar. 25, 1938	Apr. 1, 1938
ASSETS				
Gold coin & bullion	444	444	444	444
Balances abroad	256	72	94	75
Sterling securities	793	788	788	788
Indian Govt. rupee securities	224	274	274	274
Investments	78	64	71	70
LIABILITIES				
Notes in circultn.	1,817	1,783	1,773	1,773
India	81	78	75	75
Burma	136	133	179	194
Deposits: Govt.	230	135	170	146
Bank acceptances	59.5%	57.7%	57.6%	57.4%
Gold and sterling to liabilities	59.5%	57.7%	57.6%	57.4%

(Continued on page 126)

BANK CLEARINGS

LONDON

(£ thousands)

	Month of March			Week ended Wednesday		Aggregate from January 1 to	
	1937	1938	Change †	Apr. 7, 1937	Apr. 6, 1938	Apr. 7, 1937	Apr. 6, 1938
Number of wkg. days :	25	27	%	6	6	81	82
Town	3,297,810	2,915,224	- 18.2	778,266	724,092	10,512,760	9,231,982
Metropolitan	183,266	183,063	- 7.5	52,614	51,096	604,623	596,860
Country	308,423	321,918	- 3.2	97,583	94,162	1,045,069	1,051,355
Total	3,789,499	3,420,205	- 16.5	928,463	869,350	12,162,452	10,880,197

† Based on average working day.

PROVINCIAL

(£ thousands)

	Month of March			Week ended Saturday		Aggregate from January 1 to	
	1937	1938	Change ↑	Apr. 3, 1937	Apr. 2, 1938	Apr. 3, 1937	Apr. 2, 1938
No. of working days :	25	27	%	5	6	78	79
BIRMINGHAM	11,321	10,583	-13.5	2,696	3,229	39,544	34,666
BRADFORD	4,579	3,593	-27.4	1,401	1,260	15,208	11,622
Bristol	5,474	5,913	+ 0.7	1,108	1,511	17,354	17,458
HULL	4,017	3,977	- 8.1	904	940	12,880	12,447
LEEDS	4,840	4,341	-16.9	1,170	1,284	15,511	14,168
LEICESTER	3,325	3,309	- 7.8	863	1,029	10,799	10,718
LIVERPOOL	35,802	24,799	-35.9	7,462	6,338	102,895	75,023
MANCHESTER	50,681	43,958	-19.6	12,580	12,210	154,830	136,681
NEWCASTLE	6,296	6,865	+ 1.0	1,616	1,867	19,871	22,194
NOTTINGHAM	2,291	2,323	- 6.2	558	751	7,457	7,455
SHEFFIELD	4,960	4,857	- 8.4	1,325	1,634	15,811	16,745
Total : 11 Towns	133,586	114,518	-20.5	31,883	32,062	412,160	359,378

EXCHANGE RATES—cont.

NEW YORK							
New York on	Par of Exch. per cent.	Mar. 31, 1938	Apr. 5, 1938	Apr. 2, 1938	Apr. 4, 1938	Apr. 6, 1938	Apr. 8, 1938
London:—	Old Par 4-8666	4-952 ³²	4-952 ³²	4-952 ³²	4-967 ³²	4-961 ³²	4-952 ³²
60 days ...	4-8666	4-965 ¹⁶	4-965 ¹⁶	4-965 ¹⁶	4-965 ¹⁶	4-965 ¹⁶	4-961 ¹⁶
Cables ...	8-2397	4-965 ¹⁶	4-965 ¹⁶	4-965 ¹⁶	4-965 ¹⁶	4-965 ¹⁶	4-961 ¹⁶
Demand ...	6-63	3-051 ²	3-071 ⁴	3-071 ⁴	3-131 ⁴	3-091 ²	3-081 ²
Paris, Fr. ...	23-54	16-90	16-874	16-85	16-851 ²	16-831 ²	16-84
Brussels, Bel. ...	32-67	22-92	22-93	22-931 ²	22-931 ²	22-931 ²	22-93
Switz'l'd, Fr. ...	8-91	5-261 ⁴	5-261 ⁴	5-261 ⁴	5-261 ⁴	5-261 ⁴	5-261 ⁴
Italy, Lira ...	40-33	40-15	40-151 ²	40-15	40-14	40-15	40-13
Berlin, Mk. ...	32-82	...	...	...	...	...	...
Vienna, Sch. ...	32-67	...	...	...	...	...	...
Madrid, Pt. ...	68-06	55-36	55-37	55-37	55-42	55-39	55-36
Amst'd'm Gldr ...	22-15	22-171 ²	22-171 ²	22-171 ²	22-171 ²	22-171 ²	22-15
Cop'h'gn, Kf. ...	145-37	24-95	24-95	24-95	24-95	24-95	24-921 ²
Oslo, Kr. ...	25-95	25-60	25-60	25-60	25-60	25-60	25-571 ²
St'h'lm, Kr. ...	1-291 ²	0-911 ⁴	0-911 ⁴	0-911 ⁴	0-911 ⁴	0-911 ⁴	0-911 ⁴
Athens, Dr. ...	169-31	99-250	99-470	99-470	99-430	99-400	99-340
M'rcal, Can. ...	84-40	28-96	28-95	28-95	28-95	28-94	28-94
Yo'hama, Yen ...	...	30-79	30-80	30-80	30-81	30-80	30-78
Shanghai, S. ...	...	5-90	5-90	5-90	5-90	5-90	5-90
B. Aires, Peso ...	...	...	...	...	...	...	...
Rio, Ms. T. ...	11-96	...	...	...	...	...	...

Usance: T.T. * Dollars per £1. † Official.

THE ECONOMIST WHOLESALE PRICE INDICES

II.—SECOND INDEX, DECEMBER, 1910—DECEMBER, 1923

In *The Economist* of March 26th, page 725, we gave a record of the original *Economist* index, from 1851 to 1910. In 1911 the scope of the index was enlarged by the inclusion of additional commodities whose importance had grown since the original index was first calculated in 1864. Details of the second index were given in *The Economist* of February 4, 1911. Like the original index, the second index is an unweighted arithmetic aggregate, but the basis was changed from the average of 1845-50 to the average of 1901-05. In addition, separate indices were calculated for groups of related commodities comprising the complete index. Moreover, the complete index was calculated as an aggregate as well as an average. A record of the second index, from December, 1910, to December, 1918, was given in *The Economist* of April 2nd, page 66. Figures, covering the period from January, 1919, to December, 1923, are shown below.

Basis Average, 1901-05	Cereals and Meat	Other Foods	Textiles	Minerals	Miscellaneous	Complete Index
500	300	500	400	500	2,200	100
1919—						
January ...	1,287	782 ¹	1,618 ¹	828	1,335	5,851
February ...	1,454	782 ¹	1,596 ¹	818	1,310 ¹	5,796
March ...	1,285	782 ¹	1,502	844 ¹	1,294	5,708
April ...	1,306 ¹	752	1,512 ¹	912 ¹	1,290 ¹	5,774
May ...	1,312 ¹	776 ¹	1,643	931	1,327	5,988
June ...	1,338	800	1,741 ¹	937	1,371 ¹	6,188
July ...	1,339 ¹	805 ¹	1,854 ¹	1,033 ¹	1,417	6,450
August ...	1,380	822 ¹	1,877 ¹	1,040	1,383	6,503
September ...	1,399	817 ¹	1,979 ¹	1,047	1,344	6,587
October ...	1,412	838	2,123	1,064	1,358	6,795
November ...	1,427 ¹	866	2,202 ¹	1,093	1,396	6,985
December ...	1,441 ¹	881 ¹	2,442 ¹	1,145	1,453 ¹	7,364
1920—						
January ...	1,461	857 ¹	2,702 ¹	1,211 ¹	1,535 ¹	7,768
February ...	1,288 ¹	782 ¹	1,596 ¹	818	1,310 ¹	5,796
March ...	1,285	782 ¹	1,502	844 ¹	1,294	5,708
April ...	1,306 ¹	752	1,512 ¹	912 ¹	1,290 ¹	5,774
May ...	1,312 ¹	776 ¹	1,643	931	1,327	5,988
June ...	1,338	800	1,741 ¹	937	1,371 ¹	6,188
July ...	1,339 ¹	805 ¹	1,854 ¹	1,033 ¹	1,417	6,450
August ...	1,380	822 ¹	1,877 ¹	1,040	1,383	6,503
September ...	1,399	817 ¹	1,979 ¹	1,047	1,344	6,587
October ...	1,412	838	2,123	1,064	1,358	6,795
November ...	1,427 ¹	866	2,202 ¹	1,093	1,396	6,985
December ...	1,441 ¹	881 ¹	2,442 ¹	1,145	1,453 ¹	7,364
1921—						
January ...	1,461	857 ¹	2,702 ¹	1,211 ¹	1,535 ¹	7,768
February ...	1,288 ¹	782 ¹	1,596 ¹	818	1,310 ¹	5,796
March ...	1,285	782 ¹	1,502	844 ¹	1,294	5,708
April ...	1,306 ¹	752	1,512 ¹	912 ¹	1,290 ¹	5,774
May ...	1,312 ¹	776 ¹	1,643	931	1,327	5,988
June ...	1,338	800	1,741 ¹	937	1,371 ¹	6,188
July ...	1,339 ¹	805 ¹	1,854 ¹	1,033 ¹	1,417	6,450
August ...	1,380	822 ¹	1,877 ¹	1,040	1,383	6,503
September ...	1,399	817 ¹	1,979 ¹	1,047	1,344	6,587
October ...	1,412	838	2,123	1,064	1,358	6,795
November ...	1,427 ¹	866	2,202 ¹	1,093	1,396	6,985
December ...	1,441 ¹	881 ¹	2,442 ¹	1,145	1,453 ¹	7,364
1922—						
January ...	907 ¹	654 ¹	1,066 ¹	730	925 ¹	4,284
February ...	948	640 ¹	1,037 ¹	696 ¹	936 ¹	4,259
March ...	980	687	1,038	700	892	4,297
April ...	1,008 ¹	667	1,010	709 ¹	890	4,285
May ...	1,040 ¹	657	1,079	710 ¹	885	4,372
June ...	1,000 ¹	676 ¹	1,135	690	887	4,389
July ...	994 ¹	669	1,120	712 ¹	900	4,396
August ...	880 ¹	674	1,123 ¹	681 ¹	887 ¹	4,257
September ...	873 ¹	682 ¹	1,116	699	818	4,189
October ...	885	700	1,150	712	815	4,260
November ...	861	703	1,200 ¹	704 ¹	811	4,283
December ...	861	706	1,184 ¹	705	807 ¹	4,264
1923—						
January ...	860	711 ¹	1,205 ¹	739	808	4,324
February ...	847 ¹	746	1,201	797 ¹	810	4,402
March ...	840	752	1,178 ¹	792 ¹	810	4,392
April ...	858	752	1,199	834	797	4,440
May ...	869 ¹	772 ¹	1,166 ¹	818 ¹	785	4,412
June ...	815 ¹	773 ¹	1,177 ¹	773 ¹	761	4,301
July ...	819 ¹	756	1,115 ¹	744 ¹	746 ¹	4,182
August ...	828 ¹	762 ¹	1,119	734	744	4,188
September ...	823 ¹	782	1,214 ¹	745	745	4,297
October ...	831	777	1,220 ¹	756	743 ¹	4,320
November ...	831	797 ¹	1,393 ¹	770	749	4,541
December ...	853	815 ¹	1,382 ¹	774	755	4,580

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NATIONAL BANK OF BELGIUM

Assets	Mar. 31, 1938	Mar. 31, 1937	Mar. 31, 1936	Mar. 31, 1935
Gold ...	3,521	3,247	3,146	3,132
Silver and other coins ...	53	55	57	54
Foreign exchange, etc. ...	1,029	1,089	1,089	1,089
Bills and securities ...	572	572	591	590
Advances ...	40	34	30	54
LIABILITIES				
Notes in circulation ...	4,381	4,385	4,385	4,419
Deposits: Govt. ...	47	46	17	37
Other ...	711	481	426	379

NETHERLANDS BANK

Assets	Mar. 31, 1938	Mar. 31, 1937	Mar. 31, 1936	Mar. 31, 1935
Gold ...	1937	7	28	4
Silver ...	919-5	1455-8	1465-8	1469-8
Home bills, &c. ...	20-0	14-6	14-7	13-3
Foreign bills ...	17-0	8-7	9-1	9-1
Loans and advances in current account ...	2-4	5-2	5-2	5-4
LIABILITIES				
Notes in circulation ...	176-6	285-4	298-0	298-4
Deposits: (a) Govt. ...	809-2	884-0	899-7	934-1
(b) Other ...	61-3	100-5	85-9	71-5
	283-0	802-7	824-4	804-8

BANK OF JAVA.—Million florins

Assets	Mar. 27, 1938	Feb. 26, 1938	Mar. 19, 1937	Mar. 26, 1936
Gold and silver ...	106-84	135-52	135-98	136-67
Discounts, advances & other investments ...	77-57	77-24	77-00	73-57
Foreign bills ...	3-04	2-67	2-36	1-81
Other assets ...	59-47	64-68	68-28	70-38
LIABILITIES				
Notes in circulation ...	181-87	183-37	185-69	183-58
Deposits and bills ...	51-11	81-04	82-81	83-68

SWISS NATIONAL BANK

Assets	Mar. 31, 1938	Feb. 28, 1938	Mar. 31, 1937	Mar. 31, 1936
Gold ...	2717-9	2890-0	2289-8	2885-2
Of which held abroad ...	629-7	921-5	982-3	982-3
Foreign exchange ...	17-5	490-7	489-4	486-8
Discounts, etc. ...	14-1	7-6	9-2	3-3
Advances ...	43-2	22-6	21-9	22-7
Securities ...	17-9	28-5	28-3	27-9
LIABILITIES				
Notes in circulation ...	1393-8	1470-9	1465-5	1538-6
Deposits ...	1408-6	1969-5	1975-3	1896-3
N.B.—Exchange Equalisation Fund and assets included in returns December 31, 1936, onwards at 538,583,653 fcs.				

RESERVE BANK OF NEW ZEALAND

Assets	Apr. 1, 1938	Mar. 28, 1938	Mar. 21, 1937	Mar. 28, 1936
Gold ...	2-80	2-80	2-80	2-80
Sterling exchange ...	19-27	17-25	17-17	16-93
Advances to State ...	6-85	7-27	5-39	5-11
Investments ...	2-91	2-97	2-97	2-97
LIABILITIES				
Bank notes ...	13-07	13-77	13-53	15-55
Demand liab. : State ...	7-19	7-09	7-90	7-11
Banks and others ...	10-16	8-27	5-88	5-94
Reserves to sight liab. ...	72-5%	68-8%	73-1%	74-1%

BANK OF JAPAN.—Million yen

Assets	Mar. 31, 1938	Feb. 28, 1938	Mar. 31, 1937	Mar. 31, 1936
Gold ...	13-1	12-5	5-1	12-1
Of which held abroad ...	551-3	801-0	801-0	801-0
Discounts and advances ...	36-4	26-4	31-8	32-7
Government bonds ...	499-7	1109-7	1156-8	1064-4
Agencies' accounts ...	101-5	112-6	120-2	118-6
LIABILITIES				
Notes issued ...	1341-8	1718-6	1790-7	1680-4
Deposits: Government ...	339-6	518-7	534-0	503-6
Other ...	57-4	82-3	66-2	95-0

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS											
	Gross Receipts, week ended Apr. 3 (£'000)					Aggregate Gross Receipts, 13 weeks (£'000)					
	Pass- enger	Merch- andise	Coal & Coke	Total Goods	Total Receipts	Pass- enger	Merch- andise	Coal & Coke	Total Goods	Total Receipts	
L. M. & S.—											
1937	452	463	224	687	1,139	5,291	6,210	3,691	9,901	15,192	
1938	420	491	239	730	1,150	5,131	6,343	3,860	10,203	15,334	
L. & N. E. (G)—											
1937	312	338	220	558	870	3,508	4,270	3,350	7,620	11,128	
1938	273	344	252	598	869	3,390	4,456	3,588	8,044	11,434	
Great Western—											
1937	189	174	82	256	445	2,224	2,453	1,502	3,960	6,184	
1938	179	205	109	314	493	2,122	2,596	1,609	4,205	6,348	
Southern—											
1937	290	61	32	93	383	3,443	757	457	1,214	4,657	
1938	279	68	32	93	379	3,380	783	479	1,262	4,641	
Total—											
1937	1243	1036	558	1594	2,377	14,466	13,690	9,005	22,695	37,161	
1938	1151	1108	632	1740	2,891	14,043	14,178	9,536	23,716	37,757	

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Dividend Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit	Dividend
					Prefere. Amount	Ordinary Amount	Rate				
Banks		£	£	£	£	£	%	£	£	%	£
Bank of Scotland	Feb. 28	145,995	313,254	459,249	...	204,164	15	105,000	150,085	317,712	18(d)
Canals and Docks											
Sharpness Docks, etc.	Dec. 31	...	27,341	27,341	16,975	6,076	2	4,290	...	27,658	2
Electric Lighting, &c.	Dec. 31	7,458	37,953	45,411	...	29,381	1	...	16,030	26,502	4½
Southern Areas Electric ...											
Financial Land, etc.											
Hudson's Bay Company ...	Jan. 31	383,911	319,308	703,219	397,512	63,474	3(r)	150,000	92,233	376,695	Nil
Hotels and Restaurants											
Gordon Hotels	Dec. 31	21,711	26,576	48,287	...	...	...	3,986	44,301	10,941	Nil
Iron, Coal and Steel											
Amalgamated Anthracite ...	Dec. 31	194,606	149,716	344,322	...	...	...	86,612	257,710	196,480	Nil
Colvilles Limited	Dec. 31	247,138	804,130	1,051,268	82,844	235,173	8	445,000	288,251	603,154	7
Hadfields Limited	Dec. 31	214,334	269,040	483,374	10,125	181,949	22½	...	291,300	219,424	13½
Maclean (P. & W.)	Dec. 31	Dr. 150,705	70,843	Dr. 79,862	...	...	...	20,000	Dr. 99,862	17,467	Nil
North's Nav. Collieries	Dec. 31	1,272	92,661	93,933	3,750	48,314	6	16,000	25,869	19,664	Nil
Trussed Concrete Steel ...	Dec. 31	4,763	64,647	69,410	3,000	30,100	15	22,090	14,220	36,604	12½
Rubber											
Ayer Kuning (F.M.S.)	Dec. 31	21,673	26,966	48,639	...	18,375	17½	7,500	22,764	14,897	10
Batavia (Kerkoven)	Dec. 31	582	6,192	6,774	...	5,336	6	500	938	3,320	Nil
Batu Caves	Dec. 31	3,891	16,205	20,096	...	12,852	7	2,117	5,127	16,090	5
Ceylon Timber & Rubber ...	Dec. 31	293	5,964	6,257	...	4,760	10	...	1,497	2,417	5
Damansara (Selangor)	Dec. 31	5,553	20,657	26,210	...	15,750	5	4,600	5,860	13,112	4
Gadek	Dec. 31	543	17,772	18,315	...	11,000	10	4,000	3,315	6,867	6
Hanwell	Dec. 31	1,990	5,554	7,544	...	4,130	20	1,500	1,914	4,077	12
Highlands and Lowlands ...	Dec. 31	39,297	51,430	90,727	...	34,816	15	15,000	40,911	31,712	10
Inch Kenneth Kajang	Dec. 31	14,388	16,922	31,310	...	10,312	10	6,375	14,623	12,492	7½
Jasin (Malacca)	Dec. 31	5,426	8,702	14,128	...	6,000	5	2,500	5,628	6,826	10
Labis Bahr	Dec. 31	...	11,891	11,891	...	8,400	7	2,939	552	(a)	(a)
Nirmala (Java)	Dec. 31	...	16,270	16,270	11,417	5,459	2½	...	1,394	2,484	Nil
North Malay	Dec. 31	3,366	40,332	43,698	...	32,600	10	4,672	6,426	24,040	7½
Remfield	Dec. 31	2,789	24,787	27,576	...	16,400	7½	7,500	3,676	12,276	3½
Selangor	Dec. 31	14,106	15,352	29,458	...	9,600	8	4,751	15,107	9,860	7
Sungei Way (Selangor)	Dec. 31	11,537	28,610	40,147	...	23,466	10	5,155	11,526	21,493	9
Shipping											
General Steam Navigation											
Shops and Stores											
Army & Navy Stores	Jan. 29	124,871	180,683	305,554	...	123,000	15	79,499	103,055	189,903	15
Meakers Limited	Jan. 31	49,215	30,244	79,459	17,500	...	...	5,000	56,959	33,964	Nil
Wallis (Thomas)	Jan. 31	1,877	7,978	9,855	...	...	...	6,459	3,396	7,006	Nil
Telegraphs, etc.											
Anglo-Portuguese Telephone											
Tramway and Omnibus											
Northern General Transport											
Tynemouth, etc., Transport											
Textiles											
British Enka Artificial Silk...	Dec. 31	Dr. 568,968	22,711	Dr. 546,257	...	...	...	37,076	Dr. 583,333	22,908	Nil
Full-Fashioned Hosiery.....	Jan. 1	14,257	37,131	51,388	...	...	...	20,613	30,775	6,058	Nil
Trusts											
Alliance Trust	Jan. 31	46,945	377,426	424,371	73,139	199,063	25	100,000	52,169	363,342	23
American Investment, etc.	Mar. 15	60,003	122,941	182,944	43,750	56,875	6½	24,000	58,319	119,585	6½
British Combined Investors	Mar. 1	22,243	37,858	60,101	22,829	9,150	3	...	28,122	34,378	2½
Edinburgh Investment	Mar. 15	212,080	82,751	294,831	20,588	48,800	10	...	225,443	71,380	9
Scottish Capital Investment	Mar. 1	5,509	48,673	54,182	22,662	10,576	3½	...	20,944	43,909	3½
Second Caledonian	Mar. 1	28,563	20,001	48,564	11,281	3,033	2	5,000	29,250	19,375	2
Third Scottish Western	Mar. 1	36,559	24,837	61,396	15,793	2,123	1	6,000	37,480	23,700	1
Other Companies											
Blundell (John)	Jan. 31	20,990	43,732	64,722	12,937	18,750	(m)	11,000	22,035	64,509	(m)
Blythe (William) & Co. ...	Dec. 31	3,473	31,380	34,853	4,426	13,206	10	13,678	3,543	32,114	10
Bradleys (Chester)	Jan. 31	14,782	44,647	59,429	6,300	28,125	11½	5,730	19,274	43,639	20p
Carpet Trades	Dec. 31	23,907	18,285	42,192	18,750	18,750	5	Dr. 24,375	29,067	89,632	7½
Dickinson (John) & Co. ...	Dec. 31	73,083	369,290	442,373	19,375	203,000	14	143,028	76,970	277,016	12
Foster (M. B.) and Sons ...	Dec. 31	93,663	27,062	120,725	...	27,188	14½	Dr. 250	93,787	41,357	17½
Goodson's Mantle, etc.	Jan. 19	5,515	15,678	21,193	10,412	2,813	50	...	7,968	11,873	33½
Hills (R. H. O.) Blackpool	Jan. 31	4,946	27,475	32,421	4,500	14,062	12½	9,250	4,609	23,058	15s
Howard and Wyndham ...	Feb. 28	8,628	24,640	33,268	1,125	14,478	10	9,000	8,665	21,678	6
Hutton (John V.)	Jan. 31	3,077	19,354	22,431	...	11,549	10	5,500	5,382	12,927	8
Imperial Chemical Indus.	Dec. 31	665,142	9,010,707	9,675,849	166,3512	4,284,158	8½	3,172,000	556,179	8,203,329	8
Morrison's (Gowns)	Dec. 31	2,293	18,153	20,446	3,000	10,750	15 & 100	4,000	2,696	12,131	158 & Nil
Packer (H. J.) & Co.	Dec. 31	5,617	Dr. 12,587	Dr. 6,970	...	...	...	...	Dr. 6,970	Dr. 4,367	Nil
Palestine Potash	Dec. 31	...	63,908	63,908	20,708	...	...	35,723	7,477	50,432	Nil
Ragusa Asphalte	Dec. 31	2,913	33,378	36,291	...	26,250	17½	7,500	2,541	35,172	17½
Randall (C. W.) & Co.	Dec. 31	25,169	9,748	34,917	6,000	3,750	37½	...	25,167	10,904	37½
Skefco Ball Bearing	Dec. 31	214,844	275,149	489,993	...	150,000	30½	25,000	314,993	236,304	30½
Spratts Patent (America) ...	Dec. 31	10,030	11,843	21,873	...	12,000	15	1,000	8,873	11,958	15
Telegraph Condenser	Dec. 31	7,388	27,221	34,609	7,800	5,625	5	12,195	8,989	28,922	10
Travers (Joseph) and Sons	Jan. 29	33,973	32,533	66,506	6,250	30,000	15	1,000	29,256	42,335	15
Tucker (Duncan)	Dec. 31	...	23,643	23,643	15,750	...	...	1,000	6,893	(a)	(a)
Van Den Berghs & Jurgens	Dec. 31	266,240	849,547	1,115,787	223,275	492,187	12½	250,000	150,325	752,253	(c)
Total Profits, 1938, in £000's :											
To April 2		661	29,901	100,961	17,314	53,826	...	27,479	32,243	90,204	...
To April 9		723	32,576	115,439	20,110	60,648	...	32,400	34,857	103,188	...

† Free of Income Tax. (a) No comparable figure. (c) Absorbed £573,933. (d) Absorbed £205,875. (e) Preference dividend for 1935 and one half of 1937. (b) Ten months. (f) Seven years' dividend. (m) Paid on staff and management shares. For previous year absorbed £19,063. (p) Absorbed £25,000. (s) Absorbed £11,438. (t) Also 1 per cent. free of income tax from Land Account.

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Labour and Arms

restrictions which have been won for the benefit of skilled engineers in past years, is no light decision. It can only be taken if adequate guarantees are secured that the safeguards in suspense will be speedily restored when the emergency passes, if the general body of members approve and if a very definite limit is set to the profits of individual armament firms.

These considerations go a long way to explain the unions' caution. The engineers have enjoyed some two years of prosperous activity, and in both engineering and shipbuilding wage-rates and employment notably improved in 1936 and 1937. To-day the tide is receding; and the unions' leaders are anxious that the workers who are already experiencing unemployment should be provided for under the arms plan, before their well-paid and well-employed brethren are called upon to abate their privileges.

Two other hesitations on the part of the unions have been more criticised. The suggestion that the promise to restore the former trade union customs after the war was not fulfilled begs a lot of questions. The Great War was a revolution; other countries turned their industries upside down and new conditions of competition came into being. The British trade unions retained a position of very great strength at the end of the war. The miners were able to secure a seven-hour day—which had subsequently to be abandoned under competitive pressure. The railwaymen secured a very favourable cost-of-living wage scale. In many trades the wartime bonuses were largely incorporated into permanent wage scales to an extent which created serious difficulties for British exports. Workers in the building trades were able to make their own terms for the training of apprentices to erect the "homes for heroes" which sprang up in post-war years. And the engineers were not unsuccessful in partially demobilising the wartime entrants.

American Deadlock

IT is by no means a new thing for the American Congress and the President to be quarrelling. Indeed, ever since the days of President Washington, the rare periods of harmonious concord have been so exceptional as to excite wonder whenever they have occurred. But the present rift at Washington amounts to much more than the customary bickering which goes on between the two ends of Pennsylvania Avenue. An extraordinary change has come over the American political scene since the Presidential election of November, 1936. Before that election the President had had to face opposition as bitter and as personally venomous as any that even his most unpopular predecessors had encountered. He appealed to the country, and the country gave him the largest majority in its history. He seemed to be in an impregnable position.

The picture of Roosevelt triumphant was changed to that of Roosevelt crestfallen by the ill-starred proposal for the reform or, as his enemies called it, the packing of the Supreme Court. It is still difficult for outsiders to understand how the attempt of a Government just decisively endorsed at the polls to enforce its legislative Acts could be genuinely believed to be an attack on the fundamentals of democratic government. The fact remains that it was so regarded, that Mr Roosevelt was accused of seeking an unconstitutional dictatorship for himself, and that sufficient credence was attached to both contentions to defeat the proposal, in spite of Mr Roosevelt's stubborn defence of it.

The same charges have been raised against him in the last few weeks during the fight over the Reorganisation Bill. In essence, this is a badly-needed measure empowering the President to rationalise and re-align the amorphous bulk of the executive branch of government. Each of his

All this was mainly a matter of negotiation interspersed with some strikes, for the clock cannot instantly be put back in a changing world. In the upshot, however, British labour may certainly claim to have secured reasonably favourable arrangements for its members. If the Utopia hoped for after the war eluded us, the trade unions—except in the export trades—achieved a high real wage for those of their members who remained in work. Any general charge of bad faith over the wartime agreements would be difficult to sustain.

On the other hand, the criticism that the unions should not attempt to dictate terms on British policy or attempt to alter the Government's line of action is a more complex issue. If the situation were such that the Government felt constrained to take power to mobilise the nation for war preparation—dictating to employers what they should make through a modern D.O.R.A. and inscribing the personnel of the nation for national service—there would be nothing more to be said; for it would clearly be improper for a section to set its wishes against a course accepted by the nation as a whole as a matter of public safety.

But as yet that is not the issue. The Government is rightly seeking to enlist the maximum of voluntary effort behind its re-armament plans. It can only do this successfully to the extent that it secures unity of purpose and enthusiasm for the ends which it is pursuing. It is right that the Trade Unions should let the Government know what preoccupations—if any—stand in the way of securing wholehearted backing from their members and that the Government should seek to remove them. This is not dictatorship by a minority but commonsense. British re-armament, whatever the material results may be, will be ineffective if the "home front" is split or riddled with misgivings. The Unions will have done a real service if the representations of their spokesmen have reminded the Government of this vital consideration.

recent predecessors has asked for something of the same sort, and Mr Roosevelt's Bill differed very little from the drafts of earlier years. In so far as it did so differ—for example, in the proposal to abolish the office of Comptroller-General—it would have been fully open to Congress to delete the offending clauses, while leaving the rest of the Bill intact. But the Opposition chose to see in this Bill another sign of dictatorial ambitions. Mr Roosevelt having dared last year to attack the judicial branch of the Government, he was counter-attacked on his own ground and charged with planning tyranny because he wished to organise more efficiently the executive branch, for which he has an incontestable mandate from the people. The counter-attack, borne on the crest of a flood of a quarter of a million telegrams to Congressmen, has succeeded. The President has been told not merely to mind his own business, but to be very careful how he does even that.

The reversal of Mr Roosevelt's political fortunes has, of course, been powerfully assisted by the astonishing intensity of the depression that has swept across the country in the last six months. It is true that the sensationally rapid decline in business activity in November, December and January has not been continued at anything like the same rate in the last two months. But it is equally true that there is no convincing sign of recovery yet to be seen. The official index of industrial production, which was as high as 117 as recently as last August, had fallen to 79 in February, and little change is expected in the March figure. The appearance of figures such as these, at a time when the hopefulness of recovery was beginning to pass over into confidence, has been sufficient to induce in the American people a mood of the blackest pessimism.

At the first onset of this recession the President, like all administrators in office, attempted to deny its existence. There was a second phase in which he left it to cure itself. But the pressure of facts is now forcing him to take active steps. The remedies of 1933 have been taken down from the shelf and re-examined, and the most effective of them has been re-adopted. The pump is once more to be primed with a Federal deficit; Congress is to be asked to appropriate \$4,250 millions for relief payments, for loans to States and municipalities for public works, and for loans to business. This decision, coupled with the Congressional humiliation of its author, has lifted Wall Street's spirits, and once more there are hopes that the next few weeks will see some beginnings of industrial revival. But it is not possible to feel very happy about the reversion to depression measures. Pump-priming, even when it succeeds, may be a dangerous narcotic. And it is doubtful whether pump-priming of less than heroic dimensions will be of much avail, unless some truce is called in the present savagery of political conflict.

For the bitterness of the dissension that now divides the President and virtually the whole business community, blame can be placed on both sides. The President professes to believe in an economic system in which the greater part of industrial enterprise is in private hands, and in any case he has neither the mandate nor the power to substitute for it a system of State control. But many of his actions have certainly had the effect of discouraging the exercise of ordinary business enterprise. He has done this by the wording of his speeches, by his labour policy, by his campaigns against an ill-defined notion of monopoly, by his enmity against the public utilities, above all by his innovations in the field of taxation, which have seemed to discriminate against bigness, wealth and conservative finance as such. Each one of these things in itself is doubtless defensible. Together they have been a frankly deflationary force. But business is also far from blameless. The leaders of industry and finance have resisted needed reforms and criticised the methods of recovery, while offering no consistent and coherent alternative to the New Deal. They have been content to live on contradictions, as when they insist on the removal of taxes and the balancing of the Budget in one and the same breath. Too much of their opposition has been neither responsible nor constructive. Above all, the business community can be criticised for deliberately work-

ing itself up into such a lather of hatred (no other word is strong enough) of the President, that its fury is choking the whole industrial and financial machine. These faults on both sides are now being reinforced by bitter obstinacy. In either camp the moderate counsellors are at a discount. The President, in particular, has broken with many of his wisest friends, both among the politicians (like Vice-President Garner) and among the business men (such as Mr Bernard Baruch). Both sides are now in the mood in which each protagonist delights to obstruct the efforts of the other, with the result that American affairs are rapidly moving towards deadlock.

It would be an exaggeration to say that the chief trouble with America to-day is psychological: a community of 125 millions is run on more than emotions. But it is true that the main cause of the recession is to be found in a stoppage of the channels that connect the savings of the community with the means of their concrete investment in capital goods, and now that the deflationary monetary policy of a year ago has been reversed, the hindrances are mainly those that arise out of the lack of confidence. If political bitterness could be forgotten and a practical short-run programme worked out by the President and his adversaries, there is no doubt about the improvement of the atmosphere that would follow. It would be necessary in any such bargain for the President to concede the amendments in the taxation system for which business is clamouring, and he would also have to declare a moratorium on any further measures likely to diminish business profits. The other side would need to accept those reform measures that are already on the statute book; they would have to abandon their present attempts to vilify the President; and would need to accept him as being, in constitutional law and in actual fact, the only possible leader of the nation.

It is, of course, for Americans themselves, and not for the outsider, to say whether some such proposal as this would involve too much swallowing of personal pride on the one side and the other to be acceptable. But it must be clear to all, on both shores of the Atlantic, that unless animosity can in some way be transmuted into agreed action, the peculiar frustrations of Congressional government will soon resume their sway, and, as with Wilson in 1919-20, or with Mr Hoover in 1931-32, for two vital years there will be no Government in Washington.

Is Motoring Too Dear?

AT Easter, the first of the year's festivals of the open air and the open road, there is a special relevance in the contention of an owner-driver correspondent, of moderate means, that the pleasures of private motor-car ownership are purchased more dearly than is generally realised. The writer, who purchased a ten horse-power car for £220, garaged it on relatively favourable terms in the West End of London and obtained a 15 per cent. no-claim bonus from his insurance premium, found that motoring cost him £180 in the first year—an average of £3 10s. per week, or 3.5d. per mile. Of his total expenses, running costs (petrol, oil, maintenance, etc.) accounted for 31 per cent. Standing costs (garaging, insurance, tax, etc.) were responsible for 26 per cent. And capital costs (depreciation and loss of interest) were 43 per cent. of the whole. As his total mileage was 12,000, and he was content to leave regular operations like greasing, decarbonising and effecting running repairs to professional hands, his bill of costs can be regarded as not unrepresentative of that of many small private owners, who use medium horse-powered cars mainly for pleasure purposes. Even by the utmost pinching and scraping, this owner believed that he could not reduce his average cost below £2 12s. a week.

These figures deserve to be read in conjunction with those given in an article in *The Economist* of January 21, 1938, page 169, in which we drew attention to the relatively high price of popular British cars compared with those of standard American cars in the United States. Why is British motoring expensive? By what measures may its costs be appreciably reduced?

So far as the selling prices of British cars are concerned, high prices can hardly be attributed to the multiplicity of competing producers. Last year, out of a total British output of 387,462 private cars, as much as 90 per cent. was made by six producing groups—including 66 per cent. by the "Big Three" (Morris, Austin and Ford), and 24 per cent. by Standard, Vauxhall and Rootes. But these six firms produce no less than 40 different types of engine and even larger numbers of chassis and body types. In the United States, however, the three largest manufacturers (General Motors, Ford and Chrysler) accounted last year for about 90 per cent. of a total output of no fewer than 3,915,000 units, but actually had fewer models in production than the six British manufacturers. The big British manufacturers have steadily extended their range of models, with a view to competing in all, or in most, sections of the popular

market. This is a species of insurance against changes in popular taste, but the manufacturers' losses on unprofitable models form a heavy first charge against the profits of the "popular" classes. It was estimated last year that 26 out of 40 models achieved sales of less than 5,000 units. And so small an output in the "popular" class is uneconomic.

How can this difficulty be overcome? Periodic changes of fashion make an allocation on a quota basis impracticable, and the prospects of reduction of redundant models by agreement appear very small. The industry may claim, indeed, with some justice, that the Government cannot escape responsibility for the present state of affairs. Its horse-power taxation has split the British market into an inordinate number of sub-divisions, and tended to make horse-power a yardstick for many purposes for which it is really irrelevant. It is an important factor, for example, in insurance charges. With even less reason, many garages assess their services according to horse-power, and many repairers base their charges on the same inappropriate standard. Even for taxation purposes, many more logical bases might be suggested, such as amount of road-space occupied, or weight, or even the total value of a car. There is reason to believe that if the classes of cars for taxation and maintenance purposes were reduced to three—small, medium, and large—at least we should no longer have individual firms following the wasteful policy of turning out, at the same time, cars of 8 h.p. and 10 h.p., or of 12 h.p. and 14 h.p.

A second line of approach to the problem may depend on frank recognition by the car manufacturers that whatever tends to make motoring dear *after* a car has been sold is of direct interest to them, since it tends to restrict the total volume of their sales. Next to high initial prices depreciation and insurance probably rank among the worst deterrents to the private motorist. Now the burden of depreciation has been substantially increased by the success of recent efforts among motor agents to maintain selling prices. In the past, price-cutting has usually meant inflation of the allowance on second-hand cars "traded in" in part payment for new vehicles. To-day, however, schedules of prices are usually agreed—and observed—for most second-hand models, and many people wait longer before changing their cars. Incidentally, the trade might vary their allowances between different owners, and different records and lengths of service, when new cars are being purchased. To-day the sheep and the goats are treated exactly alike. The elusive "prospect," who has been wooed

by high-pressure salesmanship, obtains the same price for his much-used car as the owner who changes regularly, after running his car much less intensively, and puts the agent to the expense only of a few clerical duties.

Regular buyers of moderate-priced cars form an increasing section of the market, and their existence provides a basis for a business arrangement between the large manufacturer and the customer. Hitherto, however, manufacturers have shown extraordinarily little appreciation of the benefits which would accrue to them, in stability of demand, if they offered some inducement to their customers to continue to buy from the same firm. The manufacturer might agree, for instance, to hire-purchase arrangements on the basis of a regular monthly or quarterly payment, in return for which he would provide the motorist with a new car at stated intervals. At the moment, the semi-permanently depressed state of the second-hand market militates against such a system. That difficulty, however, might be overcome if the manufacturers were to combine, on the lines recommended some years ago by M. André Citroën, to buy up very old second-hand vehicles and remove them from the market.

Finally, the cost of insurance looms large in the eyes of the private motorist, because it is usually paid once a year as a lump sum. Something like £15 millions a year is paid out by car-owners annually in insurance premiums, compared with £16 millions in vehicle taxation and £60 millions for new cars. With one significant exception, none of the larger manufacturers runs his own insurance scheme. Such a development, however, would enable the cost of insurance to be reduced through lower selling costs; while middlemen's profits on replacements and spare parts could be eliminated, if the terms of the insurance provided that repairs charged to insurance should be undertaken only by the manufacturer's service stations or accredited agents. Moreover, the probability of retaining a client, when he bought his new car, could be increased by a system of bonuses which gave him certain benefits if he continued to insure with the same manufacturer.

These are but a few suggestions for cheapening the cost of motoring, which have been mentioned chiefly because the initiative for their adoption lies, in most instances, with the motor manufacturers themselves. The latter cannot hope to receive substantial reductions in motor taxation from the Chancellor of the Exchequer, but they should be prepared to make special efforts to retain their own hold on the public.

The Art of Debt Collection

WHATEVER charge of lack of enterprise may be laid against the business men of England, one business at least has proved itself within the past fortnight to be abreast of the times. Hitherto, the general public has known very little about the business of debt collecting, but now, thanks to an action in the High Court, it knows a good deal. We know that this young industry has a highly-developed modern technique and an admirable acquaintance with the psychology of the ordinary man and woman.

The action was that of *Pierce v. Witney Blanket Company and Another*, and it arose out of the purchase by Mrs Pierce from the Blanket Company of a coat on terms of deferred payment. The price was £2 15s., with 5s. down and monthly payments of 10s. each. The payments fell into arrear, but by October, 1936, the coat was paid for and nothing more was owing. By a clerical mistake, however, the debt-collecting agency employed by the Blanket Company thought there was still 10s. outstanding. To recover that non-existent debt it brought into play the most modern scientific devices for making a reluctant debtor pay up.

The first recorded move of the debt-collecting agency—the Recovery and Adjustment Bureau, Ltd., of Cannon Street—was to concoct a telegram to itself, in these terms:—

Recovery Bureau 56 Cannon Street London stop instruct you proceed immediately and make example this stubborn defaulter stop use fullest possible measures enforce our claim stop you have our fullest authority Butcher manager.

Actually this telegram was never dispatched; it was signed by a man who did not exist, and it called for action which nobody had any intention of taking. There was no Mr Butcher, and no telegram had come from the Blanket Company. It was a fake designed to frighten the debtor and to do nothing else. And it was duly forwarded to Mrs Pierce as having been sent by her creditors. If Mrs Pierce had a gift for arithmetic it must have caused her no little surprise, for the cost of sending it (if it had been sent) would have been 2s. 6d., while the amount of the debt (if there had been a debt) would have been only 10s. In other words,

it was suggested that the Blanket Company was in the habit of spending on one piece of telegraphic invective 25 per cent. of the debt to be collected when a 1½d. letter would have been equally good. That throws some light on the Adjustment Bureau's estimate of the intelligence of the general public and the ease with which most of us can be reduced to a state of panic.

Mrs Pierce having already paid the money, however, the wire naturally did not work. The fictitious Mr Butcher was therefore pushed off the stage and another figure brought on—a more terrifying figure this time, because he had an official-sounding title. He was Inspector Matthews. The district agent of the Recovery Bureau was told, in a letter which was passed on to Mrs Pierce, that the inspector would join the district agent within six days "for immediate action by the authorities without fail, p.p. Recovery and Adjustment Bureau, Limited.—A. Orris, Collection Manager." The sixth day came, but no Inspector Matthews. Instead there was another letter from our Orris—this time direct to Mrs Pierce—saying that the inspector had been instructed to proceed with "legal adjustment and attestation," and would "call at her abode within the next six days accordingly." It would have been interesting to know whether there ever was an Inspector Matthews, what he was in the habit of inspecting, and what he would have adjusted and attested. But unfortunately for us, Mrs Pierce at this point consulted her solicitor, the bluff collapsed, and the curtain fell before the play was finished. It is a great pity that she did not wait for a few more periods of six days to let Orris develop his campaign to the full.

The ordinary man might be tempted to think that a person who tried to collect a debt by faking telegrams, inventing fictitious characters, and threatening non-existent legal processes deserved a pretty stiff censure from the Bench. The most that His Lordship had to say in this case, however, was that the method should not have been adopted—which rather recalls the episode of Little Willie, who, out of spite, blew up his nurse with dynamite; and mummy

said "There's too much noise," but poppa said "Boys will be boys."

It may be that such moral scruples will be allowed to check these up-to-date methods of collection, but, if the authorities take a more realistic view of the relation between debtor and creditor, there is no limit to the efficiency of the machinery which could be built up. To the Inland Revenue it would obviously be invaluable in the collection of income tax. After the second buff note they would no longer be restricted to the old, red, "final" form. Instead they would call round with a telegram, just to hand, proving to the taxpayer how gravely his failure to pay was regarded:—

Collectors of Taxes Victoria S.W. Am shocked and disgusted hear Mr Smith still owes one pound two shillings sixpence income tax due first January last stop unless much mistaken he is most stubborn defaulter whole Belgravia stop authorise you take all methods amplification adjudication enforce payment stop if they fail threaten defaulter personal visit from me six days hence stop that ought to do it Simon Treasury S.W.

And the plan need not be confined to the collection of debts. What is sauce for the debt collector is sauce for the commercial traveller and the convasser, and there is no reason why the great science of salesmanship should not be reinforced by its sister science of making the customer pay for what the salesman has sold him. Why should not a newspaper, for example, stimulate its sales and its circulation by sending to potential readers the appropriate telegram to force them to a decision:—

Economist Newspaper 8 Bouverie Street E.C. Understand Mr William Sykes Seven Dials is not subscriber *Economist* stop regard it essential his sales resistance be broken down stop inform him my opinion making great mistake stop should not miss regular reading admirable articles finance politics stop particularly recommend views freedom of Press and international affairs which no intelligent citizen should neglect stop Hitler Berchtesgaden. We must think the possibilities over.

Topics of the Week

Parliament Adjourns.—Civil and domestic questions have had little opportunity to figure prominently in Parliament's programme since the New Year, and Members dispersed on Thursday with their ordinary business appreciably in arrears. The Coal and Films Bills have gone their weary way through the Commons without further serious obstacles. Apart from the belated nationalisation of mining royalties, the Coal Bill, after its concessions on the question of compulsory amalgamations, represents a much smaller advance on its abortive predecessors than might have been hoped for. Nor, in the case of films, where the desired objective—to safeguard and improve British film production—was generally agreed, did the Government show the decision and insight which were conspicuously lacking among the film interests themselves. Neither Bill ranks as a notable legislative achievement; and the overriding claims of defence and foreign policy rendered it impossible to proceed with measures which might have been more worthy of the Government's Parliamentary strength. Sir Samuel Hoare may now have to wait for several months before he is given the chance to enrol himself among the conspicuous reformers of the British penal code. The Government's plans for the reorganisation of electricity distribution have apparently been suspended *sine die*; and its action on the Import Duties Advisory Committee's Report on the steel industry has been similarly delayed.

Miss Wilkinson's Hire Purchase Bill (discussed on page 145) has so far successfully overcome the hazards of private member procedure. The Government's Rent

Restriction Bill reached the Report stage on Tuesday. But the highlights of the year so far have been the resignation of Mr Eden, the introduction by Mr Chamberlain of new methods, if not new objectives, into foreign policy, and the rallying of all parties behind a fresh drive to shore up the national defences and increase Britain's capacity for war. The background of the session's discussions at Westminster has been alarms and excursions abroad. The split in the Government's ranks on foreign policy, which seemed at one time possible when Mr Churchill arose, meteor-like once more, to sponsor Mr Eden and the League of Nations, did not materialise. Despite the call to national unity backed by the need for national effort in re-armament, the Government failed to hold West Fulham in last week's by-election. But only a bold critic would rate the Government's strength in the country appreciably less at Easter than it was at Christmas. Meanwhile, Mr Hore-Belisha has made hay at the War Office while the sun has shone. Together with Mr Malcolm MacDonald, who has negotiated patiently with Mr de Valera, and Lord Halifax, who has suavely performed the difficult task of filling Mr Eden's shoes, the Minister for War has enhanced his reputation in five months when few men have made their mark.

British Protest to Mexico.—The British Minister in Mexico City delivered a note on Friday of last week which went rather further than the previous representations made by Washington as a result of the expropriation of the foreign oil companies. The United States protested

against the expropriation and asked for either the return of the companies' properties or for the payment of adequate compensation. The British Note demands only the return of the property of the Mexican Eagle Oil Company, and does so, moreover, in sharp terms. The British Government does not deny the right of other countries "to expropriate in the public interest and on payment of adequate compensation," but the present instance is said to be "essentially arbitrary in character." The award rendered by the Labour Board against the company was "not justified by the facts," and the Supreme Court, in confirming it, "ignored the fact that essential evidence had been improperly excluded." After the award, says the Note, "one injustice becomes the basis for others," and "the severity of this harsh and arbitrary step (expropriation) was out of all proportion to the exigencies of the situation, which it was allegedly designed to meet." This is strong language; and it is permissible to wonder whether it is good tactics for the British Government to be so much more severe than the United States, even though the British interests involved are the larger. But in any case, severity is deserved, for the Mexican Government has chosen very bad ground for a quarrel with the two strongest powers in the world. It is reported that a polite but unyielding answer has been sent to the British Note, and there is every indication that Mexico intends to fight it out. The people are being rallied to withstand an economic siege, and the foreigner will doubtless be blamed for the economic woes that are about to descend on Mexico. But the action that has precipitated the conflict is purely Mexican, and the responsibility for the consequences must rest on the shoulders of President Cardenas and his advisers.

* * *

Rome, Geneva and Abyssinia.—In anticipation of the Anglo-Italian Agreement, which now appears to be on the point of completion, the British Government has sent the Secretary-General of the League of Nations a note requesting him to place on the forthcoming agenda of the Council the item "Consequences arising out of the existing situation in Ethiopia." The note points out that many members of the League, including no less than five members of the Council, have recognised Italian sovereignty over Ethiopia, whereas other States members have not given their recognition either explicitly or implicitly. "This situation should be clarified." The intention is that the Council shall release its members from their obligation not to recognise the Italian conquest. Whether this can be done in a formal vote is doubtful, in view of Russia's and China's presence on the Council. The position of the South American States is also doubtful,

as they are pledged, in agreement with the United States, not to recognise changes brought about by force. But by one means or another, the British Government will recover its freedom and will, in due course, utilise it to accord recognition to the Italian Empire. M. Bonnet, the new French Foreign Minister, is expected to follow suit. This sequence of events, which is confidently forecast, will be a depressing and humiliating occasion for the League of Nations—indeed, for all hopes of building up an international order founded on justice and the respect for law. The conquest that is to be recognised, entirely apart from the fact that it rests on a most precarious military basis, is the result of an attack which the League itself characterised as a wilful aggression. The League and its members, Great Britain and France among them, are eating their words, and another of the world's hopes is being devoured in the process.

* * *

This is not, of course, the first time in history that expediency has been preferred to the abstract principles of international justice. But this particular surrender is more formal and abject than most; it could only be justified if it were the inescapable price of some great advance in the peace and security of the world. If, for example, the recognition of Italy's conquest were the certain means of avoiding a major European war, public opinion would approve it. Mr Chamberlain made it clear in his speech at Birmingham last Friday that he does, in fact, look upon his negotiations with Rome in this light. He asked his audience to exercise only a little more patience until the Anglo-Italian Agreement was concluded (it is now reported that the initialling will take place in Rome on Saturday of this week), and he offered to eat his hat if it did not then appear that not he, but the Socialist and Labour Opposition, had been the dupes of the affair. It is certainly true that every effort is being made, both in London and in Rome, to create the appearance of a major diplomatic stroke. The conclusion of the Agreement is to be sealed by the presence of a British Cabinet Minister, in the person of Mr Hore-Belisha, and there is an outburst of friendliness for England in Italy. There is even mention of the appointment of a French Ambassador, accredited to the King of Italy and Emperor of Ethiopia, before Herr Hitler's visit. It is almost as if the Fuehrer were to be welcomed by a demonstration of the re-created Stresa front. The picture is pretty. But consideration of the realities in Central Europe and round the coasts of the Mediterranean does not shake our conviction that it is a staged *tableau*. And if Herr Hitler should turn out to be himself one of the *metteurs en scène*, that would only be in accordance with the tried and very successful methods of the partnership in deception that has hitherto united the two dictators.

* * *

M. Daladier Tries His Hand.—While Herr Hitler was once more taking a plebiscite, France was once more changing her Government. On Friday of last week, M. Blum went to the Senate with his Finance Bill (discussed in *The Economist* last week); and he duly met the defeat which was a foregone conclusion. A verbal duel between M. Blum and M. Caillaux ended in a rejection of the Bill by 223 votes to 49, after the Senate had rubbed in the fact that their objection was to the man rather than to the measure (which they did not seriously examine). M. Blum accordingly resigned. M. Daladier, who, for some days past, had been standing at the ready, lost no time in setting about the task of cabinet making. He offered the Socialists five places in a diminished cabinet of seventeen or eighteen, with the Ministry of Foreign Affairs for M. Blum. The National Council of the Socialist Party sat all through Saturday night, but M. Daladier's offer found no favour with them in the light of some of the conditions attaching to it. He had laid down that there must be a strict maintenance of non-intervention in Spain, that the factories now occupied by the stay-in strikers must be evacuated "in a humane

manner," and that the new Prime Minister must have the plenary powers in finance which the Senate had just refused to his predecessor.

* * *

Accordingly on Sunday M. Daladier formed a cabinet of right wing Radical-Socialists reinforced by some men of the Centre, of whom the most notable are M. Paul Reynaud, who is Minister of Justice, and M. Mandel, who has the portfolio for the Colonies. M. Bonnet returns to office in the unfamiliar rôle of Minister of Foreign Affairs, while the crucial portfolio of Finance goes to M. Marchandeu, who held it under M. Chautemps. The Premier is retaining the portfolios of War and National Defence. The Ministry of the Interior, on which a heavy responsibility may now fall, has been given to a Radical-Socialist, M. Sarraut. The chief innovation of the new Government is the formation of an Inner Council of seven members, MM. Daladier, Chautemps, Patenôtre, Reynaud, Sarraut, Bonnet and Marchandeu, who are to meet daily. The refusal of the Socialists to collaborate has deprived the new Cabinet of an assured majority in the Chamber. Nevertheless, it has made a good beginning. The declaration of policy was approved by the Chamber on Tuesday by 573 votes to 5. A Finance Bill, conferring plenary powers on the Government until the end of July, was passed by a similar majority. It has still to pass the Senate; but that body is expected to give M. Daladier what he wants, if only because he is not M. Blum. The statement of the use the Government intends to make of its powers, which is discussed in detail in our Finance section on page 148, shows that the distinction between M. Blum and M. Daladier is one of degree only. But in the present state of political psychology in Paris it is apparently enough to make all the difference. The new Government has also secured a signal success in putting an end to the strike in the Paris aircraft factories. The men have not only gone back to work, but agreed to work 45 instead of 40 hours a week, in return for an increase of wages. This example is expected to assist in settling the other stoppages in the metal trades, which looked at one time as if they might attain very serious dimensions.

* * *

Czechs and Germans.—The situation in and round Czechoslovakia remains tense—though less tense, no doubt, than it would be if the Czechs were not displaying such remarkable *sang froid*. One of the last acts of the outgoing French Foreign Minister, M. Paul-Boncour, was to confer with the French diplomatic representatives in the Soviet Union, Poland and the Little Entente countries, and to send them back to their stations with instructions to ascertain the attitude of the Governments to which they are accredited towards the question of the independence of Czechoslovakia. Meanwhile, the Polish Minister at Prague has handed the Czechoslovak Government a memorandum

on the alleged use of Czechoslovakia as a base of operations for anti-Polish Communist propaganda. And the Sudetic German Party has announced that no *rapprochement* of views has resulted from their leaders' conversations on April 3rd with Dr Hodza. Over the week-end there were rumours that the Czechs had made up their minds to negotiate with both Herr Henlein and Berlin, and that the idea of conversations between Herr Henlein and the Czechs was approved by Herr Hitler. A hint of coming internal changes—but these without any change in the fundamental democratic principles of the constitution of the Republic—was made by President Benes on Sunday in a statement to the Czechoslovak National Council. On the same day—which was plebiscite day in the adjoining territories on three sides of Czechoslovakia—the *pièce de résistance* in Berlin was a procession of some 500 Sudetic Germans carrying banners inscribed with slogans expressing their wish for an *Anschluss* for the Sudetenland. They drew up in front of the Chancellory and called for Herr Hitler, who duly showed himself on the balcony and pointed to the banners with a smile. Thus the pressure on Czechoslovakia continues; and so long as it continues, the frontier of Bohemia will remain both the danger-spot and the bastion of Europe.

* * *

The Hitler Plebiscite.—On Sunday German citizens voted on the *Anschluss*, not only in Austria and in the Old Reich, but also on the high seas, whither the voting members of the principal German colonies abroad were taken for a ride, beyond the limits of foreign territorial waters, on board German ships. Returns of the results have been published both for Austria separately and for Great Germany, i.e. Austria and the Old Reich combined. The announced results were as follows:—

	Austria	Reich, including Austria
Entitled to vote	4,474,138	49,546,950
Votes cast	4,460,778	49,326,791
	(99.70%)	(99.55%)
Valid votes	4,455,015	49,251,449
Yes	4,443,208	48,799,269
	(99.73%)	(99.08%)
No	11,807	452,180

If these figures are to be accepted, Herr Hitler's voting-drill has reached a pitch of perfection on which it would be hardly possible to improve. In future plebiscites the Fuehrer might as well declare in advance an affirmative vote of 99.99 per cent. and save the voters the trouble of recording results which can be taken for granted *a priori*. What would have been the results of an impartially administered plebiscite like that which was taken in the Saar? That precedent shows that even an impartial administration does not entirely safeguard the voters from the pressure of fear for the consequences of their action if they vote in the sense disliked by a powerful police machine. The coming of a terrorist government casts its shadow before, and free opinion wilts under its chilly shade. Yet, if anything

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is certain about Austrian opinion, it is that the Austrian Catholics and the Austrian Social-Democrats were agreed on at least the one point of being definitely and vehemently opposed to an *Anschluss* with a Nazi German Reich, and that these two elements in Austria were, in combination, numerically stronger than the Austrian Nazis. After all, the invasion of Austria was precipitated by the fear that Dr von Schuschnigg's plebiscite would show a majority against the *Anchluss*. Plebiscites, in short, decide nothing.

Britain's Oil Supplies.—Supplies of petroleum products now rank among national munitions of war and an article in last week's issue of *The Economist* (page 77) disclosed the lengths to which a nation such as Italy is prepared to go in her efforts to mitigate her dependence on overseas sources of supply in war time. Great Britain, despite her large domestic coal resources, will continue, like Italy, to depend upon oil imports in peace and in war. So long, however, as she retains control of the seas, she has little reason to fear any interruption in her supplies, in an emergency, which could not be amply offset by adequate storage facilities. This, the fundamental conclusion of the Falmouth Committee (which recently investigated the whole question of increased oil-from-coal production) is corroborated by a detailed examination of overseas sources of supply made by the *Petroleum Press Bureau*. The following table shows the distribution of our imports of petroleum products, in 1937, from various countries of origin:—

	(Thousand Tons)					
	Crude Oil	Petrol (Gasoline)	Kerosene	Lubricating Oil	Gas Oil	Fuel Oil
Venezuela/Dutch West Indies	534.3	1,988.9	217.1	...	114.0	1,312.1
Iran	296.9	984.2	250.5	...	92.8	565.8
U.S.A.	562.9	161.8	342.1	...	55.3	272.9
Trinidad and rest of the Empire	58.3	255.7	6.4	1.1	16.1	240.9
Mexico	40.5	36.8	46.4	49.5	...	384.5
Roumania	...	249.0	61.6	...	171.7	16.3
Iraq	481.9	...	...	...	...	...
Peru	320.3	...	...	...	...	...
U.S.S.R.	...	169.6	30.3	60.6	18.5	23.6

The headings are similar to those of the tables in our article on Italy's supplies last week, so that a comparison of the position in the two countries can be readily effected. Actually, nearly half the crude oil treated in British refineries is supplied by Venezuela and Iraq. The chief supplier of gasoline is the Dutch West Indies, followed by Iran and the United States of America. The same countries contribute large quantities of kerosene and supply the bulk of Britain's gas oil and fuel oil requirements. The chief supplier of lubricating oil is the United States. Mexico supplies mainly fuel oil, while our imports from Roumania take the form largely of gasoline and gas oil. The contribution of the Soviet Union is shown by our table to be much less than is popularly believed. In the event of war, special importance would attach to increased supplies from Iran on the one hand and from U.S.A. and Venezuela on the other. In the case of both the Western Hemisphere countries, British requirements represent only a fraction of the total production, and considerable elasticity of supplies could be reckoned upon in time of emergency—given the tonnage to transport them and the wherewithal to pay for them.

Flat Rate Cables for the Empire.—A further step in the co-ordination of the telegraphic communications of the British Commonwealth of Nations has been taken by a new agreement between the Imperial Communications Advisory Committee, representing the Empire Governments, and Cable and Wireless, Ltd. Cable and Wireless was formed, as a result of the Imperial Wireless and Cable Conference of 1928, to bring under one control and ownership the various cable systems of the Empire and to operate the beam wireless stations built by the United Kingdom Government. These beam stations were leased to the company for an annual rental of £250,000 plus 12 per cent. of the surplus profits of the company (which have, in

fact, been non-existent). The company was also subjected to certain restrictions, i.e. in the appointment of the chairman and in the use to be made of profits over a defined standard revenue, which were considered appropriate to its public utility status. In the new agreement the company is to be granted the freehold of the beam stations, and the rent is therefore to lapse. In return, the United Kingdom Government is to be granted 2,600,000 £1 shares in the company. More striking than these financial arrangements is the decision to institute a flat-rate charge for all telegrams between different countries of the Empire. The flat rates are to be 5d. a word for letter-telegrams, 7½d. a word for deferred telegrams, 10d. a word for code, and 1s. 3d. a word for full-rate telegrams. For the greater part of the Empire these rates represent a very considerable reduction. There are, however, a few services (e.g. between London and Eastern Canada) where the existing rates are lower, and these are to remain as exceptions until the flat rate can be brought down to their level. The ideal of a flat rate throughout the Empire, for telegrams as for letters, is one that will immediately commend itself to the various publics. When, in addition, the flat rate is a surprisingly low one, the authors of the scheme deserve the warmest congratulations. The financial details, in so far as they affect the stockholders of Cable and Wireless (Holding), Ltd., are discussed in our Investment section on page 146. From the public point of view, however, it can be said that the particular form of organisation which is emerging, by which the Government regulates, and participates in the profits of, a private company, appears to be particularly well adapted to a business which is international as well as imperial and, in some of its services, highly competitive.

"No Change" in Australia.—After Mr Lyons and Mr Stevens, Mr Forgan Smith has performed the political hat-trick by being returned to office for a third successive term. In the Queensland elections his party lost only three seats, and it retains an ample majority in the new House. The fact that within a few months a Labour Government has thus emulated the United Australia-Country party coalitions of the Commonwealth and New South Wales is remarkable, but perhaps less significant than appears on the surface. There is no great gulf between Mr Stevens' expansionary policy of the Right and Mr Forgan Smith's moderate policy of the Left. And it is clear that, on the whole, the Australian voters to-day prefer stability of government to experimental changes. Mr Butler's position was rather shaken in South Australia, but he has now formed a new Government and is assured of sufficient Independent support to carry on. If business recession and drought simultaneously attack the economy of the Dominion, this political contentment may perhaps be shaken, but for several years such a swing "agin the Government" is unlikely to have a chance of expressing itself through a General Election either in the Commonwealth or in any of the larger States.

The Bengal Land Revenue Inquiry.—Under British rule, as under its predecessors, land revenue has been the foundation of Indian public finance. In Bengal, for nearly a century and a half, the land revenue assessments have been stabilised under Lord Cornwallis's famous Permanent Settlement, which in its infancy was regarded as a model for the rest of India. Its purpose was to encourage land-holders to make improvements by assuring them that the full financial benefits of their investment would accrue to them. Its actual effect has been to make of the land-owning class a wealthy vested interest, which has frequently been oppressive to the tenant-cultivators. The Permanent Settlement has hitherto been regarded as sacrosanct, and it is protected by a clause in the Government of India Act which provides that no Bill for the extinction or modification of right in any land shall be introduced without the previous sanction of the Governor-General or the Provincial Governor. A first step towards reform, however, has been taken by the Bengal Government by the

appointment of a Commission to review the whole system of land revenue and land tenure in the province. The British Government's commendation of this move is sufficiently proved by the release of Sir Francis Flood, High Commissioner for the United Kingdom in Canada, to act as independent chairman of the Commission.

Easter and the Railways.—Easter is late. Spring is, to an unusual degree, in the air. Only sombre believers in the law of averages doubt that the fine weather will last over the week-end. And the railways have made record arrangements to transport holiday-makers far and wide. Both the London and North-Eastern and the London, Midland and Scottish Railways have planned over 1,000 extra long-distance trains for the week-end. On all four main lines, the peak of travelling was looked for on Thursday, when more than 400,000 passengers were expected at the three London termini of the L.N.E.R. alone, and 94 expresses left Paddington. Nor will the crowds be less on the roads. More motor cars were licensed at the end of February than ever before. In the air, too, increased activity will be evident. With the introduction of summer-time, North-Eastern Airways added a Glasgow service to their services to Edinburgh and Perth; and British Airways augmented their services to Paris and accelerated their schedule on the Scandinavian mail route. With the onset of increased travel on land and in the air, the railway companies' policy of compelling agencies to accept bookings only for their allied air lines has once more evoked severe criticism. The railways' reply, laying stress upon the financial importance of railway ticket bookings to the agencies, is not wholly convincing. Their rigid attitude is in striking contrast with their growing readiness and ability to cater for the demands of travellers.

The Fight for Catalonia.—The fighting in Spain has not been by any means as one-sided during the past week as in the earlier phases of General Franco's drive towards the sea. The insurgent forces have continued to advance at the extreme northern end of their line in the shadow of the Pyrenees, and they have succeeded in capturing, at Tremp and elsewhere, several of the hydro-electric stations that supply Barcelona with power. The main thrust of the advance towards Tortosa and the sea, however, is still held up, and the narrow corridor between Catalonia and the rest of Government Spain is still, though precariously, open. The morale and resistance of the Government troops is considerably stiffer, and counter-attacks have been launched. The Government have also acquired some dozens of new aircraft, which will do something to lessen their inferiority in this vital arm. The rebels still have a powerful advantage in artillery, especially of the heavier guns, which may yet help them in blasting their way to the sea. This material comes from their Fascist allies. Not even the British Government disputes that fact any longer, though Mr Chamberlain still holds that the reinforcements that have reached General Franco from Italy in recent weeks have not "materially altered the position" and are thus not a breach of the Italian undertaking on the basis of which the negotiations for an Anglo-Italian Agreement were begun. If a "material alteration" means the end of the war, then, indeed, it has not yet been brought about.

Riots in Tunis.—The native Muslim population of the French Departments and Protectorates in North-West Africa has been restless for some time past, and at the end of last week trouble boiled up in the Protectorate of Tunisia. On Saturday one of the Tunisian Nationalist Party leaders was being examined by a magistrate in the Palais de Justice in the capital on a charge of having incited the population to violence. An angry crowd gathered, and when the police were reinforced by troops the crowd attacked them and drew the troops' fire, with the result that

eight or nine rioters were killed and about forty wounded. Martial law has now been proclaimed throughout Tunisia; military courts are in permanent session; the streets of the cities are being patrolled; and the European community are being advised to stay indoors. Of the three North-West African territories under the French flag, Tunisia has the strongest tradition of Islamic culture and is the most closely in touch with the main body of the Islamic world. The Tunisians are particularly open to influences from Egypt, and they are demanding a treaty with France on the lines of the Anglo-Egyptian treaty of 1936. As the French have already found in Syria, this is a problem which sheer repression can never solve. There is, however, one element in the Tunisian situation which may still bring the Tunisians and the French together, and that is a common fear of Italy. In the considerable European colony in Tunisia the French colonists are outnumbered by the Italian; Sicily is less than a hundred miles away; and the rapidly increasing population of Italy is still threatening to burst its native bounds, whereas the stationary population of France presents no threat of submersion to the Arab and Berber populations of the African territories under French control. Here is a hard and menacing fact which ought, in the end, to move Frenchmen and Tunisians to make common cause. At present, however, there is some good fishing for Signor Mussolini in these troubled Tunisian waters. The European country that is the Tunisian Nationalists' present bugbear is, inevitably, the paramount Power, France, whereas Signor Mussolini has put on Kaiser Wilhelm's boots and has proclaimed himself the protector of Islam.

Chinese Successes.—The steady accumulation of reports from the Chinese side, and of embarrassed silences from the Japanese, makes it quite clear that the Japanese army has suffered a severe reverse in its attempt to drive southwards down the Tientsin-Pukow railway. The Chinese have not merely held up the Japanese advance, but forced the invaders to retreat. What is more, in addition to this reverse at the front, the Japanese communications are daily harassed, and a Chinese brigade was even reported to have occupied the city of Tsinanfu, the capital of Shantung, which is many miles behind the front. Elsewhere the same story is reported of Chinese troops appearing in the rear of the Japanese, and even the country round Shanghai is apparently not entirely safe for the Japanese. Reinforcements are being rushed up, and the sheer weight of metal will doubtless push the Japanese forward. But they are clearly being enmeshed in a huge spider's web, from which they will be able to break out only with the most gigantic efforts. The strain may prove too great for a nation that is not only tightening its belt at home, but has to keep a careful and heavily-armed watch on Russia. The Japanese have only themselves to thank if the whole world rejoices at every evidence of their discomfiture.

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From Our Special Correspondents

United States

Decline in Securities

NEW YORK, April 5.—Last week was marked by little change in business indicators, and there was a sharp decline and equally sharp rebound in the security markets. The index of business activity for March, when it becomes available three weeks from now, will probably be almost identical with the February and January figures—that is, for some four months, the index of production has hovered at about 80 per cent. of a basic standard established more than a decade ago. This is a level of extreme depression, and only in the early thirties was the index lower.

The violent decline in the security markets during March depressed average prices in the stock market by about 25 per cent. But this gives only a partial picture of the collapse of security prices during the past four weeks. A large number of shares, and not a few bonds, fell by over 50 per cent.; and it was no uncommon thing to see the securities of representative corporations selling for a third of the prices recorded a year ago—and in many cases for less.

This disparity between the comparative stability of business during the past four months and the recent sharp decline in markets, whether for securities or commodities, can be explained in one of two ways: either the decline in markets anticipates another decline in business activity; or the markets had, for some five months previously, been anticipating a sharp recovery in the spring, which did not materialise. At the end of last summer, and in the early autumn, there were strong reasons for believing that the decline in the security market forecast a decline in industrial activity; and such an interpretation was verified by subsequent events. In March, it may be that the decline in the market represented no more than a more realistic appraisal of current facts, and had no forward-looking significance.

Capital Movements

The Treasury has issued its quarterly report on international capital movements. This report covers the final quarter of 1937, and shows a net outward movement of short-term funds in that quarter of \$575 millions. Every week of the quarter showed a net exit of "short-term banking funds"; in most weeks, and in the aggregate, on balance, there were net purchases of securities by foreigners. The increase in such purchases amounted to \$127 millions during the quarter.

In the whole of 1937, foreign deposits here increased by \$256 millions, and foreign holdings of securities by \$512 millions. As usual, there was a substantial repatriation of foreign securities issued in the American market. The net effect of the movement was to reduce the total of foreign balances in this market from \$2,305 millions at the end of September, 1937, to \$1,730 millions at the end of December.

These data throw much light on the balance of trade figures presented in this column on April 9th (page 82). Towards the end of 1937 there were rumours about the withdrawal of foreign funds from this market, but in the last three months such rumours have been absent. Nevertheless, there is some reason to suppose that the movement has continued. It is interesting to note, further, that, while this capital was originally accumulated mostly through the medium of gold imports, the withdrawal seems to have taken the form of a shift in the merchandise trade balance, and a reduction in gold imports, rather than an export of gold.

The Plight of the Railways

As the second quarter of 1938 opens, the focus of attention is the railway crisis. With a third of the railways in receivership, another third on the brink of receivership, and the earnings of the remaining third problematical, the situation in this industry is more critical than in 1932. The repercussions of this state of affairs cannot be ignored. Railway obligations, which have for years been regarded as prime investments, are

largely held by institutions; and the ramifications of this crisis extend widely through the entire financial system.

At the end of 1936 railway rates were reduced, and programmes of capital expenditure were necessarily curtailed. In the summer of 1937, after long negotiations, railway wages were increased, and even maintenance expenditure had to be cut to the bone. The first definite increase in unemployment came in August, when the roads began to skimp maintenance. Traffic, however, held up through the autumn, and in the late autumn a small increase in rates revived hope.

At the turn of the year the receivership of the Erie was a blow, the force of which was mitigated by the expectation of favourable action on the main rate application, then dragging its weary way through the Interstate Commerce Commission. Meanwhile, traffic had fallen off badly, and it was announced in the middle of March that an increase of less than 6 per cent. had been granted, whereas a 15 per cent. increase had been asked for. The collapse in railway securities led the markets into their recent slump, and brought the desperate illness of the railways to its crisis. The President then called upon a committee of the Interstate Commerce Commission to prepare a comprehensive programme to rehabilitate the railways.

The Problem of American Industry

The railway crisis is important in itself, since the railroads represent an appraised physical investment of over \$20,000 millions, and in its institutional implications. But the railway problem illustrates a general problem in our economy. Railway traffic, like the index of production, are above the lowest levels of 1932. But railway earnings are below the levels of 1932 and, in addition, the companies' predicament is more acute. Taxes are higher, labour costs are higher, financial resources are lower and, probably, the general efficiency of the plant is lower, by reason of long under-maintenance.

These problems are not confined to the railways. Although the level of production is substantially above the average of 1932, the capacity of the economic framework to endure adversity is lower than in 1932, and for very much the same reasons as harass the railways, except that, whereas the railways have a large structure of bonded indebtedness, American industry, by and large, has little bonded debt, and only a relatively small burden of bank debt. It has been financed by equity capital; and this affords a degree of protection against the violent alternations of boom and depression which have been characteristic of our economy in recent years.

A Correction

The table printed in the New York Letter last week (April 9th, page 82), which recorded the recent movements of the Federal Reserve Board's business indices, was incorrectly set out, owing to a printer's error. The four columns of figures were inadvertently transposed, and the table should have read as follows:—

	BUSINESS INDICES (1923-25=100) ADJUSTED FOR SEASONAL MOVEMENTS			
	Feb., 1937	Dec., 1937	Jan., 1938	Feb., 1938
Industrial Production (total).....	116	84	80	79
Manufacture	116	79	76	75
Minerals	115	114	108	101
Construction Contracts (total).....	62	62	52	48
Residential	47	30	26	30
All other	75	88	74	64
Factory Employment (total)	99.8	89.0	84.2	83.1
Durable Goods	93.9	84.4	76.8	74.4
Non-Durable Goods.....	105.8	94.0	92.1	92.4
Factory Payrolls (total)	95.8	80.9	71.6	73.5
Durable Goods.....	92.5	77.0	63.8	64.2
Non-Durable Goods	99.9	85.8	81.5	85.3
Freight Car Loadings	82	67	65	62
Dept. Store Sales	95	89	90	88
Dept. Store Stocks	76	72	71	70

France

M. Blum Falls

PARIS, April 13.—M. Blum resigned after the Senate had, for the second time in twelve months, voted against his plans to deal with the financial crisis. The task of the Senate was made easier by signs of division in the Popular Front in the Chamber, by the renewal of stay-in strikes and by Socialist attacks against the Upper House.

M. Gardes, rapporteur of the Senate Finance Committee, applauded M. Blum's proposal to return to the principle of budgetary unity. He admitted that further steps were needed to meet the needs of the Treasury, but he rejected exchange control and the capital levy. Finally, M. Gardes deplored the absence of confidence and the unequal treatment of capital and labour, respectively, with regard to the sacrifices required by the proposals.

The problem of finding a new Government to succeed M. Blum's administration was difficult. A Thorez-Reynaud Cabinet was an impossibility, because the majority of the Moderates side with M. Flandin against M. Reynaud in their opposition to the inclusion of the Communists in the Government. A Blum-Reynaud Cabinet was similarly impossible. The Socialists were not ready to break with the Communists. While most of the trade union leaders are Socialists, very many of their followers are Communists. A Daladier-Radical Socialist Cabinet was also impossible, because the Socialists had refused full powers to a previous administration of this kind under M. Chautemps' leadership. A Daladier-Reynaud Cabinet was finally formed.

M. Daladier's Majority

It remained an open question whether the Socialists and Communists would return to the Opposition, so that M. Daladier would have to obtain the plenary powers he needed from the Right. Actually, on Tuesday, M. Daladier received almost unanimous support from the Chamber (the vote is discussed on page 134).

The new Government heralds a change in French foreign policy. M. Bonnet is a staunch supporter of an improvement of relations with Rome. If this new policy has some measure of success, the German danger will be correspondingly weakened, and the atmosphere will be much better for the issue of a large loan for National Defence. Meanwhile, however, the Left remains firmly attached to the cause of the Republican Government in Spain.

Better Trade Returns

Foreign trade shows some signs of improvement. The figures for March were as follows:—

	March, 1937	February, 1938	March, 1938
(In million francs)			
Imports—			
Foodstuffs	784	1,139	901
Raw materials	1,892	2,536	2,076
Manufactured goods	538	612	549
Totals	3,214	4,287	3,526
Exports—			
Foodstuffs	266	310	295
Raw materials	607	869	684
Manufactured goods	954	1,272	1,251
Totals	1,827	1,694	2,230

The value of imports in the first quarter of 1938 increased by 14 per cent., compared with the same quarter of 1937. The comparison is rendered difficult, however, by the rise of 46 per cent. in the pound-franc exchange and the fall of 23 per cent. in world prices between the first quarters of last year and this.

The total value of exports, on the other hand, was 32 per cent. higher than in the first quarter of 1937. The import surplus in the first three months of this year was 4,700 million francs, compared with 4,922 millions in the same months of last year, or, excluding trade with French colonies, 3,600 millions against 4,159 millions. This apparent improvement can, however, be partly explained by the renewed recession in French industry, which has entailed a decline in imports. The number of unemployed on April 2nd was 398,254, against 401,056 in the preceding week and 386,254 a year ago.

Germany

Investment, Finance and the Anschluss

BERLIN, April 12.—The Reichstag Election, the course and result of which were foreseen, had little influence on business. Last week's share-market was firm. Austrian events are now a material Bourse factor. Some electricity companies' shares have risen in expectation of the development of Austria's water-power.

The market for foreign loans, including those which, for native holders, have been converted to a reichsmark basis, has not recovered. Last week Dawes dollar bonds again weakened slightly; while the reichsmark section of the Young Loan advanced by 1/10th of a point. No new light has been thrown on the treatment of Austria's foreign debts or on the official drive for a general revision of foreign debts.

For the second time since the Anschluss, the Reichsbank's weekly return, dated April 7th, does not show the Austrian National Bank's gold and exchange reserve. The return is again materially influenced by Anschluss transactions, showing in particular an unusual increase of coins among the assets. Official comments clearly imply, though they do not directly state, that Austrian gold played no part in the recent great increase in "Other Assets."

There is much comment, which is relevant to the question of debt service, about the outlook for the balance of trade of the extended Reich. Omitting trade between Austria and the old Reich, the figures for 1937, in reichsmarks (Austrian figures at old exchange), were as follows. Austrian imports were valued at Rm. 572 millions, and exports at Rm. 487 mill. German imports were valued at Rm. 5,375 mill., and exports at Rm. 5,788 mill. Taken together, the combined imports were Rm. 5,947 mill., and the combined exports Rm. 6,275 millions. The combined export surplus was therefore Rm. 328 millions, compared with the old Reich's export surplus (including trade with Austria) of Rm. 443 million. The outlook for this year, in the first two months of which both the Reich and Austria had import surpluses, is not promising.

Greater Germany's Food Supplies

In the matter of food supply Greater Germany is weaker than the old Reich. Austria's population is one-tenth of that of the old Reich, but her net food import stands, it is calculated, in the ratio 1.3:10. Her deficiency of cereals and flour is one-fifth of the old Reich's, and of meat one-half. In the matter of fats (without butter), fish and fruit, her deficit is relatively about the same as the Reich's; and in eggs and condiments it is smaller. The cereals deficiency is made up largely of wheat, of which about half the consumption is imported.

Austria's exportable surplus of dairy products, of which about two-thirds went to Germany last year, has in recent years increased. Payments for food imports just about equal the deficit on the whole trade balance, which means that imports and exports of other commodities about balance. The yield of vegetable foodstuffs per unit of cultivated land is, without exception, considerably smaller in Austria than in the old Reich, and smaller even than in Bavaria, which physically greatly resembles Austria. The wheat yield in Austria (average of recent years) is roundly 28 per cent. smaller than in the Reich, of rye 17 per cent. smaller, of oats 29 per cent., of potatoes 19 per cent., and of sugar beet 14 per cent. smaller.

Austrian consumption of chemical fertilisers is insignificant, but the stock of cattle is relatively larger. The wheat crop has of late increased, but the crop of rye has fallen sharply.

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The whole cereal crop last year was smaller than in 1936, and 7 per cent. smaller than the average for 1931-35. The Food Ministry announces several measures for improving Austrian agriculture, including the provision of farm machinery.

Industry and the State

Various measures for the improvement of Austrian industry were announced last week, including the guarantee of a Rm. 150 millions credit, to be supplied mainly by banks under the leadership of the Oesterreichische Creditanstalt. The Reichswerke Hermann Göring (the State iron corporation, founded in 1937) will increase its nominal capital of Rm. 5 millions to Rm. 400 millions, to be subscribed by interested private capitalists; and will found a daughter company for smelting at Linz.

In March, the number of unemployed in Germany fell by 439,000 to 508,000, which is 740,000 fewer than a year ago. The spring revival of industry has so far been satisfactory. Industry is, however, increasingly stimulated by Reich or Reich-enforced construction undertakings, which become ever more grandiose and costly, and are in great part ornamental. The building industries are taxed to the limit of their capacity. The value of new building (including surface and underground works) last year is estimated at Rm. 9,000-10,000 millions, compared with Rm. 2,200 millions in 1932; and the proportion of works by public authorities was estimated at nearly 80 per cent. In the present year building activity will increase still further.

Conditions in the heavy industries are little changed. A more optimistic view is taken of world steel prospects. The steel Press approves strongly of the resolute policy of the International Cartel in regard to prices; and it is assumed, now that the Belgians have settled their internal question, that the Cartel will be smoothly prolonged.

German exports of heavy iron and steel continue to be smaller than in 1937, and imports are considerably larger. Machinery exports have only increased slightly. The number of persons engaged in machinery manufacture had risen by the beginning of this year to 700,000, against 250,000 in 1933. The value of machinery production in 1937 was Rm. 4,500 millions against Rm. 1,546 millions in 1933; of home sales Rm. 3,700 millions, against Rm. 1,012 millions; and of exports Rm. 800 millions, against Rm. 535 millions.

The value of the gross output of chemicals in 1937 was Rm. 5,000 millions, compared with Rm. 4,200 millions in 1936, and Rm. 2,700 millions in 1932. These figures include synthetic motor-fuel, artificial rubber, and "cell-wool."

The shipping Press deals at some length with the British proposal for a Tramp Pool on the lines of the Tanker Pool, and describes present conditions as propitious, in view of the decline in rates during the last twelve months and the present marked insufficiency of freight. The view is taken, however, that an International Tramp Pool could only succeed with the co-operation of the liner concerns, in so far as these compete as freight carriers. For Germany, with her important liner undertakings and small tramp fleet, this aspect of the proposal is the most important.

Switzerland

Effects of the Anschluss

GENEVA, March 26.—The absorption of Austria by Germany has caused much uneasiness in Switzerland, who now has three neighbours instead of four, two of whom—Italy and Germany—are allies. The end of Austria as an independent State will have some effect on Swiss trade, but during the past few years Austro-Swiss trade has been hindered by currency restrictions. In 1937, the value of imports from Austria reached Frs. 44,163,000, or about 2.4 per cent. of total Swiss imports, while exports to Austria were valued at Frs. 37,855,000, or nearly 3 per cent. of total exports.

Trade relations with the former Austrian territory will probably be reduced to some extent, while the important interests of Swiss industry and capital in the Vorarlberg may be ruined. Another consequence may be the diversion, from the Swiss St. Gotthard railway line to the all-German Brenner line, of the greater part of the traffic between Germany and Italy. Switzerland will be compelled to build, at a cost of about Frs. 30 millions, a double line on an important section of the St. Gotthard route.

The disappearance of Austria is more important from the political point of view. Switzerland is now bordered on

two sides by Germany, with whom her common frontier is increased from 278 to 438 miles. As the common frontier with Italy is 428 miles, these two allies now border Switzerland for 866 miles, against a Franco-Swiss frontier of only 310 miles. The fact that Germany and Italy are directly connected lessens the threat to Switzerland in the event of war, since troops could be transported through the Brenner so quickly and easily that it would be folly to fight a way through Switzerland.

Neutral and Independent

The end of Austria involves no change in the political situation of Switzerland, which remains—and is resolved to remain—neutral and independent. The mission of Switzerland is to watch the Alpine passes in the interest of Europe. The President of the Confederation recently made a definite and solemn statement in Parliament to the effect that Switzerland would defend the passes.

The President's statement was unanimously approved by Parliament—as well as by the country—and all parties, including the Socialists, declared their readiness to accept all the sacrifices necessary to ensure their independence and neutrality. Party controversies will be set aside to permit all the efforts of the people to be devoted to the reinforcement of national defence.

Will the three million German-speaking Swiss be included among those Germans living outside the frontiers of Germany whom Herr Hitler intends some day to unite to their mother country? First, a great number of them are not of German race, but are Germanised Celts. Secondly, the great majority of them are staunch democrats and, therefore, as firmly opposed to German rule as they were in the past to the Habsburgs.

No Trojan Horse

The annexation of Austria was facilitated by the presence in that country of a strong and well-organised National Socialist Party. The position is different in Switzerland, where Nazi ideas have but a few supporters. The so-called "Front Movement," which had many adherents some years ago, has lost much of its importance. Even those who proclaimed themselves to be Pan-Germans have openly and strongly disapproved of the invasion and annexation of Austria. So far there is no danger of a strong party advocating the union of German-speaking Switzerland with Germany and requesting Germany—as the Austrian Nazis did—to intervene on their behalf. Events in Austria have brought the Swiss closer together.

Since 1921 Switzerland has had an economic union with the Lichtenstein Principality, now an independent State, but previously a member of the Holy Roman Empire and the German Confederation. Swiss legislation has been adopted by Lichtenstein as well as Swiss currency, while the Customs and postal services are assured by Switzerland. The Lichtenstein Diet has definitely declared that the Principality is determined to remain independent and united with Switzerland in the economic domain, so that no difficulty is likely to arise with Germany in regard to Lichtenstein.

Jugoslavia

Satisfactory Year's Trade

BELGRADE, March 14.—The commercial year 1937 was extremely favourable. The volume of trade increased 30 per cent., because of a bumper maize harvest, the reopening of the Italian frontier, new trade treaties, and the continued demand for raw materials for re-armament. Total exports were 4,557,400 tons, valued at 6,272 million dinars: 58.89 per cent. more in volume and 43.33 per cent. more in value than in 1936. Total imports were 1,105,000 tons, valued at 5,234 million dinars, an increase of 13.76 per cent. in volume and 28.37 per cent. in value.

The abundance of foreign devisen due to better exports and the change from clearing to cash transactions with several countries, has led to a further reduction in the proportion of foreign bills which must be submitted to the National Bank. This is the fourth reduction from the 80 per cent. quota established in 1934, the last having been to 33.3 per cent. in February, 1936. The present quota is 25 per cent.

Debt Settlements

The abundance of foreign currencies has enabled the Yugoslav Government to conclude agreements with the French, British and Swiss holders of its loans, by which the present payment of debt services in funding bonds is aban-

doned and normal service resumed. The agreement with the French bond-holders, however, provides that in future, payments shall be made in paper francs instead of in gold. The total French debt thus regulated amounts to 2,038,840,000 French francs, and the sum to be allotted annually in the Yugoslav Budget to its repayment is 175,550,000 francs, of which 150 millions will be devoted to interest charges, and the remainder to the redemption of bonds by purchases in the open market.

The British loans are smaller, comprising only the 4 per cent. loan of 1895, with £180,000 outstanding; the 5 per cent. Montenegrin loan of 1909, with £20,500 outstanding; and the 5 per cent. British funding bonds, with £40,000 outstanding. These agreements are expected to be followed soon by the conclusion of a similar one with the American holders of the 7 and 8 per cent. Blair loans, and the 7 per cent. Seligmann loan. As soon as these negotiations are completed, all the agreements will be ratified. It is possible that later on, further negotiations for the consolidation and conversion of all Yugoslav foreign loans may be opened.

Bulgaria

A New Parliament

SOFIA, March 28.—Elections for National representatives were held on March 7th, 14th, 21st and 27th, after the country had been for four years without a Parliament. In spite of the fact that the old political parties had been virtually dissolved, the majority of the deputies elected are members of the former political groups. Out of 160 elected representatives, as many as 104 have declared their readiness to support the policy of the present bureaucratic Government. It is not certain, however, whether they will do so when Parliament meets on April 15th, for it appears that some of the declarations of approval were obtained from the candidates as a condition for greater freedom in their election campaigns.

In spite of a slight fall in prices and a less favourable economic atmosphere, Bulgaria's foreign trade developed satisfactorily during the first two months of the year, because of the large stocks held from the 1937 crop. The trade figures are as follows:—

Year	Imports	Exports (Million leva)	Export Surplus
1937	604	921	317
1938	650	1,079	429

Exports have increased by 17 per cent., against 7 per cent. in the case of imports. The export surplus has made possible further additions to the stock of foreign exchange at the National Bank, which was 915 million leva on March 15th, against 540 million leva a year ago. The comparatively calmer season has resulted in a decline in the short-term advances of the National Bank and in increased liquidity in the position of State and private banks.

The ordinary State Budget for 1937 has closed with a visible surplus of 642 million leva. Receipts amounted to 9,348 million leva, compared with 7,831 millions in 1936, and expenditure to 8,706 million leva, compared with 7,548 millions in 1936. Actually, this surplus has already been expended in the course of 1938, and its announcement was made for political reasons, to influence the elections just held.

State receipts from direct taxes during the first two months of 1938 showed a slight increase, while Customs receipts declined. Total receipts in the two months were 1,195 million leva, against 1,043 million leva in the same period of 1937, which is satisfactory, though it is 121 million leva below the Budget estimate.

China

Japan's Interests in China

SHANGHAI, March 22.—In all stages of the present conflict there have been repeated and emphatic Japanese assurances that foreign economic and financial interests in China would be respected. No responsible Japanese is prepared, however, to give similar assurances about future developments. One of the main reasons why the Japanese always wanted to secure control of China is the desire to promote the development of China under Japanese guidance and in conformity with Japanese economic interests.

Even in the midst of a sanguinary and protracted struggle the Japanese have started exploiting Chinese resources. The output of the Lung-yen iron mines in Hopei, at present under

Japanese occupation, has been considerably increased, and exports to Japan raised to 600 tons of ore per day. Japan hopes to obtain about 700,000 metric tons of Lung-yen iron ore in 1938. At the same time, the Hai-lung coal mines in Hopei have increased their output and exports of coal to Japan.

Survey work for the long-proposed railway line from Chih Chia-huang in Hopei Province to Tientsin has also begun. All these transactions are concentrated in the hands of the China Development Corporation, a branch of the South Manchurian Railway Company; and the so-called Provisional Government of the Republic of China in Peiping has granted a franchise for railway development to this body.

Chinese Resources

Most of China's resources of coal and iron are concentrated in the five Northern Provinces and Manchuria. The official Geological Survey of China estimates China's iron ore reserves to be about 1,133 million metric tons, two-thirds of which are in Liaoning Province in Manchuria. The coal reserves are believed to be about 250,000 million metric tons, of which about 90 per cent. are concentrated in Shansi, Shensi, Kansu and Honan. Prospects of developing this region, considered one of the big coal reserves of the world, must be considered remote, since it is in the midst of mountains and very poorly situated for water transportation, markets, labour and metal deposits.

Large financial investments by Japan in North China are not to be expected in the near future. The Japanese capacity for capital export has definite limitations. The heavy strain on the country's financial resources caused by the war has arrested even the small capital exports to Manchuria. A general standstill in Manchuria has been the result, especially in trade and building activity.

The haste shown by Japan in exploiting Chinese resources is largely due to the difficulty of securing foreign exchange to pay for raw material imports. To avoid expenditure of foreign exchange on additional imports of Chinese raw materials it has been found expedient to exclude the areas now under Japanese occupation from the sterling bloc, and to include them in the yen bloc by the creation of a new North China currency dependent on the yen.

Tokyo's Plans

Tokyo plans a more systematic organisation of the development of Chinese natural resources. The main idea of the Japanese North China Planning Board in creating the North China Corporation was to consolidate all Japanese economic interests and financial investments in North China, much as the South Manchurian Railway has been doing in Manchuria.

No final decision about the structure of the North China Corporation has been reached, due to conflicting interests between Japanese banks and industrial concerns. The formation of the Corporation at the present moment is not greatly important, as there are now no means in Japan available for large financial investments. For the moment, the exploitation of China's resources does not take the form of sound economic development, but rather of intensive utilisation until exhaustion point is reached. Thus Japan is securing desperately needed raw materials at the expense of efficiency and future possibilities.

Those of China's resources which have not been captured by the Japanese have also been greatly affected by the war. South China produces antimony and tungsten, in both of which China dominates the world market; and there is a considerable output of manganese. In many cases communications have been completely disrupted, because Japan holds most of the China littoral. This dislocation has naturally affected prices.

Meanwhile, the Chinese Government is strenuously trying to develop the resources of the Far West, notably in Szechuen. This province is sufficiently remote to be practically immune from Japanese military action, but the difficulty of establishing connections with the outside world are enormous.

Finally, China's agriculture has also been influenced by the war. In the provinces immediately affected considerable numbers of peasants have fled, leaving the fields untilled. In

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the Shanghai area the Japanese for a long time prohibited the farmers from returning, which has had disastrous effects upon farming; and the prohibition has only recently been lifted.

Enormous quantities of machinery and other iron goods have been removed from Shanghai's war-torn suburbs to Japan for scrapping.

Eire

The Anglo-Irish Negotiations

DUBLIN, April 8.—The long delay in arriving at a settlement with Great Britain is having a rather disturbing effect on business in Eire. While farmers are living in hope that any agreement that is reached will be to their advantage, industrialists in the protected industries are not free from apprehensions regarding the possible effects of a reduction of import duties. There is no doubt that any agreement providing for a freeing of trade between Great Britain and Eire would be beneficial to Irish interests in general. The Budget would be relieved of the necessity of finding large sums for export bounties, and the increase in prosperity that might reasonably be expected would doubtless increase the yield of many taxes. The stimulation which agriculture would derive from the improved export position would have favourable repercussions on other sections of the community.

It would be a mistake, however, to conclude that any agreement, even the most satisfactory, would put an end to all the economic ills from which the country is suffering. The growing passivity of the balance of payments is the subject of some anxiety in official circles, and there is no reason to believe that a trade agreement would do much to close the ever-widening gap. Agricultural exports would no doubt increase, but imports would also increase if there were any relaxation of the Irish tariff. The fact is that the present condition of the balance of payments is a reflection of the internal expansion that has taken place, largely financed by borrowing. The housing programme alone is responsible for the demand for large quantities of imported raw materials and wage earners' consumers' goods, unaccompanied by any corresponding increase in exports.

Folly of Self-Sufficiency

Public opinion is at last waking up to the folly of attempting a policy of self-sufficiency in a country of the narrow range of natural resources possessed by Eire. The Labour Party has been blaming the Government for the failure of its industrial policy to stop emigration or to cure unemployment, and it is becoming clear, even to the man in the street, that a revival of exports is necessary "to get some money into the country." While an expansion of agricultural exports may be legitimately hoped for, there is very little hope of any increase in industrial exports. The new protected industries rely almost entirely on the home market, and some of the older exporting industries are gradually reducing their activity in this country. Guinness's Brewery, for example, is producing more of its output in its English branch, with serious effects on the balance of trade. The only expanding export industries are the tourist trade and the sweepstakes.

Industrialists will always shun areas with high costs of production, and, unfortunately, Eire is rapidly becoming such an area. Wages are high, output is low, and the legislation in regard to employment is found burdensome and expensive. Local rates are rising, and may be expected to rise still further, and the protective tariff raises many prices. Elaborate machinery for controlling prices has been established, but even the most perfect administrative device will not succeed in preventing increases. It is not sufficiently understood that the only way to keep down prices is to keep down costs, and that costs can best be kept down by the maintenance of reasonable freedom of trade, by the encouragement of efficiency and by the avoidance of all unnecessary public expenditure.

The last-mentioned condition certainly does not prevail in Eire. The estimates for the Supply Services for the financial year 1938-39 amount to £30,322,710, an increase of £579,646 over last year and £9,552,986 over the year 1929-30. Expenditure on Central Fund Services has also increased. The estimates of the Dublin Corporation for the coming year amount to £1,817,960, an increase of £218,460, necessitating an increase in rates from 17s. 6d. to 19s. 7d. in the £. The full significance of these figures will not be appreciated, unless it is realised that the population of the country is steadily falling, and that the *per capita* burden of a given amount of taxation is consequently growing year by year.

Letters to the Editor

The Trade Cycle

TO THE EDITOR OF THE ECONOMIST

SIR,—The social importance of reducing the amplitude of cyclical fluctuations in trade cannot be exaggerated, and yet we are making no attempt to formulate a rational trade cycle policy. I believe that it would be possible to decide on a trade cycle policy which would be better than no policy at all, if a representative committee of economists sat fairly continuously for about two years.

The fundamental problem would be to discover the extent to which general agreement on causation was possible. The possibilities of synthesis are shown by considering two views which appear irreconcilable. These views correspond more or less to those of the Austrian school, and of Mr Keynes and his disciples. According to the first, the crisis or turn of the trade cycle is due to an excess of investment over voluntary saving; and, according to the second, to an excess of saving over investment. We have in the one theory the diagnosis of too great a production of capital goods and, in the other, of too small a production of these goods.

The first theory might be modified as follows. Starting from slump unemployment of resources it is possible to envisage increases in the supply of money, the output of capital goods, and the output of consumption goods which will not necessarily lead to a reaction. The increase in the output of capital goods could be counterbalanced by the increase in voluntary saving resulting from the higher level of income.

On the other hand, the Keynesian group might agree that the Austrian school's emphasis on the distribution of the factors of production between consumption and capital goods industries is after all important. While unemployed resources are being re-employed, there is the problem of securing a balanced expansion of output.

Is it not possible that the committee would decide that both the explanations of the turn are correct, and that only careful statistical investigation can determine which explanation is relevant to a particular trade cycle?

If the above two explanations of the turn were accepted, opposing views on public works would be largely reconciled. Public works would be recommended as an appropriate policy to be adopted at the beginning of a slump when, and only when, the turn was due to a lack of investment opportunities.

Yours faithfully,

J. C. GILBERT.

School of Economics, Dundee.

The Anschluss

TO THE EDITOR OF THE ECONOMIST

SIR,—You refer in your issue of April 2nd, in accordance with English opinion, to "the tragic mishandling of the proposal for the Austro-German Customs Union." In spite of the juridical strangulation of the 1931 proposal for political reasons—which may rightly be condemned—one ought not to be blind to its real meaning.

The motives then actuating Austria and Germany can be described as follows. In 1931 the economic crisis reached a high point in Austria. For the first time voices raised against autarky could gain a hearing, and their effect was to decide Chancellor Schober to take steps to remove trade barriers. This was opposed by two groups: the autarkists and the Pan-Germans, who put difficulties in the way of furthering trade with other Danubian countries and saw in Austria's economic strength a threat to their ambitions.

It was this latter group which launched the Customs Union plan and interested Germany in it, although the autarkists, realising how impossible the scheme was, in the contemporary balance of power, but hoping through the proposal to obtain a new Geneva loan all the quicker, had no real objections. The economically inexperienced Schober was taken unawares by von Curtius.

While the rulers of post-war Austria destroyed the economic bonds with the Succession States, the Pan-Germans prevented their restoration, and the real aim of the Custom Union project of 1931 was to hinder the freeing of trade undertaken by Chancellor Schober.

Yours sincerely,

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Books and Publications

Mathematics for the Few

THE days when the principles of economics—apart from footnotes and appendices—could be grasped without knowledge of either calculus or cartesians are, regrettably, passing, and to apply the term "mathematical economists" to a particular school of theorists is mainly a distinction of degree. Diagrammatic presentation is fairly easy for the non-mathematical mind, and it is now a feature of the most elementary class-room. But recent advances in economics have gone much further in the use of both geometry and, more difficult, of functional analysis. As a consequence, the modern economic theorist finds the luxury of mathematics fast becoming a conventional necessity, and one difficult to obtain if he does not already possess it.

This difficulty has now been solved by this book.* Demanding from the beginner no more than "matric. maths.," Mr Allen has provided a textbook of pure mathematics "developed in the directions most useful to students of economics," which has all the neatness and clarity of argument which is the fascination of the subject itself. The choice of illustrations, the definition of the simplest terms and the provision of a special table of symbols are all marks of the care which has gone into the work.

"Examples" are provided at the end of each chapter to be worked by the student. But the book is much more than a course to be completed. Mr Allen has managed to include most of what is essential in mathematical economic theory, and, though the demonstration of "mathematical methods" has involved some loss in logical sequence, a separate index of "economic applications" has successfully turned the book into a permanent source of reference.

The completeness of the book may, in fact, be a defect. To provide a textbook was the primary intention, and the most important. But the price is very high for those most likely to put it to much use. This defect could be remedied by the publication of a shorter "Introduction." No one could do it better than Mr Allen himself; and it would increase the appetite for the bigger book, which will doubtless become the standard work on the subject.

* "Mathematical Analysis for Economists." By R. G. D. Allen. Macmillan. 548 + xvi pages. 31s. 6d.

Shorter Notices

"Stocks and Shares." By Hartley Withers. John Murray. 381 pages. 6s.

Mr Hartley Withers' work on stocks and shares was first published in 1910, and it is rightly established as a classic. As the author points out, in the preface to this third edition, the technique of security dealing has in many respects changed curiously little during the intervening twenty-seven years. The major change, in fact, arose from war-time inflation, and the consequent post-war discovery of the investment merits of the equity share. Mr Withers has written a new chapter which underlines this new-found importance of the equity share in modern investment policy.

"Financial Instruments and Institutions." By Robert L. Masson and Samuel S. Stratton. McGraw-Hill. 494 pages. 24s.

The Harvard case books on finance are less widely known in this country than they deserve to be. Perhaps the pragmatist may object that corporation finance is an art which can only be studied in the counting house. His answer is to be found in the fact that this addition to the Harvard series of case books contains actual problems, fully documented, which have, in recent years, confronted 55 financial institutions in the United States. They involve problems of capitalisation, the money markets, the maintenance of the investor's income, and questions arising from public control. Much of the ground is of primary interest to American students, but the British reader will find that many of the problems are worth study.

Books Received

Political Handbook of the World, 1938. Edited by W. H. Mallory. (New York) Council on Foreign Relations. 210 pages. \$2.50.

A Modern Spanish-English and English-Spanish Technical and Engineering Dictionary. By R. L. Guinle. (London) Routledge. 311 pages. 15s. net.

Die Wirtschaftskurve herausgegeben unter Mitwirkung der Frankfurter Zeitung. Vol. I, 1938. (Frankfurt) Societäts-Verlag. 116 pages. No price stated.

Canadian Mines Handbook, 1938. (Toronto) Northern Miner Press, Ltd. 40 pages. \$1.00.

What Are We to Do? By John Strachey. (London) Gollancz. 398 pages. 10s. 6d. net.

Can Capitalism Last? By Frederick Allen. (London) Gollancz. 286 pages. 7s. 6d. net.

Der Irisch-Englische Handelskrieg. By P. G. Harkort. (Berlin) Trilisch and Huther. 210 pages. No price stated.

The World Crisis. By the Professors of the Graduate Institute of International Studies, Geneva. (London) Longmans, Green and Co. 385 pages. 10s. 6d. net.

International Trade. By H. B. Killough. (London) McGraw-Hill Publishing Company, Ltd. 622 pages. 24s. net.

The Problem of the Standard of Indian Currency. By A. Sadeque. (Calcutta) Fatima Sadeque, P83 Tarak Dutt Road, Ballygunge. 225 pages. No price stated.

The South American Handbook, 1938. (London) Trade and Travel Publications, Ltd., 14 Leadenhall Street, E.C.3. 698 pages. 3s. 6d. net.

International Affairs, 1918-1937. Edited by A. B. Keith. (London) H. Milford. Vol. I, 1918-1933. 290 pages. 2s. net. Vol. II, 1934-1937. 267 pages. 2s. net.

The Technique and Principles of Auditing. By A. Binnie and B. Manning. (London) Pitman and Sons, Ltd. 351 pages. 15s. net.

Provincial Brokers' Stock Exchange Year Book, 1938. (Hull) Parliament Chambers. 185 pages. 2s. 6d. net. Gratis to members.

A Short History of the American People. By H. U. Faulkner. (London) Allen and Unwin. 772 pages. 18s. net.

Japan in China. By K. K. Kawakami. (London) John Murray. 188 pages. 5s. net.

An Abstract of a Treatise of Human Nature, 1740. By David Hume. Reprinted with an Introduction by J. M. Keynes and P. Straff. (London) Cambridge University Press, 200 Euston Road, N.W.1. 32 pp. 3s. 6d. net.

The New York Bond Market, 1920-1930. By C. C. Abbott. (London) H. Milford. 153 pp. 10s. 6d. net.

Your Money and Your Life. By H. V. Geary. (London) Edward Arnold and Company. 223 pages. 3s. 6d. net.

Pour une Politique d'Empire. By E. Guernier. (Paris) Librairie Félix Alcan. 208 pp. 30 frs.

Official Publications

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

Government Publications: Consolidated List for 1937. 1s. net.

National Health Insurance Fund Accounts for the Year ended December 31, 1936. 6d. net.

Air Estimates, 1938. 4s. net.

Memorandum by the Secretary of State for Air to Accompany Air Estimates, 1938. Cmd. 5677. 4d. net.

Air Services Supplementary Estimate, 1937. 2d. net.

Accounts and Balance Sheets of Trading or Commercial Services Conducted by Government Departments in the Year 1936. 2s. 6d. net.

Fleets of the British Commonwealth of Nations and Foreign Countries, 1938. Cmd. 5666. 2s. net.

Empire Air Mail Scheme (Indian and Malayan Introductory Services). Cmd. 5676. 1d. net.

Wheat Fund Accounts, 1936-37. 2d. net.

Imperial Economic Committee, Vegetable Oils and Oilseeds, 1937. 2s. 6d. net.

Report of the Chief Registrar of Friendly Societies for the Year 1937. Part 3. Industrial and Provident Societies. 2s. net.

Trustee Savings Banks. Forty-sixth Annual Report, Year ended November 20, 1937. 4d. net.

THE BUSINESS WORLD

Post Office Savings Bank

TO many modern economists, savings, like umbrellas, appear more useful on some occasions than on others. To the plain man, however, they spell security at all times. The immense funds of friendly and co-operative societies, insurance companies and savings banks demonstrate how it has become possible in the last few generations for the less well-off majority of the community to safeguard themselves against the vicissitudes of their livelihood. Thrift has deep roots in history, but only in modern times, when most men have earned more than a subsistence wage, has it fully flowered. And not the least encouragement to this tendency has come from a Government Savings Bank.

The Post Office Savings Bank, as we know it, is only seventy-seven years old. But its origins lie further back in English history. About 250 years ago, the author of "Robinson Crusoe" conceived the idea that savings might be entrusted to the Government, subject to the payment of interest. In Daniel Defoe's time, however, the poor had little or no savings, and the Government lacked the facilities to implement his plan. Nevertheless, the savings movement gathered momentum; and late in the eighteenth century, when great changes in Britain's industry and agriculture were under way, private savings banks, on Continental models, were projected.

The first successes came, not unnaturally, in Scotland. Savings banks were established at Ruthwell, Dumfriesshire, in 1810, and at Edinburgh in 1814. In 1818, after an Act of 1817 had empowered savings banks to invest their surplus funds with the National Debt Commissioners at $4\frac{1}{2}$ per cent., over 500 more banks were founded on both sides of the border. The relatively high interest paid by the savings banks attracted wealthy people, and the Government in 1824 made £200 the total deposit limit, and permitted depositors only one account. The investment of surplus funds with the National Debt Commissioners was made compulsory. In 1828, the deposit limit was reduced to £150 and interest to £3 16s. per cent.

To Mr Gladstone we owe the final establishment of the Post Office Savings Bank. Following a Government inquiry, a proposal that every money order post office should conduct savings bank business was mooted; and in 1861 this plan was embodied in the Post Office Savings Bank Act. Interest was to be $2\frac{1}{2}$ per cent. The bank started with 300 post offices transacting savings bank business; by the end of 1861 the number had increased to 1,676, and by 1870 to 4,000. At the end of 1862 there were 178,000 depositors with £2,000,000 to their credit; and by 1900 deposits were £135,000,000, having doubled in only ten years.

With the turn of the century the rate of expansion slowed down and it took thirty years for deposits to double again. In the last six years, however, progress has once more been phenomenal. Between January 1, 1932, and December 31, 1937, deposits rose from £272,110,000 to £470,000,000. The following table shows the increases

which have taken place during each of the last six years. A proportion of the increases arises from the accruing of interest, and this item is shown separately:—

INCREASE IN POST OFFICE SAVINGS BANK DEPOSITS
(000's omitted)

Year	New Money	Accrued Interest	Total Increase in Deposits
1932	8,415	7,000	15,415
1933	12,500	7,500	20,000
1934	18,800	8,000	26,800
1935	24,900	8,500	33,400
1936	54,700	9,900	64,600
1937	27,300	10,800	38,100

The advance contrasts sharply with conditions in the years between 1928 and 1931, when deposits rose by only £6,683,000, from £265,427,000 to £272,110,000.

There would seem, in fact, to be a direct relationship between the rate of increase in deposits and the attractiveness of the $2\frac{1}{2}$ per cent. paid by the Post Office Savings Bank relative to rates obtainable elsewhere. During the years 1928-31, when savings bank deposits grew very slowly, the monthly average of the Bank of England's discount rate ranged between $3\frac{1}{2}$ and $5\frac{1}{2}$ per cent., while the average yield on gilt-edged stocks was about £4 10s. per cent. During the last five years, Bank Rate has been 2 per cent. and the average yield on gilt-edged is now under £3 10s. per cent., after having been, for a time, below £3 per cent. The Post Office Bank's $2\frac{1}{2}$ per cent. has become proportionately more attractive; and deposits have increased apace.

It may well be, therefore, that the big yearly increases in the Bank's deposits since 1932 have been mainly due to the $2\frac{1}{2}$ per cent. interest which the Bank pays, combined with the stability, security and liquidity of the capital sum, compared with the low rate of interest obtainable on deposits placed with commercial banks, or with the return on money invested in gilt-edged, where there is some risk of capital depreciation. Between 1932 and 1936, deposits increased more and more the longer cheap money lasted. In 1937, when interest rates were slightly higher, the movement was checked. Indeed, the large growth in the Bank's deposits during the last six years suggests that two points may merit the attention of the authorities.

First, the credit of the Government for long-term borrowing is now well under $3\frac{1}{2}$ per cent., while the Treasury bill weekly allotment rate during 1937 averaged only 0.563 per cent. There may be grounds, therefore, for asking whether a corresponding adjustment is not desirable in the rate of interest payable on Post Office Savings Bank deposits—although it must be remembered that the rate offered is intended to be some inducement to the poorer sections of the community to be thrifty. A $\frac{1}{2}$ per cent. reduction in the rate would save the country about £2,400,000 a year, with deposits at their present level. It is doubtful whether such a reduction would mean any falling off in the deposits of those people for whom the P.O. Savings Bank is intended, though it might check the inflow

of deposits from those whose primary object is to take advantage of the relative attractiveness of the present rate. At present, the amount of new deposits which may be made by a single individual in any year is only limited to £500, and there is no regulation against the opening of several accounts by the same depositor. As things stand, the Government is paying $2\frac{1}{2}$ per cent. for the use of money which substantially it invests in gilt-edged securities. The last balance sheet of the Bank showed that, against deposits of £432 millions, it held around £260 millions in gilt-edged. Although these vast funds are of great value in helping the Government to control the gilt-edged market, and, thereby, the terms of national borrowing in other directions, $2\frac{1}{2}$ per cent. may be an unjustifiably high rate to pay for money withdrawable at short notice.

In this connection, a second question arises. If most of the considerable increase in deposits in the last six years has been due to the Bank's special attractiveness in a period of low money rates, what will happen if and when the epoch of cheap money comes to an end? Any sum, no matter how large, can be withdrawn from the Bank at ten days' notice. If the Bank should no longer be so attractive as a haven for money, there might be substantial withdrawals over a very short period, necessitating, *pari passu*, sales by the Bank of gilt-edged securities. Forced liquidation on this

scale might cause a sharp fall in the prices of British Government stocks, which, with dearer money, would in any case be moving downward. And this might happen at a particularly unfortunate moment for the national credit. The situation could, of course, be met by modifying the withdrawal terms, but this line of action would also have undesirable repercussions.

Meanwhile, the problems to which these large increases in the Bank's deposits have given rise are being steadily accentuated. Already, in the first two months of this year, deposits have risen by a further £12 millions to £482 millions. In five years of cheap money, the Bank's deposits have increased by £200 millions. Is there a case for a moderate adjustment of the rate of interest on new deposits, which, while insufficiently serious to discourage thrift among those for whom the Bank is primarily designed to cater, would deter others from using its facilities as a convenient financial cloakroom? The Treasury has not hesitated repeatedly to vary the average rate of interest obtainable from another instrument of thrift *par excellence*—the National Savings Certificate. The Savings Bank is a bulwark of British democracy, and cannot lightly be tampered with. But it can scarcely be suggested that its policy should have no reference whatever to changing events and tendencies.

Hire Purchase Bill—II

Case for the Bill

MISS ELLEN WILKINSON'S Hire Purchase Bill has emerged safely from the Committee stage, but it is likely to suffer substantial alteration before reaching the Statute Book. Few Bills have been more warmly supported and more strongly attacked in the course of their parliamentary career. In the Bill's drafting, Miss Wilkinson received not only the services of a number of skilled lawyers, but also the backing of the Hire Purchase Traders' Association. Having been introduced as a private member's measure on a non-party basis, the Bill obtained a second reading without a division. At that stage, the Government, in the person of the Attorney-General, stepped in and gave professional assistance. The greater part of the Bill was rewritten, with the intention of strengthening it and closing up various legal loopholes.

From this point dates a sharp change in the attitude of the big hire-purchase firms and organisations to the proposed measure. Although the Bill is not intended to undermine legitimate hire-purchase business, its critics contend that some of its re-drafted clauses, which have been designed to eradicate abuses, may in practice prove a handicap to hire-purchase trading in general. To what extent is this criticism justified? To appreciate the effect of this new legislation a clear understanding of the rudiments of hire-purchase finance is necessary. In the first place, hire purchase must be distinguished from deferred payment and the various other forms of non-cash trading. Until all the instalments of a hire purchase agreement are completed, the goods remain the property of the owner, and can be reclaimed by him if the hirer defaults. Hire purchase is, in fact, a renting agreement with an option to purchase after a certain period, provided the payments have been kept up. Most agreements are made by the purchaser of the goods with specialised hire-purchase firms, who pay cash to the dealer or the manufacturer. The latter then disappears from the scene, and the purchaser (or, more correctly, the hirer) pays direct to the finance firm. Alternatively, the dealer may make the agreement himself and finance it either out of his own surplus resources or through one of the hire-purchase finance firms, who may also collect the instalments for him.

The volume of retail trade transacted on hire-purchase terms is considerable, in spite of the fact that its growth is

largely a post-war development. The motor, radio, and domestic appliances trades have been largely built up on hire purchase. The bicycle trade was constructed on a cash basis in its early days, but has now been taken over to a great extent by the hire-purchase firms. The equipment of industry has also been effected by hire purchase. Railway wagons, for instance, have been bought on hire-purchase terms since the middle of last century. The wagon companies, indeed, were the pioneers of hire purchase. Machine tools and medical equipment are also bought on hire purchase. Finally, mention must be made of livestock, which the original Bill ignored, but which were incorporated during the Committee stage.

It is a matter for astonishment that so integral a section of the national economy should have remained for so long free from legislative control; and it is a reflection on a whole succession of Governments that it should be finally dealt with in a private member's Bill. What abuses is the Bill designed to check? Many of them have their origin in ignorance and lack of financial experience on the part of hirers, who do not always understand or even read the agreements they sign. Poverty, or relative poverty, among hirers is a secondary factor, although an important one. Most firms, in fact, take steps to ascertain beforehand the credit-worthiness of the hirer. Abuses arise when unscrupulous sellers endeavour deliberately to exploit poverty, counting on the inability of the hirer to pay all the instalments, and on their ability to repossess themselves of the goods as soon as the agreement is technically broken by non-payment.

This "snatching-back," in its various forms, is the most serious of all hire-purchase abuses. It has undoubtedly caused widespread hardship. In some cases, families have lost thereby practically all their possessions. As a remedy, the Bill, as it now stands, proposes that, once a third of the hire-purchase price has been paid, the goods can only be recovered by action in the County Court. The powers to be accorded the County Court judges are fairly extensive. The Court may determine the agreement; order the goods or part of them to be returned to the owner; postpone their return, provided the unpaid balance is repaid in such instalments as the Court thinks equitable (that is, extend the agreement); or order the title of part of the goods to be

transferred from the owner to the hirer, taking into consideration their value, the amount paid, and the depreciation on the remainder. Reinforcing this clause is another which permits the hirer to end the agreement and return the goods provided a third of the hire-purchase price has been paid. If reasonable care has not been taken of the goods, he is liable for the damage caused. This clause has wider implications, which we propose to consider in a second article.

A more general protection for the hirer is the stipulation that the agreement shall contain a statement of the hire-purchase price and the cash price of the goods. This will eliminate the pretence that the goods are being obtained at cash price on hire-purchase terms.

Other safeguards are laid down in the Bill. A copy of the agreement is to be sent to the hirer within seven days of its being signed. On the payment of one shilling, the hirer is to be entitled to receive within four days a copy of the agreement showing the amount paid, the amount unpaid, the dates and amounts of the instalments payable. These two clauses are designed to prevent misunderstandings, accidental or wilful.

One of the more conspicuous abuses of hire-purchase trading is the system of "linking-on" agreements. This is a perfectly legitimate device under certain circumstances. Some firms, however, have made a practice of approaching a hirer when the instalments on one set of goods have been almost paid off, and persuading him to buy more goods on the same terms. These goods are added on to the earlier agreement. In the event of default by the hirer, all of them—and not merely the additional goods—are liable to be seized. The Bill provides that where agreements are linked on in this way the goods covered by the second agreement shall not be seized without County Court action,

whether a third of the hire-purchase price has been paid or not.

A complaint frequently made against hire purchase as a whole arises from the fact that, being initially technically a hiring (with merely an option to purchase after the instalments are completed), it is not legally subject to the implied warranties and conditions stipulated in the Sale of Goods Act, 1893. The majority of branded articles sold by hire purchase are, in fact, covered by manufacturers' guarantees, but in other cases the hirer at present has no legal redress against a trader who supplies him with an article which proves defective. The Bill closes up this loophole in the law by providing that, where the hirer "makes known the particular purpose for which the goods are required, there shall be an implied condition that the goods shall be reasonably fit for such purpose."

It has hitherto been possible for a hire-purchase firm to refuse to take responsibility for anything their canvassers, demonstrators or salesmen may have said. Many housewives have been trapped by misrepresentations of such agents, who themselves are frequently forced to exaggerate in order to obtain results on which they are paid on a commission basis. The Bill makes it impossible for firms to deny their responsibility for the actions of their agents.

Finally, it is provided that there shall be no escape from the provisions of the Bill by means of special agreements, even though these may be signed by the hirer. And the Bill, when it becomes law, is to be made retrospective as far as is possible.

So much for present abuses and their remedies under the terms of the Bill. We reserve for a succeeding article our consideration of the objections raised by the hire-purchase firms and the probable effect of the Bill on the hire-purchase trade as a whole.

Cable and Wireless Finance

THE new agreement between the Government and Cable and Wireless, Ltd., marks the end of another stage in the development of imperial communications. The imperial and strategic implications of the agreement are discussed on page 136. But its financial aspects are highly important for the stockholders of Cable and Wireless (Holding). The weaknesses of the original structure of 1928 were exposed by the depression of 1930-33. It soon became evident that the tendency to over-capitalisation, which seems inherent in mergers, was in this instance more than usually pronounced. Again, the financial arrangement between the Government and the company represented a heavy burden in time of depression. As soon as the recovery in cable traffics began, the holding company drastically wrote down its capital. And it has been well known that the directors for some years have sought a revision of the 1928 agreement.

The financial structure of the group, resulting from the merger, was a highly complicated three-decker arrangement. At the base was the operating company, Imperial and International Communications, Ltd. (now called Cable and Wireless, Ltd.). This concern took over the assets of the cable companies, in exchange for participation in its £30 millions capital. These cable companies—Eastern Telegraph, Eastern Extension Australasia and China Telegraph, and Western Telegraph—constitute the second tier. Their ordinary shares, and the shares of Marconi's Wireless Telegraph, are held by the holding company, now called Cable and Wireless (Holding). The holding company originally had a capital of £52,687,046, which has now been reduced to £23,649,693, consisting of £16,766,591 in 5½ per cent. cumulative preference stock and £6,883,102 in ordinary stock. The holding company's stocks have always been in the hands of the public investor, who thus participates, at the second remove, in the profits of the operating company. These profits are supplemented by the earnings of the Marconi's manufacturing company

and by income from the group's large investment holdings.

Under the 1928 agreement, the relation between the Government and the operating company was simple. The Government leased its beam wireless stations to the company, at a fixed rental of £250,000 per annum, together with a share in any excess of the operating company's profits above a "standard revenue," fixed at £1,865,000. In practice, this standard has never been approached. No sooner had the merger been established than the slump came, and by the summer of 1931 the volume of traffics had fallen to 65 per cent. of the 1929 level. The net revenue of the operating company dropped in 1931 to £75,535—a mere ¼ per cent. on its capital. In these circumstances, the fixed rental of the beam stations became a wholly uneconomic burden. Moreover, the company was required, for strategic reasons, to maintain unremunerative services which would otherwise have been scrapped.

The case for a new settlement was obvious and unanswerable. Last week's agreement is, in fact, an endeavour, which lacks nothing in boldness, to cut the Gordian knot. The new arrangements, however, fall into three parts. First, the beam wireless stations are ceded to Cable and Wireless, and the rental of £250,000 a year is abolished. In exchange, the second-tier cable companies will surrender to the Government some £2,600,000 of their £30 millions holding of the capital of the operating company, thus giving the Government 8.67 per cent. of the equity. This transfer covers the settlement of all matters outstanding between the company and the Government, including, for example, the question of strategic cables. Secondly, cable charges, which were previously based upon cost of service, are reduced to a uniform flat rate throughout the Empire. This reform will greatly facilitate inter-Imperial communications, though, from the financial aspect, it is undoubtedly more speculative. The annual cost of the reductions is estimated at nearly £500,000, of which perhaps as much as four-fifths will fall to be borne

by the company. The reduction and standardisation of charges should, in time, substantially increase the volume of traffic. In order to make good the cost of the concession, however, the volume of traffic will need to increase by 10 per cent., and the volume of inter-Imperial traffic specifically affected by the reductions must increase in appreciably greater proportion. In the long run, such increases are possible and even likely: a strong body of technical opinion believes that the demand for cable traffic is decidedly elastic. But, in the short run, it is less certain that the volume of traffic will increase sufficiently quickly to offset the loss of receipts based on existing traffics.

The third part of the scheme relates to standard revenue provisions. In future the standard revenue will be reduced to £1,200,000 or 4 per cent. on the communications company's capital. One-third of any excess of the latter's profit over this figure will be applied to further reduction of charges, one-third to the staff, and the remaining third will be available for distribution among the stockholders. This ratio may be related to recent and current levels of earnings. In 1936, the communications company's net revenue, after payment of the £250,000 beam rental, was £842,945. On the new basis, net revenue would have amounted to £1,092,945, equivalent to 3.6 per cent. on the capital. In 1937, the average level of traffics was some 6 per cent. higher than in 1936, and in our issue of January 22nd we estimated that the net revenue for 1937 would be some £300,000 higher. Thus, in 1937, the company may have earned more than its standard revenue, but this year earnings will probably fall. Apart from the short-term effect of the reduced charges, traffics have fallen already to the levels of 1936. Standard revenue, therefore, may not be attained this year unless an unexpected revival of international trade occurs. But in a year of moderately good international trade, it should be achieved.

The third part of the agreement is thus very significant. It clearly emphasises the underlying principle of the whole agreement, which is to increase the "public utility" element in the structure of Cable and Wireless at the expense of the "commercial" element. The Government's direct control is increased, by exchanging its position as lessor for that of shareholder. A price policy has been adopted which evidently owes as much to Imperial as to financial motives. The standard revenue is fixed at a level which, in effect, limits dividend prospects on the holding company's ordinary stock to some 5 per cent. If, therefore, at some future date further capital were required, it is difficult to see how anyone but the Government would be willing to subscribe it on an equity basis. In other words, non-commercial considerations are playing, and will in the future play, an increasingly important part in the group's organisation. Doubtless the principle is right and proper; but whether the group's financial structure is really well adapted for its application is open to question. The financial provisions under which the operating company will work in future may be applicable to such undertakings as the railway companies or London Transport, whose net revenues fluctuate within relatively narrow limits. They may be applicable to a gas or electricity company, which must employ an effective monopoly for the public service. But Cable and Wireless is not a stable, domestic, quasi-monopoly undertaking. It is highly sensitive to wide fluctuations in international trade. The group would be unable to exploit consumers by raising prices even if it wished to do so. Consequently, it is difficult, on purely financial grounds, to make a case for a sliding scale of profits based on as low a datum dividend as 4 per cent. on the operating company's capital. Although the position of the ordinary stockholders in the holding company is still exposed to depression, and their dividends have no bottom limit, short of zero, they are offered strictly limited participation in even moderate prosperity. If the group has no future need to appeal for capital, these arrangements are irrelevant to its internal financial strength. But, failing that unlikely contingency, it may reasonably be asked whether the details of the new arrangement—as distinct from its main principle—are wholly satisfactory either for the stockholders or for the company itself.

How do these arguments affect the position of the

holding company and its stocks? The limitation of the operating company's dividend is evidently of considerable importance for the very highly geared Cable and Wireless (Holding) ordinary stock. There are other constituents in the holding company's earnings, such as income from general investments and from Marconi's Wireless Telegraph. But that is little more than a cushion against depression, and quantitatively it is not very responsive to upward movements in trade. In the last resort, the ordinary dividend depends primarily upon the fortunes of the operating company. It is possible in a rough and ready manner to relate the standard revenue to the ordinary dividend. If the operating company paid a standard dividend of 4 per cent., the cable companies would receive £1,096,000, the Government's share in the equity being £104,000. This is £346,000 more than they received in 1936. If we assume that the whole of this increase was passed on by the cable companies to the holding company, and that the group's other sources of revenue provided the same income as in 1936, then the holding company, after providing interest and sinking fund on the funded income stock and dividend on the preference stock, would earn £305,000, or 4½ per cent., on the ordinary stock. Variations in "other income" would probably not affect this rate by more than 1 per cent. in either direction. The increase in Marconi's Wireless Telegraph dividend from 7 to 9 per cent., announced on Wednesday, represents an addition of £37,403 in the holding company's income, or little more than ½ per cent. on the latter's ordinary capital.

The following table gives some idea of the "gearing" on these assumptions, as the operating company's earnings rise above or fall below the standard:—

	Operating company's earnings	Corresponding dividend on Holding company's Ordinary
	£	%
Below standard	900,000	0.5
	1,100,000	3.2
Standard	1,200,000	4.5
	1,300,000	4.9
Above standard	1,500,000	5.8

On this showing, the holding company's ordinary stock is clearly vulnerable to depression in international trade, and has only limited prospects even in conditions of booming world commerce. If gross traffics fall back this year to the 1936 level—a fall which is not unlikely in view of the first two months' trend and of the reduction in charges—then the stock may receive not more than 3-3½ per cent. Certainly a repetition of the 4 per cent. dividend declared this week is the most that can be expected. In that case, the stock looks amply valued at a price of 63½, cum 4 per cent. dividend.

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Finance and Banking

M. Daladier's Financial Proposals.—Early on Wednesday morning the French Chamber gave M. Daladier special powers to carry through financial measures by decree up to the end of July. M. Daladier previously gave the Chamber an outline of his proposals, which briefly comprise the less controversial part of M. Blum's abortive financial programme. M. Daladier intends to introduce a moderate increase in taxation, including a special tax on monopoly profits and on industries profiting from re-armament. The customs tariff is to be revised upwards so as to improve the trade balance. Tax concessions are to be given in respect of undistributed profits used for extensions to works and other capital expenditure, and more generally to *entrepreneurs*, artisans and labourers who contribute towards raising production. National defence industries are to be authorised to draw upon the Government for money due to them. Finally, the limit of Treasury borrowing from the Bank of France is to be raised by Frs. 10,000 millions, and a National Defence Loan is to be issued as soon as possible. M. Blum's proposals for exchange control and a capital levy have been dropped. The proposal for "re-armament" bills to be drawn by the defence industries is, to some extent, a move in the German direction of undisclosed borrowing, without the German frame-work of exchange and price control. Much will depend on the extent to which these bills are created, and whether they will be available for rediscount at the Bank of France. For the answer to the all-important question whether French capital will be tempted back from abroad and into the envisaged National Defence Loan, M. Daladier can only wait and see.

"Pump Priming" and the Dollar.—The plans for "pump priming" in the United States, however nebulous they may still be, have had unmistakable reactions in the foreign exchange market where the dollar has been under persistent pressure during the past week. Backed by impressive figures of estimated Government expenditure—varying from \$3,000 millions to \$4,500 millions—these plans have carried a suspiciously inflationary suggestion for the average Continental operator; and much of the selling of dollars during the past week has come from Continental sources. Some of the hottest of the hot money which flew to the United States during the recent political scares in Europe has been returning home, driven back by the joint influence of the "pump priming" plans and of the recession of immediate war fears on the Continent. A special factor which also helps to explain the renewed weakening of the dollar has been the resumption of Japanese sales of this currency. These operations suggest that gold has again started to flow from Japan to the United States. In the face of the change in the underlying trend of the dollar-sterling exchange, the British Exchange Equalisation Account has been a much more diffident seller of gold during the past week. With the rate constantly running away from arbitrage operators, the amount booked for shipment to New York from this country has been very small.

Anglo-Italian Clearing.—Late in 1936 an Anglo-Italian Clearing Agreement was concluded, which, briefly, provided that all debts due in both directions should be paid into special sterling and lire clearing accounts. All sterling paid by British debtors into the sterling account is allotted as to 27 per cent. for the discharge of the accumulated arrears of commercial debts due by Italians to British creditors; 3 per cent. for the liquidation of arrears of financial debts; and 70 per cent. for the discharge of current trade debts,

covering transactions since July, 1936. This agreement has worked so satisfactorily that practically all the commercial arrears have been discharged. The House of Commons last week, therefore, passed an Amendment Order, re-allocating the 27 per cent. The allotment for current trade is to be increased from 70 to 87 per cent., of which 46 per cent. is ear-marked for the payment of British coal exports to Italy (on an f.o.b. basis), and 41 per cent. for general exports and for freights other than coal freights. The allocation for financial transfers is increased to 6½ per cent., and the remaining 6½ per cent. is allocated first to the discharge of the small quantity of commercial arrears now outstanding, any balance being at the free disposal of the Italian authorities. The British Government's calculations are that the new Order will result in an increase in 1938 of £1,000,000 in British coal exports to Italy, over those for last year. In view of the complexity of these arrangements, certain Members desired an assurance that the new Order did not imply the provision of fresh financial credits for Italy, and this assurance was at once forthcoming.

Clearing Bank Averages.—The March returns of the ten English clearing banks reflect the further collection of revenue and redemption of the floating debt. Deposits have fallen since February by £26·7 millions and discounts by £49·4 millions. There was an increase of £15·5 millions in advances, which is in part due to borrowing by taxpayers. Our usual table follows:—

	(In £ millions)					
	Mar., 1937	Nov., 1937	Dec., 1937	Jan., 1938	Feb., 1938	Mar., 1938
Capital and reserves	132·5	132·5	133·3	136·0	136·0	136·0
Acceptances, etc.	122·2	114·9	114·0	111·0	108·9	111·7
Deposits (including undivided profits, etc.)	2,206·6	2,272·9	2,293·3	2,292·4	2,243·4	2,216·7
Total liabilities	2,461·3	2,520·3	2,540·6	2,539·4	2,488·3	2,464·4
Cash	222·4	231·6	241·0	247·8	239·3	240·8
Cheques, balances and items in transit	67·3	65·8	77·9	64·5	65·4	63·4
Money at call	164·8	154·8	158·5	149·0	139·9	146·2
Discounts	246·2	296·0	298·5	329·8	286·4	237·0
Investments	651·9	619·4	620·4	621·2	618·4	619·7
Loans and advances	918·8	969·8	962·5	948·8	962·6	978·1
Investments in affiliated banks	23·5	23·6	23·7	23·9	23·9	23·9
Cover for acceptance premises, etc.	166·4	159·3	158·1	158·4	152·4	155·3
Total assets	2,461·3	2,520·3	2,540·6	2,539·4	2,488·3	2,464·4

Since December, there have been reductions of £76·6 millions in deposits and £61·5 millions in discounts, this period comprising the last quarter of the financial year which is the period of heavy revenue collection. During the same three months tender issues of Treasury bills were reduced by £110 millions, mainly out of the proceeds of the quarter's revenue surplus. These figures are sufficiently of the same order of magnitude to suggest that revenue collection—a temporary and seasonal movement—played a considerable part in the quarter's shrinkage in deposits. Incidentally, the banks' cash ratio has risen from 10·5 to 10·9 per cent.; an increase in cash being particularly noticeable in the figures of one or two banks. Now that the new financial year has opened, however, seasonal influences favour expansion rather than contraction in deposits.

Competition for Deposits.—The big banks' competition for deposits in general—and foreign deposits in particular—is waxing stronger. The floating supply of foreign funds in London is abnormally large at the moment. Some of the recent additions to the total

represent genuine refugee money, while others represent Continental banking resources which have been attracted to sterling by the discounts at which currencies like French francs and belgas are quoted in the forward market and by the attractive return which can be earned on a "swap." A new feature of the technique of competition for these funds is the employment of firms of brokers, who act as intermediaries in return for a commission of ¾ per cent. Another comparatively recent innovation has been the utilisation by clearing banks of one or other of their affiliated banks as a direct instrument for attracting foreign funds. Call money, for example, can be deposited with these institutions at ¾ per cent. and money for one month at 1 per cent. to over. If these figures are compared with the mere ½ per cent. obtainable on three months' Treasury bills their abnormality is immediately apparent. Some foreign agencies have been induced by these attractive rates to deposit with their clearing banks the whole of the funds which they would normally employ in the short loan market or in Treasury bills.

Foreign Capital in the United States.—The United States Treasury has just published its compilations of international capital movements affecting the United States, brought up to the end of 1937. They show an exceptionally large efflux of short-term foreign funds from the United States during the third quarter of the year. At the end of September, 1937, the short-term liabilities of all United States banks to foreigners amounted to \$2,304·8 millions. By the end of the year they had been reduced to \$1,729·6 millions—a fall of \$575·2 millions. This measures the impressive size of the flight from the dollar, which occurred during the last two months of the year. This owed its origin to rumours that the United States were about to resort to another devaluation of the dollar in terms of gold as a way of combating the rapidly increasing business depression. The substantial withdrawal of foreign short-term funds was accompanied, however, by further net additions to foreign holdings of dollar securities. The aggregate of such investments increased during the third quarter of the year by \$126·8 millions, after having risen by \$384·8 millions during the first three quarters of the year. These figures include net purchases of both United States and

foreign securities in the American market. The following table shows some of the more important sources from which foreign purchases of domestic American securities were made during the course of 1937:—

FOREIGN PURCHASES OF AMERICAN SECURITIES, 1937 (Million dollars)				
From—	Jan. 1 to Sept. 29	Sept. 29 to Dec. 29	Total	
Great Britain	64·4	16·6	81·0	
France	5·3	0·3	5·6	
Netherlands.....	51·0	5·3	56·3	
Switzerland	72·0	3·1	75·1	
Latin America.....	2·1	0·6	2·7	

Purchases from Great Britain head the list, closely followed by those from Switzerland—both countries having acted, doubtless, to some extent as *entrepôts* for these big capital movements. Direct French purchases, it will be seen, were of negligible proportions.

Shanghai Exchange Arrangements.—A report has been received this week to the effect that the Chinese authorities are establishing an exchange office in Shanghai. As a result of the war, the central bank and other authorities moved to Hankow, to keep in touch with the Finance Ministry, though some subsidiary organisation has moved into the French Concession, where it is occupying the "Tote" offices in the Greyhound Racing Track. When the system of exchange rationing and control was set up last March, the Shanghai banks could only obtain their foreign exchange allotments by applications via Hongkong to Hankow. This was a most inconvenient and dilatory arrangement, and the Shanghai banks at once suggested the need of an exchange office in Shanghai. This suggestion is now being met. On the whole, foreign exchange allotments have been adequate, though the temporary lapse of the rate a fortnight ago indicated that the supply then fell short of the demand. The main region of anxiety is North China, where the Japanese are busy introducing a new currency, virtually based on the yen. The ultimate objective would seem to be to bring China within the ring-fence of the Japanese exchange restrictions—a consummation hardly to be desired by British traders.

MONEY MARKET NOTES

The Money Market

IN spite of Easter currency withdrawals by the public, money remains very easy. The floating debt return for April 9th shows £5·0 millions of Ways and Means borrowing from the Bank. This is probably the remains of a larger sum borrowed to finance the April 1st dividend payments, but it helps to explain the prevailing ease. This week some of the clearing banks were keen buyers of bills, but others were not so anxious to buy. The market is still short of bills available for re-sale, and the banks bought mainly early July maturities.

	April 15, 1937	Apr. 7, 1938	Apr. 13, 1938
Bank Rate	2	2	2
London Deposit Rate...	12	12	12
Short Loan Rates:			
Clearing Banks	12-1*	12-1*	12-1*
Others	12-5*	12	12-5*
Discount Rates:			
Treasury bills	12	12	12
Three months' bank bills	17½-9½	17½-9½	17½-9½

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

On April 8th the market tendered for Treasury bills at £99 17s. 5d. per cent., and secured an allotment of 56 per cent.

of the applications at this rate. In view of the opening of the new financial year and the impending increase in the volume of tender Treasury bills, this was regarded by some as a disappointing result. It is, however, much better than the results of the early part of the year when the allotment at the minimum rate fell to only 18 per cent., and the market ought not to be too displeased.

Foreign Exchanges

There was some demand for dollars from nervous Continental interests immediately preceding the German plebiscite, but these fears have now subsided, and this week dollars came on offer. The rate has consequently moved from \$4·96¼ to \$4·97¼, so that nervousness last week has so far ended in a loss of 1½ cents. French francs were offered up to Tuesday evening at either side of Frs. 161, but M. Daladier's victory in the Chamber was followed by a strong demand, which brought the spot rate down to Frs. 158½, and enabled the French Control to replenish its resources. Three months' francs have also been bid from Frs. 5 down to Frs. 3 discount. This demand probably represents only the covering of short

positions, and not as yet a genuine repatriation movement. Spot belgas have weakened slightly from bel. 29·49 to bel. 29·55, this being due to sales against franc purchases and also to the weaker tendency of the dollar. Forward belgas are a little stronger, the three months' rate having come in from 19 to 13½ cents discount. Guilders were bid down to Fl. 8·95½ early in the week, and Swiss francs to Frs. 21·63, but the latest rates are Fl. 8·96½ and Frs. 21·65. A month ago, at the time of the Anschluss, there were heavy sales of one month's guilders and Swiss francs, inspired by fears of the international outlook. These forward sales had to be covered this week, and this explains the temporary demand for spot guilders and Swiss francs. Otherwise the market has been quiet, though with a fair business in dollars.

The Bullion Market

Dealings in gold have been of limited volume and much of the business consisted of "marriages" declared after the fixing. There was a fair amount of general selling on Wednesday, but no attempt by the authorities to press gold on the market. The premium of one penny, current on Tuesday and

Date	Gold				Silver, price per oz. standard	
	Price per fine oz.	Prem. or Dis- count ★	Amt. dealt in	Cash	Two Mths.	
1938	s. d.	d.	£'000	d.	d.	
Apr. 8.....	140 11½	1 pm	274	19	181½	6
" 9.....	140 11½	1 pm	96	18½	181½	6
" 11.....	140 0½	1 pm	276	18½	181½	6
" 12.....	139 10½	1 pm	430	18½	181½	6
" 13.....	139 10	1 pm	302	18½	181½	6

★ Above or below American shipping price.
The New York price of silver remained at 43 cents per ounce .999 fine during the week.

Wednesday, was too high to leave any scope for arbitrage purposes, especially on Wednesday, when the dollar itself was inclined to weaken.

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The silver market has lacked strength, and the price has weakened as a result of Continental and speculative offerings. The current price is exactly at parity with the New York price of 43 cents. In spite of the low level of Bombay stocks, there has been little Indian demand, and Bombay may be expect-

ing to carry through until the monsoon breaks, when the up-country demand is due to contract. Practically no Mexican silver has been offered in London during the past fortnight, and indeed Mexico only came in for the two days immediately following the American decision to cease buying. Nor does the market expect any offerings of Chinese silver, for this could not be sold in quantities sufficient to meet China's needs without breaking the market. For that reason it is unsuitable as collateral to loans to the Chinese authorities.

INSURANCE NOTES

Legal and General Assurance.—

In 1919 this society discontinued the issue of participating policies, but existing with-profit policyholders became entitled to a maximum reversionary compound bonus of 38s. per cent. per annum. That rate has, in fact, been declared at each subsequent distribution of surplus. Last year the office returned to the practice of granting also policies with right to participation. In 1937 the Legal and General issued 21,000 policies, of which 8,424 were decreasing term assurances (generally in connection with house purchase loans through building societies) and group assurances. Total new sums assured under ordinary policies amounted to £7,267,000 against £7,113,000, and under decreasing term and group assurances were £11,282,000 against £9,784,000. In addition, sinking fund assurances amounting to £1,518,000 were issued, compared with £1,355,000 in 1936. There was also a large addition in group pensions, a new type of contract in which the society is a very energetic pioneer, while consideration moneys for annuities increased from £1,577,000 to £1,648,000.

There was a considerable fall in death claims from £1,003,000 to £858,000. The net rate of interest earned on the life assurance and annuity funds rose by as much as 5s. 10d. per cent. to 4s. 6s. 7d. per cent. Fire premium income increased from £315,000 to £338,000, but accident premium income fell from £221,000 to £207,000. In both branches the underwriting results were satisfactory. Total assets increased from £39,725,000 to £42,735,000. Mortgages and loans amounted to £14,927,000 against £13,598,000 in 1936. British Government securities, at £5,850,000, showed some increase, but Dominion and Foreign Government securities fell from £1,859,000 to £1,768,000. Debenture stocks increased from £3,076,000 to £3,263,000, preference stocks from £1,770,000 to £1,954,000, and ordinary stocks from £3,816,000 to £4,344,000. Since the last accounts were published, there have been certain changes in the share capital. A sum of £50,000 was applied to reduce the amount of uncalled capital by 5s. per share, making the shares £5 each with £1 5s. paid up. Each share was then sub-divided into five shares of £1, each unit 5s. paid up. The dividend for 1937 is 40 per cent., free of tax, costing £100,000; in addition, a bonus of 3d. per share, free of tax, costing £12,500, has been declared. Total net interest earnings, exclusive of those belonging to the life and annuity class, amounted to £86,000.

Eagle Star and British Dominions Insurance.—New sums assured, which in 1935 amounted to £2,755,000 and increased to £5,734,000 in 1936, last year again showed remarkable expansion to £10,465,000. The number of policies issued, however, increased much less rapidly, at 2,454, 2,690 and 2,792 in the three years, respectively. It is almost certain that much of the extraordinary expansion in sums assured was due to a vigorous policy in pension and group assurance. This assumption seems to be confirmed by the fact that the new premiums last year increased by only £71,000 to £231,000. The rate of interest on the life assurance and annuity fund increased by 1s. 2d. per cent. to 4s. 2d. per cent. No valuation of liabilities and distribution of surplus was due to take place in 1937, either for the life assurance contracts of the company or of any of its subsidiaries, and so no transfer from the life assurance fund was made to profit and loss.

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In the Fire branch, premiums increased from £796,000 to £819,000, and underwriting results were satisfactory. In the Marine branch premiums amounted to £279,000 against £252,000, but claims rose disproportionately from £184,000 to £226,000, and no transfer was made to profit and loss account against £20,000 in 1936 and £25,000 in each of the three preceding years. In the accident and general branches four separate revenue accounts are given, of which the most interesting is the motor insurance account. Here premium income was practically unchanged at £1,631,000, but claims increased from £885,000 to £994,000. In order to maintain the customary reserve of 40 per cent. of premium income for unexpired risk, it has been necessary to transfer £44,000 from profit and loss, against £6,000 in the previous year. A further £50,000 has been taken from profit and loss and applied as an additional claims reserve. The results of the last two years are given below:—

	1936		1937	
	Amount of Profit	Percent- age of Premiums	Amount of Profit	Percent- age of Premiums
Fire	74,073	9.3	89,099	10.9
Accident	9,749	10.3	14,222	14.2
Employers' liability	4,027	2.0	1,447	.7
General	98,544	21.3	102,072	21.4
Motor	5,683	0.3	43,744	2.7
Marine	20,000	...	...	...
Life	110,447	...	...	...
Less items debited to profit & loss	311,157	...	163,096	...
	260,483	...	129,994	...
	50,674	...	33,102	...

During 1937 there was a further issue of capital. The net premium on the issue amounted to £1,108,000, of which £100,000 has been utilised to increase the provision for pensions from £200,000 to £300,000, and the balance of £1,008,000 carried to general reserve. The same amount, £1,008,000, has been credited to profit and loss from general reserve (which remains at £2,500,000) "in respect of past accumulations of revenue." Some £1,000,000 has been transferred to contingency fund, out of which £298,000 has been set aside to provide for depreciation in Stock Exchange securities. The total assets of the company and its subsidiaries increased from £25,502,000 to £27,504,000. The life department's assets alone amounted to £16,256,000, of which £3,899,000 is invested in British Government securities (against £4,123,000 in 1936) and £2,455,000 (compared with £2,527,000) is in debenture stocks. Preference stocks increased from £1,942,000 to £2,153,000, and ordinary stocks from £983,000 to £1,667,000. The dividend on the ordinary shares, the paid-up amount of which is now £1,165,000, is 30 per cent. and costs £240,000. In 1936, when the rate was 27½ per cent. on a smaller capital, the cost of the dividend was £186,000. Net interest earnings, after deducting the cost of the preference and preferred ordinary dividends, are £266,000.

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British and Foreign Marine Insurance.—This company, which is exclusively concerned with marine insurance, except for a small fire (reinsurance) account, is a subsidiary of the Royal. It has enjoyed consistently good results. Marine premium income, after remaining for a number of years at a little under £400,000, increased sharply last year to £470,000, and £15,530 has been transferred to profit and loss from the 1936 underwriting account. First year's claims amount to 32.5 per cent. of the 1937 premium income, against the corresponding result of 26.6 per cent. in the previous year. Fire premiums showed little change at £23,600, and there was a satisfactory underwriting profit of £3,700. Total assets amount to £3,510,000 against £3,463,000, and the balance-sheet position is strong. In addition to adequate departmental reserves, there is a reserve fund and a contingency fund, and these remain unchanged at £1,000,000 and £233,000, respectively. The dividend is maintained at 13½ per cent., and costs £139,000 compared with interest earnings of £127,000.

Investment

Wall Street and President.—To be a "bear" of President Roosevelt is axiomatically to become a "bull" of Wall Street. There has been nothing so stimulating to the market for many months past as the decisive defeat of the President's Reorganisation Bill at the end of last week. On this major reverse for the Administration, the Dow Jones index jumped 5½ points in Saturday's short session, amid excited buying. The trend this week has been less consistent, though on balance favourable. Evidently, the President has now reversed the "orthodoxy" which formed the basis of his industrial policy last year; pump-priming is again the order of the day. But the market appears to fear that Congress will not prove so malleable an instrument in the President's hands, even in the matter of increased public expenditure in an election year. Mere spoiling tactics, however, are unlikely to be allowed to prejudice the ballot in November, and the prospect of substantially increased Federal spending appears, in fact, to be Wall Street's primary hope for some degree of industrial recovery this year, even if it is forced in the Treasury hot-house. The President has passed to Congress the problem of providing for assistance to the railroads, for which the Interstate Commerce Commission recommends equipment loans totalling \$300 millions, together with a temporary relaxation of conditions for loans from the Reconstruction Finance Corporation. But the total expenditure envisaged under the pump-priming programme is of the astronomical order of \$4,000-\$5,000 millions. Whatever effects such a programme might have upon business confidence—if it can still be said to exist—the Administration should be able to count on some inflationary return for its money. And if the President's personal prestige is further dented, Wall Street will doubtless seize the fact as good in itself. That may well be reasonable short-term tactics, but more convincing evidence of industrial progress than is at present available will be required if recovery is to be maintained.

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Austrian and Brazilian Debts.—The market is still concerned with the fate of the Austrian 7 per cent. loan. The possibility has been canvassed this week that, as a result of the plebiscite, the German Government will take steps to reduce the rate of interest. In consequence, the bonds, which had recovered from their recent "low" of 26½ to 47 during last week, have now reacted to 40½. Last week's rise, however, was associated with the receipt of service moneys due on April 1st. Neither this fact nor the statement of the Bank of International Settlements that no change has so far been made in the service of the Austrian loans, for which it acts as trustee, is really indicative of the eventual fate of the 7 per cent. issue nor, it may be added, of the 4½ per cent. guaranteed loan. In point of security, the 7 per cent. loan rivalled the best loans of the Reich, and it is this fact which has prompted

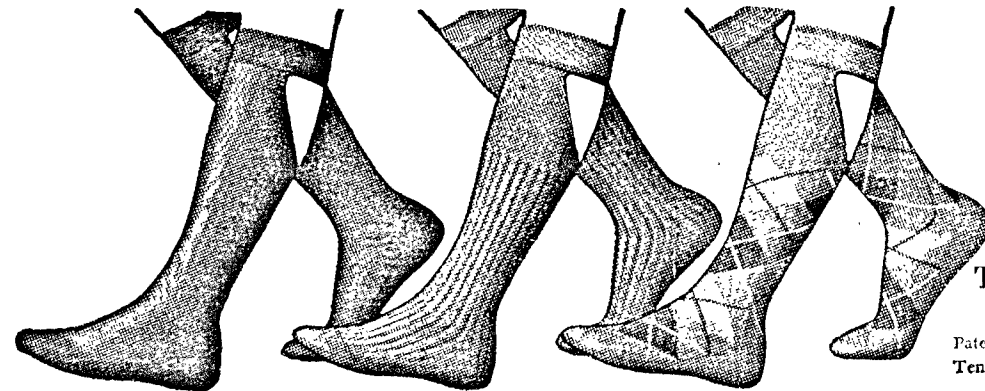
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Stock Exchange Report.—The report of the Trustees and Managers of the Stock Exchange for the year ended March 25, 1938, confirms our suggestion last week that the decision to reduce the dividend to £14 for the year, as against £15 for 1936-37, is due almost entirely to the provision for N.D.C., for which £17,000 has been allocated. There was also higher expenditure on maintenance, superannuation charges, wages, the Share and Loan Department, and rates and taxes. These are the principal factors in the reduction in the year's revenue account credit balance by £27,129 to £295,887. There was a fall of £14,448 in Entrance Fees received, but this was largely balanced by an increase of £12,259 in Subscriptions. Since both these items are likely to suffer during the current year, the justification for a conservative dividend policy is evident. The number of Members elected and re-admitted for the year 1937-38 was 4,209, the net number at the end of the year, allowing for resignations, etc., being 4,048, an increase of 13 compared with the number at the end of 1936-37. The number of non-Member clerks, authorised and unauthorised, declined by 35 to 2,158.

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With the report the proprietors have received notice of an Extraordinary General Meeting to consider Special Resolutions conferring new borrowing powers to the extent of £1,000,000 above the limit of £750,000 imposed in 1896. There are £294,800 of 3 per cent. debentures outstanding, which fall due for repayment on January 1, 1939. The restrictions imposed on the Trustees and Managers by Clause 81 of the Deed of Settlement preclude the redemption of these debentures out of income. Moreover, an alteration of the Deed needs the difficult achievement of an affirmative vote of two-thirds of all the proprietors. It is, therefore, proposed to proceed by way of Special Resolution—calling for a three-quarters majority of those present

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Regent 2424

—to extend the borrowing powers sufficiently in advance of the redemption date of the 3 per cent. debentures to enable arrangements to be made for repayment. The Trustees and Managers will, however, also endeavour to obtain the requisite approval to delete the present Clause 81 in the Deed of Settlement and substitute therefor a new clause giving power, in effect, to apply profits to capital purposes including the redemption of debentures and loans. Thus, should both the borrowing resolution and the proposed amendment to the Deed be adopted by the requisite majority, the Trustees and Managers will have power to repay the 3 per cent. debentures either out of revenue or out of the proceeds of a further issue, as may be found expedient.

Union-Castle Report.—Union-Castle Mail Steamship made further progress in 1937, though not at the rapid rate recorded in the previous year. Voyage profits increased from £473,450 to £510,258, but the latter figure was, in fact, struck after meeting special outlays in connection with the re-engining programme and also after N.D.C. Investment income was some £10,000 lower—further holdings have, of course, been realised during the year—and total income thus shows a moderate advance from £593,728 to £620,166. As they anticipated a year ago, the board have been able to pay all accrued dividends on the 6 per cent. "A" preference shares, leaving a surplus of £151,537. The profit and loss accounts of the past three years are analysed below:—

	1935 £	1936 £	1937 £
Profit on voyages, after depreciation	351,119	473,450	510,258*
Other income	111,326	120,278	109,908
Total profits	462,445	593,728	620,166
Interest and fees	32,530	58,359	74,314
Debt interest	100,000	99,542	99,019
Preference divs.	124,620	133,916	295,296†
Surplus	205,295	301,911	151,537
Special provisions.....	240,000‡	200,000‡	150,000‡
Carried forward	47,444	149,355	150,892

* And after special outlays incidental to re-engining.

† Includes 2½ years' dividend on "A" preference shares.

‡ Special depreciation on vessels being re-engined.

§ Depreciation on investments.

By careful husbandry in recent years, the board has thus brought the company back to a position where ordinary dividends can be resumed. No dividend, of course, was anticipated in respect of 1937, and while normal preference charges would have left a surplus equivalent to 15½ per cent. on the ordinary stock, this is a rate which exceeds any likely payment in the immediate future. The modernisation of the fleet is being successfully undertaken, but it is not yet complete, and its finance involved a further increase in advances last year from £1,967,149 to £3,063,020. Heavy repayments are involved on these commitments during the next few years, and they may, in fact, be dealt with on a more permanent basis. During the past two years, some £350,000 has been applied from revenue towards special depreciation on vessels being re-engined and £85,000 from insurance reserve. In addition, as much as £1,290,323 was utilised from reserves in 1936 to make comprehensive provision against investment depreciation. As a result of these provisions, the operating and financial position of the company has been greatly strengthened. Caution, however, is required in estimating future dividend prospects, for on the best assumptions regarding its business the company must still make repay-

ments in respect of recent advances, and its current financial position will doubtless be strengthened as far as possible. The £1 ordinary stock units are quoted at 14s. 10½d.

Steel Company News.—Satisfactory dividend announcements have been made by two very differently situated concerns in the steel industry. Stewarts and Lloyds have declared a dividend of 12½ per cent. on the deferred shares, compared with 7½ per cent. for the previous year. During 1937, further extensions at the Corby plant appear to have provided an increased return, and the condition of the export trade in tubes is fairly indicated by an increase in the value of exports last year from £3.6 millions to £5.8 millions. Pending the report and accounts, it would be premature to judge the results of the past year, or the prospects for the future. Confident statements have been made regarding the stability of agreements covering export business, but their powers of resistance may be more fully tested if demand should fall. The announcement of a 2½ per cent. payment on the ordinary shares of Barrow Haematite Steel is the first since 1920, when 5 per cent. was paid. This concern has persevered through more than a decade of poor trading, and carried through a reorganisation scheme in 1932. Its recent improvement appears to be adequately recognised, for the shares stand on a yield basis of 6.2 per cent., compared with 6.6 per cent. for Stewarts and Lloyds. Hadfields 10s. shares have made further progress this week from 31s. 9d. to 33s. 9d. At the meeting on Tuesday, it was disclosed that the company had entered the year with a record order book, and while further commercial work could be satisfactorily undertaken, the ordnance branch is evidently employed to capacity. Hadfields, indeed, is the leading projectile equity in the Stock Exchange list, and the lowering of its yield basis to approximately 6½ per cent. gives fuller recognition to its re-armament equity.

S. Instone Scheme.—Following their announcement last October, the directors of this coal merchanting concern have now published a capital scheme as a first step towards a complete reconstruction, which involves the co-operation of the company's bankers. The proposals are simple. The existing capital of £1,297,192 (consisting of 871,942 7 per cent. cumulative participating £1 preference shares and 425,250 £1 ordinary shares) is to be reduced to £256,760, all in 5s. ordinary shares. Each £1 preference share is to be converted into one 5s. ordinary, while 37,500 ordinary shares held in trust for the company are to be cancelled entirely and the remainder written down by 18s. per share. In compensation for the surrender of dividend arrears (amounting last December to nearly 19s. gross per share) and participating rights, the preference shareholders receive about 85 per cent. of the new capital. Even this proportion may not appear excessive to preference shareholders, who have received no dividend since June, 1924, and may have felt that any return to ordinary dividends, under the existing capitalisation, was unlikely. But such doubts are somewhat academic in relation to a profits figure for 1936-37 of £24,241, compared with arrears of £823,985 gross. Moreover, the claim of the ordinary shareholders to 15 per cent. of the equity is not based on *ex gratia* considerations alone. The greater part of the ordinary capital is in fact held by founders of the business, who are personal guarantors in respect of its indebtedness. At the Amalgamated Anthracite meeting this week, the chairman disclosed that proposals for a capital reorganisation will be submitted during the next few months.

Rand Leases.—Progressive expansion has been recorded by this concern, in which the Johannesburg Consolidated Investment is co-operating with the H. E. Proprietary group. Additional finance was required for a comprehensive scheme of expansion, and the former company participated in guaranteeing an issue of £900,000 of new

capital towards the end of 1936. The capacity of the mill has been gradually increased from about 55,000 tons in June, 1936, for 121,000 tons were treated last month, and capacity is to be raised to 125,000 tons. Last year's profit of £341,760 compares with £107,200 in 1936, dividends being respectively 15 per cent. and 5 per cent. Out of last year's earnings, £43,000 was required for taxation and the Union Government's share in profits. The balance carried forward amounts to £97,960, against £24,200 brought in. Development work amounted to 69,830 ft. (an increase of 26,200 ft.), and this expanded the available ore reserves by 1,785,000 tons to 4,826,000 tons. Values, at 4.7 dwts. over a stoping width of 43 ins., showed little change. The balance sheet shows a surplus of cash assets over liabilities amounting to £155,340. On the basis of last year's dividends the 10s. shares, at the current price of 33s. 9d., yield 4½ per cent. There is some prospect that distributions may reach 20 to 25 per cent. in the not very distant future.

Vogelstruisbult.—The extent to which the prospects of this new Rand producer were over-discounted last year is emphasised by the current quotation of 17s. 6d. for the 10s. shares, against a high of 12s. 6d. in 1937. A substantial proportion of the ore milled during the first few months consisted of low-grade material from the dumps, and the yield averaged no more than 28s. 4d. per ton. Costs amounted to 23s. 7d., and profits to 4s. 9d. per ton, the total being £155,500. The company's funds having become exhausted, practically the whole of this sum was applied to capital expenditure. Moreover, requirements are being financed by advances from Gold Fields, the amount owing at the date of the balance sheet being £33,000. Despite disappointing results in No. 2 Shaft area, the ore reserves show some improvement to 1,151,000 tons, averaging 5.8 dwts. With ore of normal grade supplied to the mill, earnings have lately increased; and will be further expanded by slight additions to the plant. Even so, a premium of 7s. 6d. on the 5,028,570 shares in issue appears to discount this factor.

Other Company Results.—Some fifty company reports are analysed in our usual table of profit and loss accounts on page 172. Several breweries have recently issued reports, while the accounts of ten further rubber companies are available. The results are discussed on page 154 under the heading "Shorter Comments."

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET	ACCOUNT
APRIL 26	APRIL 28

TURNOVER showed little increase this week, but the improvement in prices was widely welcomed. Once again on Tuesday the market revealed its recent propensity for dramatic improvement in the last minutes of business. Investment turnover remains small, although a certain amount of bargain hunting is still in progress. The main explanation of the improvement, however, appears to be due to the miscalculation, by the market, of the public's attitude towards the current level of prices. Stock has indeed been short, and the recovery has been assisted by covering.

Gilt-edged opened with the advantage of greater political confidence on the progress of the Anglo-Italian negotiations, and prices responded markedly to a small volume of buying. On Tuesday the improvement was continued

after a pause, but the dated issues made better progress than the "irredeemable" issues. Funding loans, in particular, made good headway. Renewed advances were recorded in mid-week. Dominion loans, except New Zealand, improved.

Reported military successes stimulated *Chinese bonds*, while Japanese issues continued to fall. Austrian issues registered somewhat premature relief on the result of the plebiscite, but became nervous later. South American bonds were irregular, but moderate improvements were recorded by Argentine issues.

The *home rail* market anticipated the holiday traffics by marking up the stocks smartly at the beginning of the week, and these improvements were well maintained. In the foreign market, San Paulo jumped several points on the dividend, and Argentine rails were more confident than of late.

Greater confidence was evident in the *industrial market*, although business re-

Company Meetings of the Week.—In this issue, reports of company meetings appear from page 161. It was reported by Mr Ernest E. Bird to the members of *Legal and General Assurance Society* that in 1937 the total of net new sums assured exceeded £20 millions. Viscount Elibank, addressing the *Southern Areas Electric Corporation* meeting pointed out that while output in units had risen by 18 per cent., revenue from the sale of current was only 8½ per cent. higher. At the *Alliance Trust* meeting in Dundee, Mr James Prain drew attention to the high degree of security offered by the Trust's prior charges, the Alliance and Second Alliance Trusts having between them some 14,000 debenture, debenture stock and preference shareholders. It was further disclosed by Mr Prain that 60 per cent. of the Trust's holdings were in Great Britain and the Dominions. The opinion was expressed by Mr Walter W. Parish at the *River Plate Trust Loan and Agency* meeting that the gradual passing of large estates into the hands of smaller proprietors would lead eventually to a growing demand for loans. Major-General Guy Dawnay informed shareholders of *Gordon Hotels* that in the first half of 1937 turnover in the English hotels rose by 13½ per cent., though in the second six months there was a falling-off as compared with 1936. It was explained by Mr F. W. Baker at the *Camp Bird* meeting that while profits were sufficient to justify a dividend under normal conditions, the depreciation of assets below book cost made it inadvisable to make a distribution. At the *Champion Reef Gold Mines* meeting, the Hon. A. T. J. Fraser expressed satisfaction that ore reserves had increased by over 25,000 tons, despite the policy of curtailing development in order to push forward with Gifford's shaft. Mr C. T. Pott explained at the *British Enka Artificial Silk* meeting that the improvement in selling prices at the end of 1937 would be of help in 1938, immediate effects having been damped down by forward contracts. Sir Alexander Roger, addressing the *Anglo-Portuguese Telephone* meeting, said that current information confirmed the view that, on a full year's operation, the company's revenue would be maintained under the new system of tariffs. At the *Army and Navy Stores* meeting, Brigadier-General Sir Frederick Gascoigne reported that while trade in the latter six months of 1937 had been disappointing, Christmas trade had been excellent. The chairman referred to the progress of the rebuilding plans. The Hon. A. T. J. Fraser, at the *Oreogum Gold Mining* meeting, discussed the satisfactory implications for the company of developments on neighbouring Champion Reef property. Members of *Nirmala (Java) Plantations and Lands* were informed by Mr Walter Hilliers that by forward selling of rubber satisfactory average prices had been realised, and that similar benefits would operate in 1938 and 1939.

OVER ONE HUNDRED AND TEN YEARS OF SERVICE
SCOTTISH UNION & NATIONAL
 INSURANCE COMPANY
 ASSETS EXCEED £16,000,000
 FIRE LIFE ACCIDENT MARINE
 Edinburgh: 35 St. Andrew Square
 London: 5 Walbrook, E.C.4, and 45 Pall Mall, S.W.1.

Oil shares received some increase in support, and showed small but general improvement in prices. Later the easier trend on Wall Street was reflected in a temporary reaction, but the upward tendency was soon resumed. The rubber share market was at last shaken out of its lethargy, and Monday's session was the most active for some weeks. While the initial rate of improvement did not last, quotations were again marked up.

Helped by Wall Street's spurt last week, mining shares became quite cheerful. Support, however, was still mainly professional, though public interest was more evident than in recent weeks. Kaffirs began briskly, and held their ground well after a quiet period in which the tone was fairly satisfactory. Activity was renewed in mid-week. West African issues did not share fully the general improvement. Rhodesian coppers provided a strong feature, and other base metal shares were more active than of late.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Apr. 8	7,240	9,245	87.8	128.6
Apr. 11	8,595	10,895	88.9	128.7
Apr. 12	7,345	9,170	89.6	128.7
Apr. 13	9,155	8,030	90.8	128.7
1938 High...	...	...	97.2	131.0
Low...	...	...	Jan. 12 79.4	Feb. 4 126.9
			Mar. 16	Mar. 17

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

New York

HERALDING the President's major defeat on the Reorganisation Bill, rather than any immediate hope of its own salvation, Wall Street bought stocks with both hands in last Saturday's session, driving the Dow Jones index up by no less than 5½ points. This negative basis for buying has remained no less valid this week, but pivotal stocks have not recovered last week's best levels after an opening setback. The market's reticence appears to be due less to any fears of the economic effects of pump-priming itself than to the danger that Congress should, even in this matter, exert the whip hand over the President. Rails have tended to ease, for the prospective wage negotiations are more depressing than the I.C.C.'s recommendations for increased loan facilities, which the President has passed to Congress. Steel activity is merely maintained this week at 32.7 per cent. of capacity. Motor shares continue heavy, but some of the building stocks improved at first.

Capital Issues

CAPITAL ISSUE TOTALS

Week ending April 16	Nominal Capital	Conversions	New Money
To the Public	£	£	£
To Shareholders	Nil	...	Nil
By S.E. Introduction	257,160	...	Nil
By Permission to Deal	556,403	...	263,564
Sav. Certs. w/e Apr. 9	350,000†	...	604,985
† 9 days.			

Year to date	Including Conversions	Excluding Conversions
1938 (New Basis).....	58,415,558	45,110,091
1937 (New Basis).....	163,904,560	122,418,018
1938 (Old Basis).....	38,514,074	26,458,672
1937 (Old Basis).....	77,814,982	49,170,790

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. exc. U.K.	Foreign Countries
1938 (New Basis)	35,799,901	6,880,961	2,429,229
1937 (New Basis)	95,367,557	35,897,321	1,153,140
1938 (Old Basis)	19,884,449	4,175,099	2,399,124
1937 (Old Basis)	42,694,132	6,476,658	Nil

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	19,730,390	4,108,277	21,271,424
1937 (New Basis)	36,205,156	13,502,544	88,560,318
1938 (Old Basis)	14,430,122	2,260,722	9,767,828
1937 (Old Basis)	17,306,558	7,785,452	24,078,780

Note: "Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

STOCK EXCHANGE INTRODUCTION

SOUTH-EASTERN GAS CORPORATION, LTD.—Particulars of issue of £350,000 3½ per cent. debenture stock, redeemable at par September, 1963, or from 1958 on notice. Messrs. Cohen, Laming, Hoare take this stock at 99½ net.

BONUS ISSUE

PAIGNTON ELECTRIC LIGHT.—It is proposed to make a bonus distribution of one share for nine held on April 29th. This involves the capitalisation of £7,500 of reserves and £2,500 of cash in hand.

SHORTER COMMENTS

Company Results of the Week.—A satisfactory increase in profits is recorded by CHARRINGTON AND COMPANY and JAMES SHIPSTONE AND SONS, the former earning £912,883, against £833,862. **WHITBREAD AND COMPANY**, however, while maintaining the 18 per cent. dividend, have earned £15,000 less at £331,827. Among estate companies, **SLOUGH ESTATES** have made good progress, development both at Slough and Birmingham having proceeded satisfactorily; the dividend is raised from 12½ to 15 per cent. Rubber companies continue to record sharp increases in profits. Thus **SUNGEI SALAK** have earned £27,363, against £15,138, and the **AMHERST (SELANGOR)** dividend is 5½ per cent. higher at 12½ per cent. Improvement is again shown by shipping companies. **HOULDER BROTHERS AND COMPANY** report net profits of £55,076, against £45,184, and the directors express the opinion that balance sheet values of the general investments are below real values. **COURT LINE** profits have jumped to no less than £341,276, against £51,705, and dividends are resumed with a 25 per cent. payment. In 1936, however, an additional amount of £45,000 was paid in discharge of debenture interest arrears. While **HORNE BROS.** report an increase in turnover, net profits, at £51,308, are £5,000 lower; no ordinary dividends are payable, though their resumption is foreshadowed. **SECOND SCOTTISH NORTHERN INVESTMENT TRUST** reports net profits of £40,685, which are 13 per cent. higher than in 1936-37, and the valuation of securities discloses only a small depreciation below book values. Among the miscellaneous industrial results, satisfactory profits have been shown by **METAL CLOSURES**, whose dividend is more than doubled at 12½ per cent., and by **NORTH BRITISH RUBBER**, whose net profits amount to £61,138. **SOUTH AFRICAN DRUGGISTS** have issued their second annual report, which shows net profits of £72,122, against £65,722. The dividend, however, is reduced by 2 per cent. to 10 per cent., and the carry forward increased by £12,000.

MISCELLANEOUS

National Bank of India.—In our last week's leading article on Indian Banking Trends, the chairman of the National Bank

of India was inadvertently described as Mr Langford Tanner, instead of Mr R. Langford James. We desire to express our regrets for this error.

Carpet Trades, Ltd.—Profit for 1937, after depreciation, tax and N.D.C., was £18,284 against £89,632 in 1936. This fall is due to the fall in price of raw materials and in the price of carpets. The £20,000 reserved in 1936 for price fluctuations has been transferred to profit and loss account. Ordinary dividend reduced from 7½ to 5 per cent. Carry forward increased from £23,907 to £29,066.

John I. Jacobs and Company.—The 1937 report shows that profits of the company and its subsidiaries were more than trebled at £196,209 against £64,469. Ordinary dividend raised from 7½ to 17½ per cent. Transfer to reserve raised by £35,000 to £50,000; also £10,000 to staff fund. Carry forward raised from £12,304 to £24,115.

Court Line Limited.—Profits for 1937 £372,195, an increase of £237,619. To depreciation £150,000, an increase of £115,000. Ordinary dividend 25 per cent., the first for seven years. Carry forward raised from £33,365 to £52,141.

Charrington and Company.—Profits in 1937 rose by £79,021 to £912,883. Tax requires £50,000 more at £150,000; £42,750 again written off debenture issue discount. To reserve and properties rebuildings reserve £200,000 and £50,000 respectively, as before. Ordinary dividend raised from 14 to 15 per cent. Carry forward £15,524 higher at £247,841.

Houlder Brothers and Company.—Profit for 1937 £61,661, compared with £51,848 for 1936. Tax free ordinary dividend raised from 4 to 5 per cent. To tax reserve £5,000. Carry forward raised from £25,252 to £29,829.

Albion Motors.—Profit for 1937 £184,549, an increase of £37,157 on 1936. For income tax and N.D.C. £38,000, against £25,000. Benevolent fund £5,000, against £2,500. To reserve £50,000, against £35,000. Ordinary dividend reduced from 15 to 12½ per cent. Carry forward raised from £34,776 to £56,118.

Hydro-Electric Securities.—Income for 1937 was \$813,613 (£162,722), an increase of \$9,686. Expenses and fees expanded by \$25,217 to \$85,564 (£17,113). Net income \$15,532 down at \$728,048 (£145,609). Common dividend, 20 cents—the first payment since 1932. Net balance of \$95,739, added to standing surplus of \$2,361,468, makes \$2,457,208 (£491,441).

James Shipstone and Sons.—An advance of £13,995 to £183,442 in net profit for 1937 is shown. Final dividend on £1 ordinary is 15 per cent., £80,845. The interim was 4½ per cent., tax free, taking £34,134. For 1936 both the 5 per cent. interim and 10 per cent. final were free of tax, absorbing £35,931 and £71,862 respectively. To reserve £40,000 (same) bringing that account to £630,000. Carry forward £108,005, against £103,385.

Warne, Wright and Rowland.—Accounts for 1937 show profit of £17,841 after provisions for depreciation, etc. Final dividend of 10 per cent. less tax, on the ordinary shares, making 20 per cent. for the year and a cash bonus of 5 per cent., less tax, leaving £8,291 to carry forward.

Horne Brothers.—Trading profits for year to January 31, 1938, £86,173, against £80,103. After 7 per cent. preference dividend, and depreciation and interest, the carry forward is raised to £60,920, against £48,112. The general reserve account stands at £100,000. The directors foreshadow the possibility of a resumption of ordinary dividends during the coming year.

Ideal Building and Land Development Company.—Profits for 1937 £137,774, before tax, against £81,371 for 1936. To general and other reserves £67,625. Ordinary dividend maintained at 5 per cent. less tax.

Industry and Trade

Proposed Tramp Shipping Pool.—Owing to the impossibility of adjusting the supply of shipping tonnage to rapid changes in the volume of international trade, tramp freight rates are notoriously subject to wide fluctuations. For example, between the middle of 1936 and the autumn of 1937, when the volume of world trade took a sharp upward turn, the *Economist* index of freight rates rose by 87 per cent. Conversely, the decline in world trade since last autumn was accompanied by an equally sudden fall in freight rates, our index for March showing a decline of 32 per cent. since September. The problem of shipowners, consequently, is very similar to that facing producers of primary products, in that supplies of tonnage, as of raw materials, are comparatively inelastic in the short run. It is not surprising, therefore, that tramp owners are now attempting to apply the principle of restriction to their particular branch of activity. A few days ago, the Tramp Shipping Administrative Committee circulated the draft of a scheme for the formation of a compensation pool. The object of the scheme, as of the restriction schemes for primary products, is to even out fluctuations in prices and to enable shipowners to operate at a profit. The scheme itself is quite simple. It involves the formation of an association, the members of which will pay into a common pool a percentage of all freights received by them on charters made after the scheme becomes operative. From this pool an agreed allowance is to be paid in respect of vessels which are laid up, thus providing an inducement for owners to refrain from accepting uneconomic rates. The scheme closely resembles the Tanker pool, which, so far, has been fairly successful in raising freight rates, though not in evening out fluctuations. As in all restriction schemes, the success of the proposed tramp pool will depend on the extent to which it will be supported by the world's tramp shipowners, and on the ability of its administrators to retain the support of individual shipowners during periods of depression. An attempt to use the scheme merely as a device for an inordinate rise in freight rates would hardly be successful. Everything will depend, therefore, on the policy pursued by the pool.

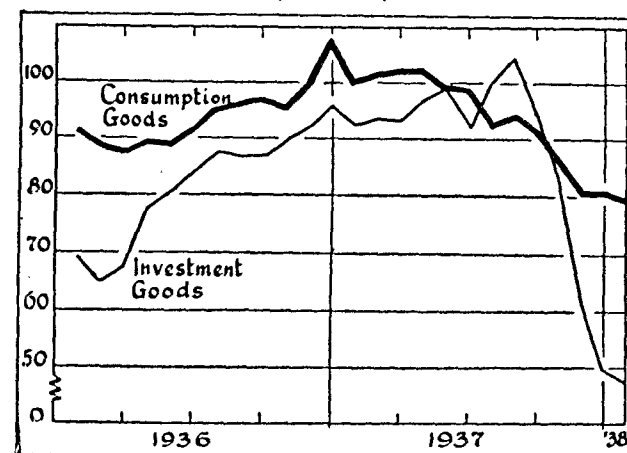
Shipbuilding Orders Decline.—The persistent decline in freight rates since last autumn is reflected in the sharp fall in orders for new mercantile shipping tonnage placed by shipowners with shipbuilders. Thus, according to *Lloyd's Register*, the tonnage of mercantile shipping on which work was commenced declined from 368,000 during the second quarter of 1937 to 217,000 gross tons in the last quarter and 173,000 gross tons during the first three months of the current year. Owing to the time lag between the placing of shipbuilding contracts and their completion, the amount of work on hand, though declining, remains substantial. The tonnage under construction at the end of last month was 1,089,000 gross tons, against 1,125,000 at the end of last year and 1,200,000 at the end of June, 1937. In the absence of an early and sustained improvement in freight rates, shipowners in this country are unlikely to place many new orders, and as the bulk of the tonnage now under construction will be completed by the end of the year, the outlook for shipbuilders next year seems unpromising. To some extent, however, the decline in mercantile shipbuilding will be compensated by an increase in the volume of new naval construction. The least satisfactory feature of the latest returns is the relative increase in the proportion of the world's shipping tonnage constructed abroad. At the end of last month only 28 per cent. of the tonnage commenced in the world was being built in Britain's shipyards, compared with 34 per cent. a year

ago. Moreover, Britain's proportion of the world tonnage under construction declined from 41 per cent. to 38 per cent. during the past year.

Iron and Steel Production in March.—The steady expansion of home production of iron and steel, coupled with rising imports and declining exports, has resulted in a heavy accumulation of stocks. Congestion has been increased by the lull in the expansion of home consumption. The volume of new orders, consequently, has shown a serious decline. Even a few months ago, it became apparent that, in the absence of a revival of new orders, some curtailment of production this spring was unavoidable. The output figures for March still show an increase over the corresponding month a year ago, though the margin has narrowed considerably, especially in the case of crude steel. The output of pig iron last month was 714,600 tons, compared with 693,300 tons in February and 680,300 in March, 1937. The production of steel ingots and castings was 1,115,800 tons, compared with 1,057,600 in February and 1,109,500 tons a year ago. So far there have been few indications of a sustained revival of demand. In the absence of such a revival, the industry may have difficulty in disposing of its output at the current rate of operations during the next few months.

Industrial Activity in the United States.—The accompanying diagram, based on the indices calculated by the Federal Reserve Board, shows the trend of the production of consumption and investment goods in the United States during the past two years. The indices are adjusted for seasonal variations.

INDICES OF PRODUCTION (1929=100)



The diagram clearly shows that the production of consumption goods turned downwards as long ago as the beginning of 1937. The output of investment goods however, stimulated by orders placed in the winter of 1936-37, continued to expand until the autumn, when the

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LIQUEUR BRANDY

MATURED AND BOTTLED AT CHATEAU DE COGNAC

absence of replacement orders caused a sudden and catastrophic decline. The time lag between the placing and completion of new orders for investment goods thus masked the deterioration of the position which commenced at the beginning of 1937. It will be interesting to watch the effect on the trend of production of consumption and investment goods of President Roosevelt's decision to come once more to the rescue of private enterprise by large-scale Government expenditure.

* * *

Holidays with Pay in Wales.—It is estimated that the scheme providing for a week's holiday with pay in the South Wales coalfield, which is to come into operation this year, will affect about 120,000 workmen and will add between £300,000 and £350,000 to the annual wages bill. Under the old conditions of employment in the coalfield, the men were given twelve general holidays without pay, including all Bank holidays and demonstration days; but under the new arrangement six of these days are merged into a week's holiday with pay, to be taken between June 1st and September 30th each year, and the other six will be distributed as follows: one day at Easter, Whitsun, August Bank Holiday, and May 1st respectively, and two at Christmas, without pay. The maximum weekly holiday allowance will be £3 for adults over 21 years of age, £2 for youths between 18 and 21 years, and £1 for boys under 18 years. This year, the employers are paying the maximum holiday allowances to all persons who were in employment at the end of March last. But, in future, qualifying conditions will be imposed, and by these one-twelfth of the holiday allowance will be deducted in respect of each month of commencing employment after June. In addition there will be deductions of 1s. in the case of persons over 21 years of age, 9d. for persons between 18 and 21, and 6d. for boys under 18 in respect of each week in which a workman loses more than one shift without authorisation.

* * *

Egyptian Cotton Tariffs.—The reported increase in tariffs on cotton piece goods entering Egypt caused a painful surprise throughout the Lancashire cotton industry. Messages from Cairo state that the duties on heavy grey and white goods, and on heavy printed and dyed fabrics and cabots, will be doubled, thus raising them to 50-60 per cent. Egypt is one of Lancashire's most important customers, the total cloth exports in 1937 to that country amounting to 51,575,000 square yards, valued at £944,577. Pending further details, it is impossible to say how the duties will affect Lancashire trade. It is noteworthy, however, that the increased duties are on heavy cloths. The bulk of these are manufactured from American and Indian cotton, whereas a large proportion of Lancashire's trade is in fabrics made from Egyptian cotton, which weigh considerably less. It is taken for granted that the Egyptian Government will not take any steps which are likely to reduce world trade in piece goods made from Egyptian cotton, for that would react adversely upon her own cotton growing industry. It would appear that India and Italy will be chiefly affected by the increased tariff, for these countries have during the past few years shipped increasing quantities of heavy goods. But many Lancashire firms will suffer from the increase in duties.

* * *

Wool Textile Unemployment.—British wool textiles are passing through a period of severe unemployment. In Bradford recently many people have been registered as out of work who had been in continuous employment for years, and a disused chapel has been taken over as additional accommodation for the employment exchange. It is probable that, out of a total personnel of about

450,000 in the British wool textile industry, some 50,000 are wholly or temporarily unemployed. Credit traders, most of whose accounts are in working-class districts, report restricted turnover during the past six months, and retailers whose customers are mainly operatives have during this winter put some of their staff on part time. All manner of reasons have been advanced for the decline in working-class retail business, with considerable criticism of the diversion of a growing proportion of wages into football pools. In Bradford alone, there were 8,982 wholly unemployed workers on March 14th, or twice as many as in March, 1937, unemployment having increased again compared with February. While the setback appears to have been temporarily arrested by the firmer tendency of raw wool prices, a sustained improvement is not yet in sight.

* * *

Wholesale Prices Firmer.—International prices have shown a slightly firmer tendency during the past fortnight. The complete *Economist* British index number is practically the same as at the end of March, while prices of primary products, both in England and the United States, are fractionally higher. The complete Irving Fisher American index number is a shade lower, while movements in France and Germany were very narrow.

SEPTEMBER 18, 1931=100

Date	The Economist Indices		Price of Gold (sterling)	U.S.A., Irving Fisher	France, Statistique Générale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsanstalt
	British Complete Index (sterling)	Primary Products (sterling)					
1936							
Dec. 30th 1937	131.3	163.9	187.3	166.7	128.8	113.0	95.4
Jan. 27th	134.2	164.2	184.5	167.0	131.0	115.9	95.7
Feb. 24th	136.3	168.2	185.5	167.4	131.8	116.8	96.2
Mar. 31st	144.3	181.9	199.7	167.4	137.3	121.8	97.5
Apr. 28th	142.0	169.9	183.5	165.4	135.6	120.5	97.0
June 2nd	142.7	170.2	178.9	165.6	134.3	119.8	97.5
June 30th	139.5	165.9	176.8	165.7	134.1	119.8	97.5
July 28th	140.2	167.1	171.8	164.5	133.8	130.8	97.9
Aug. 25th	137.9	164.4	165.3	164.2	133.0	133.3	98.1
Sept. 22nd	136.0	164.0	166.3	165.1	133.7	139.4	97.6
Oct. 20th	133.6	156.2	152.3	165.4	129.5	138.8	97.3
Dec. 1st	127.5	145.4	138.9	164.8	125.1	134.0	97.0
Dec. 29th 1938	127.8	147.4	135.3	164.2	120.5	135.8	97.0
Jan. 5th	128.9	148.2	136.8	164.5	120.6	137.4	96.9
Jan. 19th	127.8	146.5	137.7	164.3	120.9	138.1	96.9
Feb. 2nd	126.6	144.4	135.4	164.5	119.8	137.9	97.0
Feb. 16th	125.0	141.7	136.8	164.5	119.5	138.1	96.9
Mar. 2nd	125.1	143.1	138.7	164.5	120.3	138.1	97.2
Mar. 16th	123.9	140.8	134.8	164.5	119.5	139.9	97.2
Mar. 30th	122.7	137.0	129.3	164.6	117.7	139.4	97.1
Apr. 12th	122.6	137.8	130.6	164.6	117.8	139.4	97.0

* These figures relate to April 6th. † Monthly average.

The following table shows the movements of the various groups comprised in *The Economist* index number:—

	The Economist INDEX (1927 = 100)			
	Sept. 18, 1931	Apr. 14, 1937	Mar. 30, 1938	Apr. 12, 1938
Cereals and meat...	64.5	95.0	87.5	87.0
Other foods	62.2	70.2	60.1	60.4
Textiles	43.7	74.6	55.5	55.3
Minerals	67.4	107.4	93.2	93.2
Miscellaneous	65.8	87.0	76.1	76.2
Complete index	60.4	86.8	74.1	74.0
1913 = 100	83.1	119.3	102.0	101.9
1924 = 100	52.2	75.0	64.0	64.0

The past fortnight witnessed a decline in wheat, and a moderate rise in maize and bacon. There was a sharp increase in butter. Cotton, flax and jute were slightly lower, but wool was unchanged. Non-ferrous metals were only subject to minor fluctuations, and there was a moderate recovery in rubber.

* * *

Co-operative Trading Progress.—The sales of the Co-operative Wholesale Society for the twelve months

ended January 8th amounted to £119,851,542, of which £40,994,814 were from sales of the society's own productions. Compared with 1936-37, there was an increase of 11½ per cent. in total turnover and 11½ per cent. in the output of the various works and factories. The directors are recommending the strengthening of reserves by the addition of over £250,000 from current profits. They are also committed to a building programme amounting to £2½ millions in the extension of the productive enterprises. The net surplus of the trading departments for the year amounted to £2,799,095, from which dividends of £2,396,445 have been allocated to society-members at the rate of 4d. in the £ on purchases and 3d. in the £ as additional dividend on purchases of C.W.S. productions. The supply of foodstuffs is still the main factor in co-operative trade. Grocery and provisions supplied by the C.W.S. during 1937 accounted for £89,731,438; coal for £5,604,079; furnishing for £5,668,512; drapery for £5,296,360; men's wear for £3,598,601; boots and shoes for £2,815,501; sales of tea, coffee, etc., via the English and Scottish C.W.S., for £5,009,838; building and engineering for £1,528,793; and exports for £508,420. To the society's own productions, valued at £40,994,814, the nine flour mills contributed £10,981,801. The accelerated rate of the progress of co-operation in the South of England continues to find expression in the balance sheet of the C.W.S., particularly in regard to drapery and men's wear. The sales from the London branch in those two sections are now greater than those at the Manchester headquarters; while the grocery trade of £36,263,354 from the London branch is approaching the Manchester turnover of £44,515,311. New rules to come into operation during the present year are calculated to give the South fuller representation on the directorate.

INDUSTRIAL REPORTS

THERE has been little change in the position of the principal industries this week. In addition to the persistent decline in export orders, the coal industry is now faced with the seasonal decline in household demand. The volume of new transactions in iron and steel remains at a low level, for stocks are still excessive. In the West of Scotland, exceptionally, there has been a slight increase in new orders for finished materials. In South Wales, on the other hand, it is feared that the setback in the tinplate industry may lead to the suspension of operations at additional steel furnaces and at one or two blast furnaces during the next few weeks. The latest shipbuilding returns, discussed in a Note under "Industry and Trade," show a further decline in the volume of tonnage commenced. There has been no improvement in business in cotton goods, and the increase in the Egyptian import duty on piece-goods has caused alarm. The firmer tendency of raw wool prices appears to have arrested the deterioration in wool textiles, though new business remains small in volume.

Coal

Cardiff.—With the approach of the Easter holidays, there has been an increase in the supply of prompt tonnage and a larger number of coaling appliances have been occupied. The collieries will continue working throughout the week, although the docks will be closed for traffic on Friday; but owing to the acceptance of the scheme providing for holidays with pay the collieries will be idle next week only

on Easter Monday instead of, as in previous years, on three days in Easter week.

*

The business position on the Cardiff market has shown no appreciable change. There have been few new orders, and prices are at their recently modified prompt figures. In view of the agreement over holidays with pay, the workmen have withdrawn their application for a 10 per cent. increase in wages till next year. Shipments at the South Wales docks last week totalled 398,900 tons, compared with 394,200 tons the previous week and 398,098 tons in the corresponding week last year, while up to April 10th the current year's volume of traffic exceeded that for the same period last year by 228,000 tons, or 4 per cent.

*

Sheffield.—Business in the coal market has tailed off this week, but the tone is quite firm, with prices unchanged. The approach of the Easter holidays has reduced industrial requirements, and the mild weather has resulted in an accumulation of stocks of house coal. Lower prices are forecast next month. Gas coal is dull, and small coal is moving much less freely than of late. Coke is steady at the reduced prices. With fewer furnaces in blast, demand for blast-furnace coke is dwindling, and new contracts will possibly be arranged below the existing price of 30s. per ton.

There is no change in the position of the export market, and there is little business either in prompt or forward shipment. It is hinted that there may be concessions shortly which will enable exporters to meet foreign competition more easily.

Grassland Improvement.—Suggestions for the improvement of the country's grassland are put forward by Professor R. G. Stapledon of Aberystwyth in the *Journal* of the Bath and West and Southern Counties Society. Prof. Stapledon, who is an untiring advocate of grassland regeneration, estimates that there are 16 million acres of rough grazing and permanent grass in England and Wales waiting to be brought to a higher standard of production. He therefore welcomes the Government subsidy in favour of lime and basic slag, though he thinks the policy should have been carried much further. Greater attention should, he thinks, be given to the possibilities of temporary grass and the ploughing up of poorer grassland under a system of alternate husbandry. On the problem of rushy pastures, Prof. Stapledon points out that, although most rushy fields need draining, rushes, like bracken, are sensitive to cutting or hard grazing. Such pastures have been practically cleared of rushes by a drastic process of cutting four or five times in one year, followed in subsequent years by hard grazing and cutting in June. The worst weeds, in the author's opinion, are buttercups, which interfere with proper grazing and thus not only represent thousands of tons of wasted herbage, but cause just as much waste of high-class palatable herbage. If pastures were mown before the seeds were set, the spread of the buttercups would be prevented and the swards would be encouraged to make growth later in the year, when grass is urgently needed. Besides keeping the grassland in trim by such methods as these, it is equally important to plan the stocking of the pastures to ensure balanced grazing and to improve the quality of the growth. Thus, on thin land overlying chalk, poultry, run in pens, may double the feeding value of the herbage. British agriculture would surely benefit if Professor Stapledon's suggestions were more generally applied.

Glasgow.—The feature of the Scottish trade is the persistent dullness of export business. Shipments last week, at 190,000 tons, were again poor, showing a drop of 71,000 tons on the corresponding week a year ago, while the year's total to date, at 2,609,000 tons, shows a reduction of 510,000 tons. All overseas markets have suffered a setback. The main reason would appear to be the recession in most of the importing countries, but at the same time there is little doubt that German and Polish competition remains a factor of importance. So far as the Scandinavian markets are concerned, the growing use of hydro-electric power has tended to restrict the demand for coal. Land-sale is still fairly satisfactory as a rule. The price trend remains dull.

COAL OUTPUT AND EMPLOYMENT

District	Week ended March 26, 1938		Week ended April 2, 1938	
	Output	Wage-earners	Output	Wage-earners
Northumberland	000 tons	000's	000 tons	000's
Durham	277.5	45.4	300.5	45.3
Yorkshire	699.3	117.9	706.2	117.9
Lancs, Cheshire and N. Wales	942.5	143.9	910.4	144.0
Derby, Nottingham & Leicester ...	357.6	68.6	350.2	68.6
Staffs, Worcs, Salop & Warwick	654.5	99.0	589.4	99.0
South Wales and Monmouth ...	393.8	67.8	368.8	67.8
Other English districts* ...	782.5	137.2	796.6	137.2
Scotland	122.8	22.4	124.1	22.4
	630.1	91.6	635.6	91.3
Total ...	4,860.6	793.8	4,801.8	793.5

* Including Cumberland, Gloucester, Somerset and Kent.

Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange indicates that, partly as a result of the approach of the Easter holidays, business remains dull. There are factors, however, which indicate a moderate revival in business in the not distant future.

In the pig iron market little new business has been transacted. Consumers are working upon stocks and they are receiving deliveries against current contracts. Most users are fully covered to the end of June, until when prices have been stabilised, and, although there has been some inquiry for further forward delivery, little of this has developed into business.

The demand for semi-finished steel is very light, except for certain special qualities of British material. Owing to recent heavy imports, large quantities have accumulated at consumers' works, and until these are reduced there can be no improvement in the demand. The continued heavy consumption, however, is absorbing considerable tonnages of these stocks and steadily bringing more normal conditions nearer.

Production of finished steel continues at a high rate and, although some of the lighter sections of the industry would like more new business, large quantities of steel of all descriptions are being used.

Sheffield.—On the eve of the holiday, business has shrunk to very small proportions. Supplies of pig iron are abundant. Stocks have accumulated at furnaces to such an extent that output is being curtailed. To all appearances users will pursue a policy of buying only as need arises until nearer the end of the period during which prices are fixed. Foundry requirements are heavier than for forge, transactions in which are on a very small scale. There is a fairly steady demand for special qualities of hematite, but not much inquiry exists for mixed numbers.

Basic steel billet business continues on a good scale. Structural steel needs are now being more adequately met. There are plentiful supplies of iron and steel scrap on offer, and where there is no control of prices quotations are inclined to ease.

Middlesbrough.—Consumers of foundry pig iron still have large stocks, and transactions in Cleveland iron are limited. More than sufficient hematite is being produced to meet requirements, and it is expected that one furnace will be put out this week.

The heavy steel departments continue to operate at capacity, constructional steel and bridge material being in demand. Prices are unchanged. Shipments of steel, mostly to Empire countries, are being well maintained. Most of the local foundries will close down for the Easter holidays, and steelworks generally are having two days. There is no change in the position of blast-furnace coke or foreign ore.

Glasgow.—The improvement recently noticeable in several sections of the iron and steel industry in the

West of Scotland is well maintained, and the amount of new business placed is, on the whole, satisfactory. For finished material, export orders are definitely on the increase, while home demand is good in practically all branches of the steel trade. The very large amount of work now on hand at the Clyde shipyards is providing employment, not only for shipyard workers, but also for many skilled tradesmen in Glasgow and district as, in addition to the steel material, the bulk of the machinery and equipment is to be supplied by local makers.

Cardiff.—The general position in the tinplate industry shows no improvement, and it is feared that more of the steel furnaces, and possibly also one or two of the blast furnaces, may suspend operations during the next few weeks. At a meeting at Swansea on Saturday last of the tinplate section of the Iron and Steel Trades' Confederation, it was decided to ask for a special meeting of the Joint Industrial Council "to examine the possible detrimental effect of the introduction of strip mills on the tinplate industry, and to ascertain what steps may be taken to alleviate any hardships that may ensue." Prices are unaltered. There was a sharp increase last week in shipments of tinplates. They totalled 8,483 tons, compared with 4,873 tons the previous week and 4,885 tons in the corresponding week last year; stocks have consequently been reduced by nearly 3,300 tons to 8,537 tons.

Textiles

Cotton (Manchester).—The past week has brought no increase in business, and spinners and manufacturers who have secured orders for more than retail lots have been exceptional. There have been no indications of a definite change in the policy of buyers.

After an easier movement in raw cotton prices a firmer tone has prevailed. A good deal of the recent weakness in cotton prices has been due to Bombay selling. From a supply point of view, the position remains bearish. Reports have recently been received of a larger output of outside growths. The area under cultivation in the United States will be larger than anticipated a little time ago.

It has been another very unsatisfactory week for spinners. Some leading employers are becoming much concerned at the state of affairs. Despite big curtailment of output, stocks tend to increase at the mills. Depressing reports have again been received from manufacturers of piece goods. Numerous firms have decided to extend the usual Easter holidays. The improved demand for India has been maintained and some Blackburn and Preston firms have sold more freely. Poor prices, however, have had to be taken. Miscellaneous sales have been put through for Egypt, South America, the Continent and the Dominions, without individual contracts being at all important. In the home trade section goods continue to move off rather more freely.

Wool (Bradford).—The past fortnight has not witnessed any important developments. Primary wool markets remain firm, and this is having some effect upon consuming centres. Trade in the West Riding is no worse, but most mills are still on short time, with deliveries far below normal. There is still a lack of confidence, particularly among wholesale fabric buyers. Most spinners are fairly well sold forward, and some have at least twenty weeks work in hand, provided they could obtain delivery instructions. The need of spinning particulars is holding up production. Manufacturers are feeling the absence of orders for piece goods, but many wholesale piece merchants seem to be content to clear their stocks, rather than place new business. There does not seem anything to favour still lower raw wool prices. Any sustained advance would stimulate the entire industry into a greater degree of activity.

During the past six months, there has been a marked decline in the price of home grown wools, and many country merchants are carrying big stocks of dearly bought wool, which, in many cases, are 6d. per lb. cheaper than they were last July and August. Whether to sell at current prices or hold is a question which many firms are faced with, and prospects are none too bright for British sheep farmers if prices remain where they are today.

RAW COTTON delivered to Spinners
(Thousand bales)

Variety	Week ended		Total Deliveries	
	Apr. 1, 1938	Apr. 8, 1938	Aug. 1, 1937- Apr. 9, 1938	Aug. 1, 1937- Apr. 8, 1938
American	22.8	24.1	846	915.0
Brazilian	2.8	2.8	256	215.9
Peruvian, etc.	1.9	2.2	107	88.6
Egyptian	5.2	9.4	288	255.2
Sudan Sakel	2.4	1.3	104	106.9
East Indian	8.9	4.3	345	247.0
Other countries	2.5	2.6	153	127.9
Total	46.5	46.7	2,099	1,956.5

THE COMMODITY
MARKETS

PRESIDENT ROOSEVELT's decision to come to the rescue of business by the resumption of large-scale Government expenditure has caused a stir in the commodity markets. The majority of commodities sensitive to changes in market psychology registered an increase in price. Thus, non-ferrous metals, rubber, vegetable oils and wheat are all dearer than a week ago. On the other hand, raw cotton remained unchanged in price and raw sugar, exceptionally, was marked down. Apart from an advance in butter, the provision markets showed little change during the past week. The improvement in prices, however, has not been fully maintained.

In the United States, Moody's index of the prices of staple commodities (December 31, 1931 = 100) declined slightly from 139.8 on April 6th to 139.3 on April 12th. A month ago the index stood at 150.3 and at 219.5 a year ago.

Metals

Copper.—The copper market improved substantially this week. Under the influence of political developments in the United States and the better trend on Wall Street the market rallied, and on Monday the three months' quotation touched £40 per ton for the first time since March 22nd. On Tuesday, however, a reaction took place in sympathy with Wall Street. The standard cash price closed the period under review at £39 8s. 9d. per ton, a net gain of £1 on the week. The demand for copper rose considerably on the increase in prices, indicating that consumers are not well stocked. In the absence of a change in the general industrial position, copper prices are unlikely to rise in the near future, for activity will shortly show a seasonal decline which will deter consumers from restocking now.

Tin.—Tin was particularly affected by the spell of activity in the United States, and on Monday the cash quotation rose to £173 10s. per ton. On Tuesday there was a reaction to £170, but even at this level the price showed a net gain of £2 on the week. The market was again adversely affected by the absence of any news regarding Malaya's attitude towards the buffer pool. There is an increasing feeling in market circles that Malaya will either reject the pool plan or use it as a bargaining weapon for an increase of its standard tonnages under the control scheme. Either move is likely to have an adverse influence of the market, according to the views prevailing in London metal circles.

Lead and Spelter.—Lead rose by 7s. 6d. this week to close at £16 per ton, while spelter closed at £13 12s. 6d. per ton, a net gain of 2s. 6d. on the week. The demand for lead was quite satisfactory this week. The market was favourably influenced by the good weather, which stimulated building. At the same time, reports of declining production helped to improve sentiment. These reports, however, appear to be based on a misunderstanding. According to Metallgesellschaft, the daily rate of world smelter production actually rose from 4,398 metric tons in January to 4,525 tons in February. The spelter market suffered somewhat from liquidations by tired speculators, but the U.S.A. zinc statistics had a favourable influence on sentiment.

U.K. STOCKS

	Apr. 2, 1938	Apr. 9, 1938
Copper (Br. official w'houses):	Tons	Tons
Refined	7,507	7,534
Rough	24,956	24,906
Tin (London and Liverpool)...	4,567	4,810

SALES ON LONDON METAL EXCHANGE

Date	Copper	Tin	Lead	Spelter
1938	Tons	Tons	Tons	Tons
April 1	1,425	425	850	1,600
" 4	1,700	380	1,350	2,000
" 5	1,575	305	800	1,750
" 6	1,100	230	800	1,650
" 7	1,000	175	1,250	2,150
" 8	1,750	350	1,900	1,300
" 11	2,600	275	2,350	925
" 12	2,150	245	1,400	575

Other Foods

OTHER FOODS: STATISTICS

	Week ended	
	Apr. 2, 1938	Apr. 9, 1938
BACON:		
Arrivals in London (bales):		
Danish	13,320	13,194
Canadian	6,486	5,943
Dutch	2,996	2,342
Lithuanian	1,270	1,313
Polish	2,507	2,958
Cocoa:		
Movements in Lond. (bags):		
Landed	8,752	2,303
D/d for home consumption	11,617	5,016
Exports	731	65
Stocks, end of week	92,933	90,155
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed	355	200
" D/d for home consn.	124	195
" Exports	2	2
" Stocks, end of week	2,716	2,719
Central and S. American:		
Landed	8,548	9,335
D/d for home consumption	2,455	4,139
Exports	993	904
Stocks, end of week	94,760	99,052
Other kinds—Landed	1,224	8,149
" D/d for home consn.	4,219	5,207
" Exports	947	823
" Stocks end of week	121,245	123,364
MEAT:		
Supplies at Smithfield (tons):		
Total	8,883	9,140
Beef and veal	4,699	4,967
Mutton and lamb	2,898	2,700
Pork and bacon	816	891
Poultry, etc.	470	582
PEPPER:		
Movements in Lond. (tons):		
Black—Landed	7	2
" Delivered	1	3
" Stocks, end of week	1,941	1,940
White—Landed	209	22
" Delivered	209	22
" Stocks, end of week	10,024	10,024
SUGAR:		
Movements, London and Liverpool (tons):		
Imports	14,532	4,032
Deliveries	18,094	20,361
Stocks, end of week	264,769	248,440
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India	44,107	43,130
S. India	5,198	3,774
Ceylon	20,005	21,838
Java	3,288	2,882
Sumatra	730	464
Africa	2,448	3,747
Total	75,776	75,835

* Weeks ended Mar. 31 and Apr. 7 respectively.

Milk.—The appended statistics relative to the operation of the Milk

	Mar. 1937	Jan. 1938	Feb. 1938	Mar. 1938
Prices (per gall.)	d.	d.	d.	d.
Liquid	17	18	18	17
Av. manufacturing	5.824	7.724	7.586	7.224
Contract sales (mill. galls.)				
Liquid	49.27	51.77	48.10	52.63
Manufacturing	20.28	14.94	14.46	21.59
Total contract	69.45	66.71	62.56	74.22
Used by farmhouse cheesemakers	0.55	0.59	0.61	0.83

Marketing scheme in recent months are issued by the Milk Marketing Board.

Miscellaneous
Commodities

Oilseeds and Oils.—After a period of extreme weakness and falling prices, markets rallied towards the close of last week. But the improvement in linseed prices has not been fully maintained. The continuance of pressure by shippers to sell Calcutta seed has been a determining factor, but it is less insistent. Plate seed has offered more resistance, though it is still subject to American trade influences. Demand comes mainly from the Continent, English crushers being more interested in Indian offerings, particularly Bombay, in which a good business for shipment has been done in recent weeks. Favourable conditions for seeding operations in the United States may lead to a greater acreage being put under linseed than officially estimated. Consequently the yield of the crop may exceed the 200,000 tons previously expected. There has been an improvement in Egyptian cottonseed of 3s. or so per ton.

Vegetable oils are steadier. Following a severe setback, linseed oil advanced 25s. per ton, but has not completely regained the ground lost since the beginning of the month. Trade demand is fair for early delivery, but slow forward. In sympathy with seed, cotton oil has rallied and is 15s. per ton dearer.

Furs.—The London silver fox sales, mentioned in *The Economist* of April 2nd, closed in an easy fashion at the end of last week. In the second week of the sale, only 30 to 35 per cent. of the skins offered found ready buyers, while the remainder had to be withdrawn. In spite of the large withdrawals, however, prices continued to sag, and the closing quotations were 5 to 10 per cent. lower than the prices paid in the first week of the sale, which, in turn, were 5 to 10 per cent. below the January levels. Since the end of the sale, business on the open market has come practically to a standstill owing to the approaching holidays and the unsettled political position on the Continent.

The next London fur sale (Australian furs) will begin on April 28th. It will be followed on May 2nd by the opening of the Hudson's Bay Company's spring sale. The prospects of the forthcoming sales are judged with pessimism in London fur circles, owing to the financial and economic difficulties of the United States and the uncertain political position on the Continent.

AMERICAN WHOLESALE PRICES

	Apr. 6, 1938	Apr. 12, 1938		Apr. 6, 1938	Apr. 12, 1938
GRAINS (per bushel)—	Cents	Cents	METALS (per lb.)—cont.	Cents	Cents
Wheat, Chicago, May	81½	83¼	Tin, N.Y., Straits spot	38.40	38.40
Winnipeg, May	123½	124¾	Lead, N.Y., Spot	4.50	4.50
Maize, Chicago, May	59½	60¼	Spelter, East St. Louis, spot	4.15	4.00
Oats, Chicago, May	27½	28½	MISCELLANEOUS (per lb.)—		
Rye, Chicago, May	58½	59½	Cocoa, N.Y., Accra, May	5.05	4.90
Bailey, Winnipeg, May	97½	57¼	Coffee, N.Y., cash		
METALS (per lb.)—			Rio, No. 7	4½	4½
Copper, N.Y., Domestic spot	9.35	9.52½	Santos, No. 4	7¼	7¼
			" " Am. mid. term	8.53	8.77
			MISCELLANEOUS (per lb.)—cont.		
			Cotton, Am. Mid., Apr.	8.43	8.67
			Lard, Chicago, May	8.25	8.10
			Petroleum, Mid-cont. crude		
			33 deg. to 33-90, at well,		
			per barrel	116	116
			Rubber, N.Y., smkd. sheet spot	10½/16	11½/16
			Do. Do.	11.00	11½
			Sugar, N.Y., Cuban Cent.,		
			96 deg., spot	2.98	3.82

BRITISH WHOLESALE PRICES

	Apr. 6, 1938	Apr. 12, 1938
CEREALS AND MEAT		
GRAIN, Etc.—		
Wheat—	s. d.	s. d.
No. 2, N. Man. 496 lb.	54 3	53 0
Eng. Gaz. av., per cwt.	7 7	7 7
Liv. May, per cental	6 5	6 9
Flour, per 280 lbs.—		
Straits, d/d London	35 0	35 0
Manitoba, ex store	36 6	36 6
Barley, Eng. Gaz. av.	11 7	11 8
Oats	8 2	8 1
Maize, La Plata, landed, 480 lb.	34 3	34 6
Rice, No. 2 Burma, per cwt.	7 7½	7 9
MEAT		
Beef, per 8 lbs.—		
English long sides	4 8	4 10
Argentine chilled hinds	3 10	3 11
Mutton, per 8 lbs.—		
English wethers	5 0	5 0
N.Z. frozen wethers	2 10	2 10
Lamb, per 8 lbs.—		
N.Z. frozen	4 8	4 8
Pork, English, per 8 lbs.	6 2	6 10
BACON (per cwt.)—		
English	104 0	104 0
Danish	102 0	102 0
Dutch	100 0	100 0
Irish	106 0	106 0
BAMS (per cwt.)—		
Canadian	98 0	98 0
United States	90 0	90 0

OTHER FOODS		
BUTTER (per cwt.)—		
Australian	118 0	121 0
New Zealand	118 0	121 0
Danish	121 0	122 0
Canadian	122 0	124 0
CHEESE (per cwt.)—		
New Zealand	76 0	76 0
English Cheddars	70 0	70 6
Dutch	94 0	102 0
Trinidad	104 0	104 0
Grenada	48 0	46 0
COCOA (per cwt.)—		
Accra, i.f.	31 6	30 0
Trinidad	32 6	31 0
Grenada	40 0	40 0
COFFEE (per cwt.)—		
Santos sup. c. & f.	47 0	47 0
Costa Rica, medium to good	40 0	40 0
Kenya, medium	28 6	27 6
EGGS (per 120)—		
English (15-15½ lb.)	50 0	50 0
Danish (15½ lb.)	70 0	70 0
FRUIT—		
Oranges, Jaffa	43 0	43 0
" Brazilian	28 6	27 6
Lemons, Malaga	50 0	50 0
" Sicilian	70 0	70 0
Apples, Amer. (var.)	43 0	43 0
" (var.)	60 0	100 0
Grapes, Almeria	10 0	10 6
Grapefruit, Jaffa	10 3	10 9
LARD (per cwt.)—		
Irish, finest bladders	9 0	9 3
U.S.	9 3	9 6
PEPPER, per lb.—		
Black Lampong (in Bond)	8 6	11 0
White Muntok	14 0	15 0
POTATOES (per cwt.)—		
King Edward	12 0	14 0
SUGAR (per cwt.)—		
Centrifugals, 96%, prpt. shipm.	15 3	16 3
C.I.F. U.K., Cont.	11 0	11 0
RETINED—London—		
Yellow Crystals	26 0	25 0
Cubes	8 0	7 0

SUGAR (per cwt.)—cont.		
Crushed	18 9	18 7½
Granulated	19 7½	19 6
Home Grown	18 10½	18 9
TEA* (Auction Average) (per lb.)—		
N. India	14 05	14 07
S. India	16 11	16 7½
Ceylon	16 89	16 44
Sumatra	12 99	14 59
Africa	11 36	11 81
Total	12 97	12 82
TOBACCO (per lb.)—		
Virginia stemmed and unstemmed, common to fine	14 81	14 79
Rhodesian stemmed and unstemmed	s. d.	s. d.
Nyasaland stemmed and unstemmed	0 8	0 8
East Indian	2 6	2 6
Unstemmed	0 9	0 9
Stemmed	1 10	1 10
Unstemmed	0 7	0 7
Stemmed	1 4	1 4
Unstemmed	0 6	0 6
Stemmed	2 0	2 0
Unstemmed	0 5	0 5
Stemmed	1 3	1 6
TEXTILES		
COTTON (per lb.)—		
Raw, Mid-American	d.	d.
Sakellaridis, F.G.F.	4 83	4 83
Giza, F.G.F.	8 03	7 99
Yarns, 32's Twist	7 08	7 04
40's Twist (Egyptian)	10½	10½
60's Twist (Egyptian)	10½	10½
Cloth, 32 in. Printers, 116 yds.	17½	17½
16 x 16, 32's & 50's	s. d.	s. d.
36 in. Shirtings, 75 yds.	17 10	17 10
19 x 19, 32's & 40's	24 2	24 2
38 in. ditto, 38 yds.	10 4	10 4
18 x 16, 10 lb.	9 4	9 4
39 in. ditto, 37½ yds.	9 4	9 4
16 x 15, 84 lb.	£ s.	£ s.
FLAX (per ton)—		
Livonian ZK	66 0	66 0
Pernau HD	67 0	67 0
Slanetz Medium, 1st sort	68 0	68 0
HEMP (per ton)—		
Italian PC	71 0	71 0
Manilla, Apr.-June "J2"	26 0	26 0
JUTE (per ton)—		
Native 1st mks., c.i.f. H.A.R.B.	17 8/9	17 11/3
Apr.-May	16 10/0	16 15/0
Dutche 2½ c.i.f. Dundee, Apr.	£ s.	£ s.
May	15 10/0	15 10/0
SISAL, African, Apr.-June		
17 10	17 5	17 5
SILK (per lb.)—		
Canton	7 9	7 9
Japan	6 0	6 3
Italian, raw, fr. Milan	7 6	7 6
WOOL (per lb.)—		
English, Southdown, greasy	d.	d.
Lincoln hog, washed	15½	15½
Queensland, scd. super combg.	13	13
N.S.W. greasy, super combg.	23	23
N.Z. greasy, half-bred 50-56	13	13
Crossbred 40-44	12½	12½
Tops	11½	11½
Merinos 70's average	28	28
64's	26	26
Crossbred 48's	16	16
46's	15½	15½
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	s. d.	s. d.
Durham, best gas, f.o.b. Tyne	19 6	19 6
Sheffield, best house, at pits	22 6	22 6
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d/d.	109 0	109 0
Bars, Middlesbrough	265 0	265 0
Steel rails, heavy	202 6	202 6
Tinplates	22 6	22 6
NON-FERROUS METALS (per ton)—		
Copper—		
Standard cash	38/11/3	39/8/9
Three months	38/12/6	39/10/0
Standard cash	38/16/3	39/13/9
Three months	38/17/6	39/15/0
Tin—		
Standard cash	169/0/0	170/0/0
Three months	169/10/0	170/15/0
Lead, soft foreign	169/15/0	170/15/0
Cash	15/10/0	16/0/0
English, pig	15/12/6	16/1/3
Spot	17/15/0	18/0/0
Spelter, G.O.B.—		
Spot	13/13/9	13/12/6
Aluminium, ingots and bars	13/15/0	13/13/9
rolling billets	100/0/0	100/0/0
Nickel, home and export	102 0	102 0
Antimony, Chinese	180/0/0	180/0/0
Wolfram, Chinese	185/0/0	185/0/0
Platinum, refined	65/0/0	65/0/0
Quicksilver	66/0/0	66/0/0

* These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—

COMPANY MEETINGS

THE ALLIANCE TRUST COMPANY, LIMITED

RECORD GROSS REVENUE—DIVIDEND OF 25 PER CENT.

VALUE OF SERVICES OF INVESTMENT TRUSTS

MR JAMES PRAIN'S REVIEW

The annual ordinary general meeting of the Alliance Trust Company, Limited, was held, on the 12th instant, in the company's registered Office, Meadow House, 64 Reform Street, Dundee.

The chair was taken by Mr James Prain, and after formal evidence of the proper calling of the meeting had been submitted, the Secretary, Mr Alan L. Brown, read the auditors' report to the shareholders.

The Chairman, in moving the adoption of the annual report, said:—

TRIBUTE TO LATE COLLEAGUES

I cannot proceed to the main business of this meeting without referring to the heavy losses which we have suffered in the last few months. In September our secretary, Mr John P. Bruce, died with tragic suddenness when to all appearance he had many years of life and work before him. He entered the office of the company as a boy in 1896 and had, therefore, served the company for over forty years. His real natural ability, no less than his loyalty and devotion, made him an official of singular value. His heart was in his work and his true interest was in the success of the company. To us all the sincerity and kindness of his disposition made him a friend, and we mourn the loss of one whose rule of life was service and whose reward was the esteem and affection of all with whom he had to do.

Then, in December, the terrible accident at Castleary took from us our colleague, Mr Hugh F. B. Sharp, in the very prime of life. Possessed of an intellect as keen as it was versatile he had actively interested himself in many spheres, but his principal attention had been devoted to the problems of finance and investment. There his abilities found a field in which he was specially fitted to excel, and this fact and his enthusiasm and devotion to the company's interests made him a most valuable director. Of his personal qualities it is impossible to speak too warmly. His sensitive kindness of disposition expressed itself in a fine courtesy and consideration for all those with whom he came in contact, and it is of this characteristic that we desire at this time to record our appreciation and to preserve the memory.

Within the last few weeks the sum of our losses has been added to by the death of Mr Norman Boase after many years of public service as willingly rendered as it was widely valued. His long business experience, his knowledge of men and affairs, combined with a naturally sound judgment, made him a valued colleague, and we join with his many friends in all walks of life in paying a tribute to his memory.

I am sure that you will wish to associate yourselves with the tributes I have paid to these colleagues and with an expression of sympathy to those to whom they were dear.

NEW DIRECTOR AND SECRETARY

You will observe from the report that Mr Harold S. Sharp has joined the board on the invitation of the directors. At a later stage in the proceedings I shall ask you formally to confirm this appointment. Mr Sharp's wide experience of business, I feel confident, will be of great advantage to us. It gives me great pleasure to welcome a member of a family which has been closely associated for so many years with the fortunes of the company.

We are very pleased to have been able to fill the vacancy in the secretaryship by the appointment of Mr Alan L. Brown, C.A., Edinburgh. Mr Brown has had much experience in the management of investment trusts, and we are confident that in him we have made a valuable acquisition to the company's personnel.

REVENUE AND DIVIDEND

Turning now to the accounts, which have been in your hands for the statutory period, and which you will no doubt as usual hold as read, I think you will agree that they make a most satisfactory showing. The year with which they deal has, of course, been an

exceptionally favourable one for investment trusts from a revenue point of view, and our gross revenue has advanced from last year's figure of £659,780 to £707,013. This is a record for the company, and if we deduct debenture interest and all other expenses we find that we have a net revenue available for our shareholders larger than any in the company's history. We are, of course, very much alive to the uncertainties of the future, and in times like these you will not expect us to make any prediction or even indication as to the years to come. But we felt with such figures we would be justified in restoring our dividend to the highest figure it has reached in the past, viz. 25 per cent. We are particularly pleased to show such figures and recommend that dividend in this the jubilee year of the company's existence.

You will also, I am sure, approve of the appropriation of £100,000 to contingent fund. True, our valuation at January 31st is, in the circumstances, most satisfactory, but it is already out of date, and the situation of the world to-day is essentially one which calls for the strengthening of the fund which provides against contingencies.

The geographical distribution of our investments in bonds and stocks is as follows:—In Great Britain and the Dominions, 63 per cent.; in the United States, 17 per cent.; and in other countries, 20 per cent.

I shall not trouble you this year with any discussion on world conditions. These have been, and are every day, the subject of comment so exhaustive that nothing remains to be said except that no prediction of any certainty or value can be made. We must just wait and hope.

SOUNDNESS OF INVESTMENT TRUST PRINCIPLES

I might, however, at this stage in the company's history refer for a few minutes to the discussion which has recently taken place as to the value of the services rendered by an investment trust and the soundness of the investment trust principle. Well, in my view, that principle is an entirely sound one and the services rendered of real value. At times like these when the world concert proceeds in a ruthless crescendo from one crashing discord to another, the legitimate investor seeks a place where he can be safe from the noise. He can find that nowhere so satisfactorily as in the prior charges of such an investment trust as this.

Take first our terminable debentures maturing at an average period of from three to five years. This form of security appeals particularly to those investors in charge of trust funds. Here they find (1) virtually absolute security, (2) a fair rate of interest for the party entitled to the income, (3) a certain 20s. in the pound for the owner of the capital, and (4) freedom from any expense in connection with either purchase or realisation. We have frequently received acknowledgments of the satisfaction which trustees and their advisers have found in this vehicle of investment and their cordial desire that we should continue to make it available. In more recent years we have issued borrowed capital in the form of debenture stock. The security offered is, of course, equally beyond peradventure, and this form of investment is welcomed by that section of the public which desires to invest its money permanently and be called upon to bestow neither thought nor anxiety upon the security.

Next you have our preference stocks. These, of course, rank behind our debenture issues, and are chosen by those who desire a slightly higher return without any apprehension, for all practical purposes, as to the safety of their investment. There is at all times a constant and active demand for those stocks by genuine investors. Now, in this company, and in its sister company, the Second Alliance Trust, there are nearly 14,000 debenture, debenture stock and preference shareholders, and we have, therefore, served the true interests of a large body of persons—trustees and others whose main object is complete safety and freedom from anxiety—a very real service in times like these.

I now come to our ordinary stock, and I do not for a moment suggest that it is entirely immune from the dangers and difficulties

of the times. But I do contend that if the funds of the company are dealt with on the sound investment trust principle—the principle I mean which places the earning of revenue, as distinct from speculating for a rise in market values, as our true object, the ordinary stock of a company such as this need fear comparison with no other form of investment of its kind. I shall say no more than this, that whether our ordinary stockholders consider the dividends and bonuses which they have received, or the capital value of their stock—in these times so testing for capital values—they will agree that they have no reason to be dissatisfied with their investment.

SERVICE TO COUNTRY'S FINANCIAL SYSTEM

It is also permissible to look at the matter from another point of view—that of the service which investment trusts render to the financial system of the country. Under that system industrial concerns are constantly coming to the market for capital to enable them to carry on and expand their businesses. Now, issuing houses and others concerned will be the first to admit the great assistance they get from investment trusts in the placing of issues of capital. If the issues be sound and such as appeal to those whose business is to devote time and experience to investment, they can rely on a large proportion being taken up by investment trusts. Indeed, for such issues to be a success they must appeal to the trusts, and this fact tends to the encouragement of sound issues and the discouragement of the unsound. Again, in times of uncertainty, so common in late years, the holding of large quantities of bonds and stocks by such institutions prevents their being thrown on the market by persons who are afraid or cannot afford to hold them. This contributes a steadying factor to a market which may be much in need of it. I shall not dilate further on this subject, nor try to put the case too high, but I think I have said enough to show that an investment trust run on sound lines renders a real service to its stockholders and to the community.

Before concluding my remarks I must acknowledge the loyal services rendered by our staff here and by our agents in America during the past year.

I now beg formally to move that the directors' report and accounts be adopted and that final dividends be declared as therein recommended, viz.: On £700,000 preference stock at the preferential rate of 4½ per cent. per annum; on £650,000 preference stock at the preferential rate of 4 per cent. per annum; on £750,000 preference stock at the preferential rate of 5 per cent. per annum; on £100,000 "A" preference stock at the preferential rate of 4 per cent. per annum; and on £1,050,000 ordinary stock at the rate of 14 per cent. actual, making 25 per cent. for the year, all subject to deduction of income tax.

The report and accounts were adopted, and resolutions declaring dividends, re-electing the retiring directors and appointing auditors were unanimously passed.

BRITISH ENKA ARTIFICIAL SILK COMPANY, LIMITED

EFFECT OF FALL IN PRICES.

The thirteenth ordinary general meeting of shareholders of the British Enka Artificial Silk Company, Limited, was held, at 20 Aldermanbury, E.C., on the 13th instant, Mr C. T. Pott presiding.

The Chairman said: Gentlemen, the working profit for the year amounted to £44,214 and is £639 more than that of the previous year. Unfortunately, after deducting the usual depreciation and overheads, there is a loss of £14,364, which is £1,463 more than was lost in 1936, but for the past year provision is made for income tax amounting to £2,028, the major portion of which is in dispute. Both our production and sales of rayon were somewhat greater than last year, and as a matter of fact our sales were in excess of production.

Last year I mentioned that our profits had been reduced owing to the fall in selling prices. This fall continued in the year 1937, and it was not until the middle of the year that some stabilisation took place. Even then, stabilisation was on the low level which had been reached by that time. At best, therefore, it merely prevented further reductions in prices. At the end of the year prices rose, but owing to our contract positions with customers we received no immediate benefit from this price improvement. The economies we were able to make in our production costs during the year were, in fact, all neutralised by the lower selling prices as compared with those ruling in 1936. The improvement in the selling price at the end of 1937 will help us in 1938, although we have to face higher material costs, particularly in the matter of wood pulp.

During the year the British Viscose Association was formed. We have become members of this Association believing that in co-operation with other manufacturers opportunity is offered to

bring about a more stable and satisfactory position in the viscose industry. In fact, it is partly through the formation of this Association that the prevailing somewhat more stable and better conditions in the industry have been brought about.

IMPROVEMENT OF QUALITY

We have still further improved the quality of our product. We know it is much appreciated by our customers, and we believe that at the present time there is no better rayon on the market. We have not failed to make all necessary alterations to our plant in order to achieve this high standard of quality.

There has been a further slowing up in the expansion of the industry, the increase in British demand being about 2½ per cent. as against 4.1 per cent. for the previous year. Export trade is still negligible and generally unprofitable. We do not believe, however, that the home market has yet reached saturation point, and when the present somewhat severe depression in the textile trade has passed away we believe there will be a still greater increase in rayon consumption. As Mr Samuel Courtfield has pointed out, rayon represents only 4 per cent. of the textile trade of this country, and there is, therefore, a very large field as yet untouched. In that connection, it is proper to mention that we believe that there would be a big advance in the consumption of rayon in Great Britain if the excise duty of 6d. per lb. were removed. This very heavy tax is a great hindrance to the natural development of the industry in competition with other textile fibres which are entirely untaxed. The report and accounts were adopted.

OOREGUM GOLD MINING COMPANY OF INDIA, LIMITED

AN ENCOURAGING DISCOVERY

The ordinary general meeting of this company was held, on the 13th instant, in London.

The Hon. A. T. J. Fraser, D.S.O., the chairman, who presided, said that during the twelve months 42,571 ozs. of fine gold had been won from 154,863 tons of current ore and 7,762 ozs. from re-treated tailings, the supply of which had run out in August, since when all gold had had to be won from the current ore taken from the mine. With certain small additions the total gold produced had amounted to 50,776 ozs., which had realised £354,329, or £6 19s. 4d. per oz. Adding £9,374 brought forward and £1,881 dividends, the total at profit and loss account amounted to £60,604. A preference dividend of 1s. per share had already been paid, and the board now recommended a final dividend for the year of 6d. per share on both classes of shares.

The development of the mine had been pushed ahead as fast as possible, and the ore reserves at December 31st last were 233,712 tons of an average grade of 10.11 dwts.—an increase of 14,000 tons and of 0.16 dwt. in grade—with, in addition, a further amount of 90,000 tons of probable ore of low grade.

During the year no outstanding discovery had been made in the mine, but one feature of development which had occurred recently outside the boundaries of Ooregum was distinctly encouraging. Just across the boundary of their mine to the south the Champion Reef Company had been developing a series of folds on the main and west reefs which showed a very decided pitch to the north. If they continued in depth, as there seemed every prospect of their doing, they would eventually come into the area belonging to the Ooregum. The deepest point at which that discovery had been opened up in Champion was some 400 ft. above Ooregum bottom level, and while it was not yet possible to calculate the exact depth at which that body should begin to show in their own ground it should not be more than a level or two below their lowest level.

Taking developments all round, he thought they might describe them as not unhelpful for the future. During the last few years the board had been trying to build up their ore reserves to meet the situation which had now arisen when profit from the old tailings should cease. Their ore reserves as a result were higher than four years ago, and while they still had to go very cautiously, the board hoped to be able to pay a small dividend while development at the bottom of the mine was pushed ahead with all speed. There was, he was sure, every indication of a considerable addition to their stopping ground when they reached the point in depth at which the recent discovery in Champion came into their own territory.

Mr Kenneth B. Taylor, M.C., in reviewing the operations of the mine, said that since August, when the re-treatment of tailings came to an end, it had been necessary to make a heavier call upon the mine. It was really very satisfactory that, in spite of poor developments in the northern section, the mine itself should now be in a position to return about 4,000 ozs. a month.

The report and accounts were unanimously adopted.

CHAMPION REEF GOLD MINES OF INDIA, LIMITED

INCREASED PROFIT

The ordinary general meeting of the Champion Reef Gold Mines of India, Limited, was held, on the 12th instant, at Southern House, Cannon Street, London, the Hon. A. T. J. Fraser, D.S.O. (the chairman), presiding.

The Chairman, in the course of his speech, said:—The year ended December 31, 1937, may, I think, once more be described as a thoroughly satisfactory one.

Outside the normal development and exploitation of the mine, both of which have been eminently satisfactory, the main effort has been concentrated on preparing the way to that deep development for which fresh capital was provided just two years ago.

During the year 151,050 tons of ore were milled for a total recovery of 70,014 oz. fine gold, worth £488,363. The sale price was £6 19s. 4d., or 1½d. less than in the previous year. The assay value of the ore milled was 9.4 dwt., and the percentage of extraction reached the very high figure of 98.3 per cent. Working costs amounted to £252,779, to which has to be added £41,835 royalty to the Mysore State. This gives a profit, after adding some £8,000 interest and other receipts, of £201,708, or nearly £4,500 more than last year.

Your board declared a final dividend of 2s. 6d. per share, which was paid on March 19th, and the carry-forward is increased by about £600 at £14,380. The distribution for the year therefore amounts to 42½ per cent., or 4s. 3d. per share.

ORE RESERVES

According to the policy previously outlined, mine development has been considerably curtailed in order to push forward the sinking of Gifford's Shaft and general preliminary arrangements for what we call layout to depth. In spite of this curtailment, it is most satisfactory to find that our ore reserves have increased by more than 25,000 tons, and that the grade is slightly higher. Ore reserves now amount to almost 500,000 tons, of an average grade of 11.5 dwt.

At the northern end of your property, at no great distance from the Ooregum boundary, there have been during the year some very definite and extremely encouraging results from development. It now appears that at each level from the seventy-sixth to the eighty-first we have a very considerable effective length of ore shoot averaging some 6 to 7 dwt. in value and varying from 6 in. to over 5 ft. in width. Very little of this has been taken into ore reserves. Without going into further detail I think you will appreciate that the bottom of the mine, on which our future developments depend, is at the moment looking very well indeed, and that the ore reserve position is most satisfactory.

GIFFORD'S SHAFT

During the year Gifford's Shaft was sunk a further depth of 1,508 ft. The remaining 138 ft. to complete to the 70th level horizon has now been finished, and this shaft now extends from surface to the 70th level, a distance of 6,556 ft.

As regards the cost, it now looks as though there would be a considerable saving on the estimate made for the actual shaft sinking and other work in the mine. This, however, will be more than offset by the increased cost of the plant over the estimate. As you know, the estimate was made early in 1936, before the rise in prices had assumed serious proportions. Had it been possible to make contracts at once all would have been well, but a considerable interval had to occur between the time general agreement to the plans and final details and specifications could be fixed and tenders asked for.

Mr Kenneth Taylor said that the scheme decided upon two years ago for carrying the mine to greater depths was now taking shape, and the first important stage—that of deepening Gifford Shaft—had just been completed. There remained the equipment of the shaft and main station at the 70th level, both of which were well in hand. Meanwhile, the manufacture of the new winding engine was progressing. The past year's development work had yielded excellent results. There was no lack of ore in the mine, and the outlook for the development of further ore continued to be very satisfactory.

The report was unanimously adopted.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to the Reporting Manager of THE ECONOMIST, 8 Boulevard Street, Fleet Street, London, E.C.4.

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LIFE & SINKING FUND POLICIES FOR SUMS ASSURED OF OVER £20,000,000 WERE EFFECTED DURING 1937

ASSETS NOW EXCEED £42,000,000

At the Annual General Meeting, held on April 12th, the Chairman, Mr. Ernest E. Bird, said that during the year 1937:

21,082 New Life Policies were issued

The Net New Life Sums Assured amounted to £18,549,226

The Total Net New Sums Assured amounted to £20,067,546

The amount received by way of consideration for Immediate Annuities was £1,647,917

New Deferred Annuities effected amounted to £2,214,403 per annum

The Net New Life Premium Income was £1,204,020

The Net Fire & Accident Premium Income was £544,807

Total Income from all sources amounted to £6,659,043

A copy of the Annual Report and Accounts for the year ending 31st December, 1937, will be sent on request.

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CAMP BIRD, LIMITED

LIST OF WELL SELECTED HOLDINGS

The thirty-sixth ordinary general meeting of Camp Bird, Limited, of 49 Moorgate, E.C., was held, on the 11th instant, in London.

Mr F. W. Baker (the chairman) said that a year ago they were at the apex of a very definite bull market. The downward trend, particularly in gold shares, developed as a result of the "gold scare," followed by economic depression in America with its reaction on values in world markets.

Their investments, quoted and unquoted, and properties and ventures which stood in the balance sheet at December 31, 1937, at £1,223,000, showed a depreciation of £178,000 at that date, since increased by a further £112,000 at the end of last week. In the opinion of the Board this depreciation, due entirely to abnormal conditions, could, they hoped, be looked upon as of a temporary nature. The profit and loss account showed, from dividends and profit on realisation of investments, a sum sufficient to have justified, under normal conditions, the declaration of a dividend, but having regard to the depreciation of assets below book cost price no such distribution could be made and they had been compelled to carry the credit balance to profit and loss of £86,000 forward to the current year.

THE COMPANY'S HOLDINGS

Their quoted holdings stood at the date of the balance sheet at £938,900 as against £503,000 in last year's report, or nearly 100 per cent. increase, while their unquoted holdings which stood at £630,000 last year now stood at £258,000. Of their total investments, 50 per cent. was represented by investments in gold mining undertakings, and 50 per cent. in base metal and miscellaneous undertakings.

In reviewing the company's holdings, the chairman said that good progress was being made at the Lake George Mine in the erection of a plant to treat 500 tons of ore per day, constructed so that the tonnage treated could be readily increased to 1,000 tons a day at relatively small additional cost. The mine was being prepared for production and it was expected that milling operations would commence at the end of the year. With the completion of the plant and active operation started by the end of the year, and having regard to the large reserves of ore already developed at the mine, he felt they might look in the future to some substantial return on their large holding in that company.

Their next large interest was in West Witwatersrand Areas Limited; they looked upon this interest as a very valuable one, giving them the opportunity to participate in any further subsidiaries promoted by the Parent Company, their participation in the past in the three companies already floated by the West Witwatersrand Company having proved very profitable. The Parent Company had continued to explore its properties by diamond drilling with favourable results.

THE FRESNILLO GROUP

For the year to June 30, 1937, the Fresnillo Company reported an operating profit of £928,000 and distributed dividends totalling 60 cents per share. For the six months to December 31st last the operating profit amounted \$404,000, and an interim dividend of 15 cents per share was paid. The position in connection with the Fresnillo interest had been rendered recently very disturbing as a result of the American Government's decision, for the moment, to discontinue the purchase of Mexico's production of silver. They could only hope that America, if and when any satisfactory understanding was arrived at with the Mexican Government on major issues, might decide to resume its silver purchases. Meanwhile advice had been received that the Mexican Government had decided to purchase the April output of silver, payment to be made on the basis of the London silver quotation in dollars. The Mexican Corporation, which held 497,000 shares of the Fresnillo Company out of 1,050,000 shares, paid dividends totalling 12½ per cent. for the year to June 30, 1937, and an interim of 5 per cent. for the current financial year.

The chairman then dealt with the position with regard to Golden Queen Mining Company, the Gold Fields Australian Development Co., the Australian Selection Trust, Amalgamated Banket Areas, Marlu Gold Mining Areas and Yukon Consolidated Gold Corporation, in all of which they had interests. He said he would like to point out that they held 29 well-selected separate interests which, with the exception of their Mexican holdings, at the moment under a cloud, represented holdings in amply financed and well organised and managed operating and development companies whose shares, with the apparently improved world conditions, should normally in the future show them a substantial appreciation more in line with their values at this time last year.

The report was adopted.

GORDON HOTELS, LIMITED

COMPANY'S IMPROVED RESULTS

MAJOR-GEN. GUY DAWNAY'S SPEECH

The forty-eighth ordinary general meeting of the Gordon Hotels, Limited, was held, on the 12th instant, in London.

Major-General Guy Dawnay, C.B., C.M.G., D.S.O. (the Chairman), who presided, in moving the adoption of the report and accounts said that the loss on the realisation of the investment in the Dorchester House Syndicate had been written off the general reserve and balance of capital reserve. The final balance of profit for the year was £22,589, which, added to the balance brought forward from last year, brought the profit balance to £44,300. The business done was again reduced during the year under review by £27,000, but the 1936 figure included an amount of £45,000 attributable to the Hotel Metropole, Northumberland Avenue; so that actually, comparing like with like, the business done in their present hotels in 1937 increased by £18,000. In any case, the trading profit showed an increase of over £16,000.

The first half of the year 1937 was a period of improved business, partly attributable to the Coronation and partly to general conditions. At the end of June that improvement amounted to an increase of 13½ per cent. in the turnover of the English Hotels. From the month of July, however, business showed a falling off, and the turnover of the English Hotels during the second half-year was 7½ per cent. less than in the corresponding period in 1936. The Paris Exhibition adversely affected business in the English Hotels. The devaluation of the franc also influenced a large number of their English and American clients to visit France that year, and at the same time considerably curtailed the number of visitors from France and the Continent to this country. The Coronation period itself fell short of expectations, in that its stimulus to the business was not of long duration. When that stimulus had run its course, certain less favourable factors made themselves felt—in particular, a shortening of the length of stay in Hotels and some falling off in restaurant business. There was also a general advance in the price of foodstuffs, furnishings, and other items connected with the business. On the other hand, they were able to introduce countervailing economies in their overhead expenses.

BETTER YEAR FOR FOREIGN HOTELS

On the whole the year under review was satisfactory. The London hotels in the aggregate showed an increased profit of about 15 per cent. as compared with the previous year, while the seaside hotels in the aggregate showed a reduced profit for the year amounting to a little over 4½ per cent. The foreign hotels had a very much better year than in 1936, or indeed for a number of years past. The Hotel Metropole at Monte Carlo in particular had a very satisfactory year from all points of view. That hotel had been opened for six weeks during the summer season as an experimental innovation. While that did not actually add to the profit, as was hardly to be expected on the first occasion and when they had no summer goodwill to work on, the result was encouraging enough to decide the board to repeat the experiment during the current year.

Expenditure on repairs and maintenance during the year was somewhat reduced, though not by nearly so much as it had been increased during 1936. The reduction was not in any way due to deferring the normal necessary work, nor to a skimping policy on the part of the Board. On the contrary, there had been progress in modernisation and improvement in decoration in accordance with up-to-date standards. Special mention should be made of the work done in the Hotel at Brighton where not only had the work on the floors been much appreciated by the clients, but also the renewals on the ground floor and in the Winter Garden.

As regarded the prospects for the current year, there had been a quite considerable falling off in business which seemed to be general in the Hotel business as a whole. London appeared to be particularly affected, especially in what was called the "luxury hotel" class; and that also involved their Brighton business. It was true that the Grosvenor and Victoria Hotels had been nearly holding their own, while the foreign hotels showed further improvement; but on the whole the prospects could not be said to be favourable, and unless the general situation improved they must face the likelihood of a less satisfactory year than in 1937.

Subject to no licensing regulations, no entertainment tax, no L.C.C. building or police regulations, "Bottle Parties" competed piratically, irresponsibly and illegitimately with the legitimate and severely controlled restaurant business of the hotel industry. It was to be hoped that means would be found to restrain that unfair competition.

The report and accounts were unanimously adopted.

ANGLO-PORTUGUESE TELEPHONE COMPANY, LIMITED

CHANGE-OVER TO THE MEASURED-RATE TARIFF

The fifty-first ordinary general meeting of the Anglo-Portuguese Telephone Company, Limited, was held, on the 13th instant, at the Incorporated Accountants' Hall, Victoria Embankment, London.

Sir Alexander Roger, chairman of the company, who presided, said that operating revenue had amounted to £313,318, and showed an increase of over £6,000. Operating expenses had increased by £15,000, including some non-recurring costs, and after providing an additional sum of about £7,500 for income tax and National Defence Contribution the net profit at £78,000 was less by £11,000 than that of the previous year.

A year ago they had announced that a measured rate tariff, which had met with the complete approval of the Portuguese Government, was in process of being introduced into the system, and as from July 1st last the whole of the subscribers had operated under the new rates. Owing to the fact that the complete change-over had taken place in the middle of the year, the incidence of the issue of accounts and collection thereof under the new tariff had had the effect of showing a temporary decrease in net revenue in the accounts before them.

He had expressed the view that development would be encouraged and that revenue would be at least maintained. The information they were now receiving confirmed that view. Over a full year's operation they anticipated that the net profit at the end of the year would overhaul the temporary reduction experienced in 1937.

THE DIVIDEND

The directors recommend a final dividend of 5 per cent., less tax, on the ordinary stock, making 8 per cent., less tax, for the year, and a dividend of 8 per cent., less tax, on the "A" ordinary shares, leaving to be carried forward a slightly increased amount of £27,069.

A net gain of 3,021 stations compared with 3,165 added last year, representing a growth of over 6.8 per cent., which was a normal basis and which they regarded as satisfactory. The total number of stations had now reached 48,181.

The change-over to the message rate had been accomplished smoothly. Wherever the message rate had been introduced it had been extremely successful in expanding the telephone system and encouraging its use, and they did not anticipate that Portugal would prove an exception to the rule.

In regard to new development, the outstanding event had been the inauguration in September last of the new automatic exchange in the Estrella district of Lisbon. In pursuance of their policy, the new exchange represented the latest development in telephone technique and design and would facilitate plans for future expansion. It was equipped to provide immediate service to 4,700 subscribers' lines, with an ultimate capacity of 10,000 lines.

CAPITAL EXPENDITURE

A progressive modern telephone system called for the constant supply of new capital and the availability of specialised technique. The development of the areas in Portugal in which the company operated had not by any means reached saturation point, and their plans were ready for meeting further demands for expansion. The current expenditure programme, which was now well forward, provided for substantial extension to exchange equipment and consolidation of the company's line and cable plant.

The Portuguese Post Office had in preparation a comprehensive scheme for the reorganisation and modernisation of the Government trunk and local system, and it was pleasing to record that cordial co-operation existed between the Post Office service and the company's officials for the purpose of co-ordinating the future operation and development of the two systems on similar lines.

The year under review had afforded further proof, if such were needed, of the sound financial position which Portugal continued to enjoy. The tenth successive Budget surplus had been achieved, and that fine record—unequalled, he supposed, anywhere in the world during recent years—had put the country in possession of a substantial national reserve wherewith to pursue a progressive policy of development in public works and the rehabilitation of the country's defences. During the year all existing restrictions on exchange and on the free circulation of capital had been removed. The company was indeed fortunate to have the scene of its operations in a country so stable and progressive as Portugal.

The company preserved the most friendly relationship with the Government and public authorities, based on mutual understanding and confidence.

The report and accounts were unanimously adopted.

SOUTHERN AREAS ELECTRIC CORPORATION, LIMITED

INCREASED DIVIDEND

The Right Hon. Viscount Elibank, presiding at the fifth ordinary general meeting of the Southern Areas Electric Corporation, Limited, held, on the 8th instant, in London, said that the board were able again to present accounts which show expansion, both of business and profits. The dividends receivable from all subsidiaries amount to £38,266, as compared with £33,038 in 1936. Owing to the fact that advances from the bank had been repaid in June, 1936, interest charges in 1937 were substantially reduced and the saving in interest became available for dividend. In the result the net profit for 1937 was £37,953, as compared with £26,501 for the previous year, a net increase of £11,452, which shareholders might agree was a not unsatisfactory improvement.

The issued and paid-up share capital remains unaltered, but at December 31st £48,727 was owing to the bankers, this sum having been required to take up further shares in their subsidiary companies and for the acquisition of the Peacehaven Electric Light and Power Company, Limited, a small undertaking in Sussex.

During the year the number of consumers connected was increased by nearly 11 per cent. and the units sold by 18 per cent., the latter figure being again considerably above the average for the country. The average price received per unit sold fell from 2.233d. to 2.053d., a reduction of 0.18d. per unit. This reduction represented an advantage to consumers of £9,006, and as during 1936 our tariff reductions made in that year gave consumers an advantage of £6,360, tariff concessions in the two years 1936-37 amounted to £15,366. This figure demonstrated that the corporation had not been unmindful of the interests of its consumers, for the net result was that while output in units had increased by 18 per cent., the increase in revenue from sale of current was only 8½ per cent.

The balance of profits available for distribution was £37,953, to which was added the carry-forward from last year, making a total of £45,410. An interim dividend of 2 per cent., already paid, absorbed £11,752; the final dividend recommended of 3 per cent., making 5 per cent. for the year, compared with 4½ per cent. paid last year.

The report and accounts were unanimously adopted.

RIVER PLATE LOAN TRUST AND AGENCY COMPANY, LIMITED

INCREASED PROFIT AND DIVIDEND

The fifty-seventh ordinary general meeting of The River Plate Loan Trust and Agency Company, Limited, was held, on the 11th instant, at 52 Moorgate, London.

Mr Walter W. Parish (the chairman) said that the profit and loss account showed a credit balance of £221,625 as compared with £199,012 in 1936. The directors recommended a final dividend of 9 per cent. on the "A" shares, making 14 per cent. for the year, and 3 per cent. on the "B" shares, making 4 per cent. for the year, both less income tax, distributions which compared with 13 per cent. and 3½ per cent. in the preceding year.

The increase in the past year's revenue was to a great extent due to non-recurring factors. During the maintenance of the mortgage moratorium there were bound to be such items in their annual revenue, while investment income during 1937 benefited from the economic improvement in Argentina, which was reflected in improved distributions by the British railways in that country.

The chance of any considerable development in the immediate future of mortgage business did not look very promising, but, taking a longer view, the gradual passing of large estates into the hands of smaller proprietors would lead in due course to demands for loans in, he believed, a growing volume.

Having mentioned that the investments had a market value slightly above the book figure, the chairman went on to say that an abundant harvest and higher prices for cereals brought increased prosperity to Argentina in 1937; unfortunately, the outlook for the current harvest could not be said to be promising. It would be absurd not to realise that Argentine prosperity had had a setback, but if the tendency to spend without thought of financial return, and to be ultra-modern and up-to-date, even perhaps at the expense of time ahead, was kept in check, this slowing down in progress and development would be perhaps a blessing in disguise for a country which had at its disposal so much that the world annually had need of, and a partial harvest failure would have but a passing effect on such a country where the fruits of the earth were the main products.

The report was unanimously adopted.

ARMY AND NAVY STORES, LIMITED IMPROVEMENT IN SALES TOTAL

The annual general meeting of the Army and Navy Stores, Limited, was held, on the 13th instant, on the company's premises, Howick Place, Westminster, S.W.

Brig.-Gen. Sir Frederick Gascoigne, K.C.V.O., C.M.G., D.S.O. (chairman and managing director), in the course of his speech said: Ladies and Gentlemen, when I addressed you last year I finished my speech by reminding you—perhaps I should say warning you—that the year 1936—the year we were then dealing with—was abnormal in that it contained fifty-three trading weeks, whereas in the year 1937 we should only have fifty-two trading weeks. Notwithstanding this reduced trading period, we have more than maintained the gross profit earned in the longer year, though the net profit is down by a little over £9,000. No less than £8,838 of this reduction is accounted for under the heading of rates and taxes.

Moreover, a full year's contribution to the Employees' Retiring Allowance Fund was borne for the first time, and this, with the Coronation bonus, added a further £8,000 to our working costs. Without these additional expenses, amounting to nearly £17,000—one of which is non-recurring—we should have again shown an increased net profit, which, with the shorter trading period at our disposal, would have been a better result than I encouraged you to look for when I addressed you last year.

STAGGERING TAXATION

Sales were very good during the first half of the year, but, except for an excellent Christmas trade, they were disappointing during the latter six months. For the whole year they showed a slight relative improvement, a gratifying fact in view of the increase in income tax and the corresponding reduction in private incomes.

For there is no good closing our eyes to the fact that the staggering taxation of the present day, unavoidable as it may be, must have a great effect on the spending power of our clientele, and I am afraid this must be reflected eventually in our sales. You will remember that at our last meeting we were considerably worried about the National Defence Contribution—a new tax which had been sprung upon us. We hoped for modifications, and, fortunately, they came. Nevertheless, this tax has cost us about £6,000 for the ten months and will cost us more for the full year. This, of course, means so much less money at our disposal to distribute.

DIVIDEND AND BONUS

There remains for distribution a sum of £271,387 10s., after adding £124,870 14s. 1d.—namely, the amount brought forward from last year—and deducting £34,166 13s. 4d. already paid as interim dividend. I told you last year that in regard to the 3d. bonus recommended for payment in addition to the 12½ per cent. dividend, it was a completely open question as to whether it could be repeated and that this must depend on the results and circumstances of future years.

In spite of the extra expenses entailed and the consequent decline in our net profit the fact remains that we still had a good year, and your board, after careful consideration, came to the conclusion that in all the circumstances they would be justified in again recommending payment of the bonus on the present occasion, and we therefore propose to ask you to allocate £88,833 6s. 8d. to provide a final dividend of 10d. per share plus a bonus of 3d., which, with the interim dividend of 5d., will make a total dividend for the year of 1s. 6d. per share, or 15 per cent.

Since the slump period of 1932 our profits have gradually risen year by year from £120,756 to £180,000. That could not have been

brought about without the economies I have mentioned and the closest attention to the details of management. I have referred on previous occasions to the plans which your board had for improving and bringing up to date your premises.

Our chief objectives are to get all the food departments together on the ground floor of this building in which we are now assembled; all our soft furnishings together on the first floor; all our sports goods on the second floor of the Victoria Street premises; to provide more room for women's wear, and to give easy access to all parts of our establishment. These plans were launched three years ago, and a great deal of work has already been done to give effect to them. We are now about to embark on what is perhaps our biggest undertaking—the demolition and rebuilding of our Howick Place premises. When this work is completed the result will be a very up-to-date stores.

We have got a sound balance sheet, good reserves, an establishment which is getting more and more up-to-date every year, both in its structure and the services it provides, and it only requires the continuance of ever-increasing development of your goodwill to ensure the maintenance and progress of its prosperity.

The report and accounts were unanimously adopted.

NIRMALA (JAVA) PLANTATIONS AND LANDS COMPANY, LIMITED

DIVIDEND OF 2½ PER CENT.

The annual ordinary general meeting of the Nirmala (Java) Plantations and Lands Company, Limited, was held, on the 13th instant, at The Rubber Growers' Association, 19 Fenchurch Street, London, Mr Walter Hilliers, chairman of the company, presiding.

The representatives of the secretaries (Messrs Rowley, Davies and Company, Limited) having read the notice convening the meeting and the report of the auditors,

The Chairman said: Gentlemen,—All our five estates are reported upon favourably as to their upkeep and general condition, and we consider that our costs do not compare unfavourably with those current elsewhere.

As you know, rubber has during the year given us all a series of surprises and a continuous reduction in values was the order of the day. Last year I referred to circumstances by which we think we ought to be guided in considering forward sales, and events have shown this to have been justified. We were thus enabled to realise a satisfactory average selling price for the year, and, of course, we can look forward to similar benefits as regards the current year and also in 1939.

As regards tea, we had to contend with certain unfavourable conditions, namely, that part of our estate licences had to be used at the end of the previous year and other licences were purchased, as it did not appear to be in the interests of the company to curtail production in view of the new period of restriction and of any possibility of a higher assessment, to which we think we are justly entitled. As a consequence also, a rather large proportion of the crop had to be sold locally at nominal prices.

Referring to the accounts, these, as you know, now show the effect of the reduction of capital, and full particulars are embodied in the report. The preference dividends have now been brought up to date, all arrears and the dividend to December 31st last having been paid.

As you will see from the resolution which I shall put before you, it is proposed that a dividend of 2½ per cent. on the ordinary stock be paid, and the directors have also resolved to pay a similar percentage by way of interim for the current year.

The report and accounts were unanimously adopted.

OIL OUTPUTS

Kern Oil Company, Ltd.—The total production during February amounted to 136,220 barrels, or approximately 19,460 tons. The total output during March amounted to 160,241 barrels, or approximately 22,892 tons.

Venezuelan Oil Concessions, Ltd.—Total output, week to April 2, 1938, 972,950 barrels.

Trinidad Petroleum Development Company, Ltd.—Output for March, 259,922 barrels; deliveries for March, including purchased oil, 303,561 barrels; output for week ended April 2, 61,331 barrels. Output for week ended April 9th, 58,199 barrels.

Attock Oil Company, Ltd.—Output for March, 38,482 barrels.

Lobitos Oilfields, Ltd.—Output of the Peruvian Company for March 29,953 tons.

Phoenix Oil and Transport Company, Ltd.—The gross production of crude oil of the Phoenix Group for March was 64,513 tons.

Trinidad Consolidated Oilfields, Ltd.—Output for March 65,435 barrels, an increase of 3,305 barrels, or over 5 per cent. above the output for February.

Anglo-Ecuadorian Oilfields, Ltd.—Output for March 23,686 tons.

Trinidad Leaseholds, Ltd.—Oil produced during March, 42,798 tons; oil

purchased during March from other companies, 76,107 tons.

British Controlled Oilfields, Ltd.—Total output for March, 63,080 barrels; shipments for March, 35,082 barrels. Total output week ended April 2, 1938: 14,182 barrels. Output for week ended April 9th, 14,552 barrels.

The British Burmah Petroleum Company, Ltd.—Output of crude oil, 40,203 barrels for March, 1938.

Tampico Oil, Ltd.—The total output from the company's properties in Mexico during March was 13,379 barrels, in respect of which the royalty due to Tampico Oil, Ltd., was 1,004 barrels.

CURRENT STATISTICS

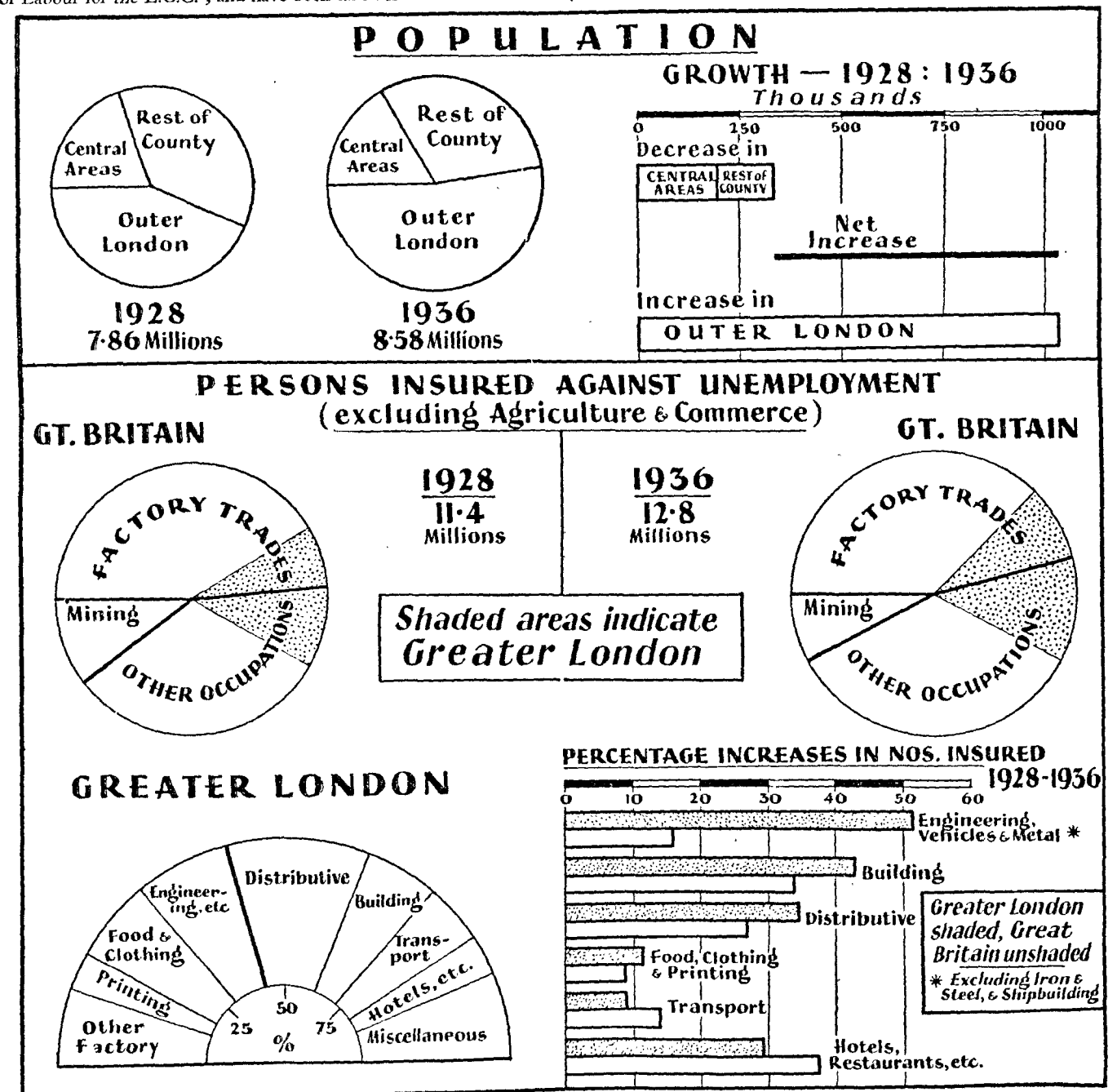
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GREATER LONDON: Population and Industries

The following charts illustrate recent movements in Greater London's population and industries, which are especially interesting in view of the Royal Commission on Population Distribution now sitting. The upper panel shows a fall in the population of the twelve central boroughs and, less marked, in the rest of the London County Council area, counterbalanced, however, by a rapid expansion in Outer London (the area between the L.C.C. boundaries and those of the Metropolitan Police District). The lower panel contrasts the industries and occupations of Greater London with those of the whole of Great Britain. The figures of insured persons were specially prepared by the Ministry of Labour for the L.C.C.; and have been taken from *London Statistics* (volumes 39 and 40).



Finance

GOVERNMENT RETURNS

For the 9 days ended April 9, 1938, total ordinary revenue was £18,771,000, against ordinary expenditure of £26,824,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1 last is £8,053,000, against £10,860,000 for a 10-day period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)	
	10 days ended April 10, 1937	9 days ended April 9, 1938
ORDINARY REVENUE		
Income tax	6,959	6,391
Sur-tax	1,330	1,860
Estate, etc., duties	2,680	1,870
Stamps	110	220
Nat. Defence Contribution	30	30
Other Inland Rev. duties	30	30
Total Inland Revenue	11,109	10,371
Customs		
Excise	6,650	5,500
Motor duties	1,374	1,450
Post Office (net receipt)	850	100
Receipts from Sundry Loans	54	58
Miscellaneous receipts	34	92
Total Customs and Excise ..	8,250	6,700
Total Ordinary revenue	21,671	18,771
SELF-BALANCING REVENUE		
Post Office and Broadcasting	1,000	1,400
Total	22,671	20,171

Expenditure	Issues out of the Exchequer to meet Payments (£ thousands)	
	10 days ended April 10, 1937	9 days ended April 9, 1938
ORDINARY EXPENDITURE		
Interest and Management of the National Debt	18,022	18,047
Other Consolidated Fund Services	258	277
Total	18,280	18,324
Total Supply Services†	14,250	8,500
Total Ordinary expenditure ..	32,530	26,824
New Sinking Fund (1928) ...	230	235
SELF-BALANCING EXPENDITURE		
Post Office and Broadcasting Votes	1,000	1,400
Total	33,760	28,459

* Revenue required to meet expenditure. † Excluding Post Office and Broadcasting.

After raising Exchequer balances by £159,109 to £2,523,086, the other operations for the period (as shown in the next column, but excluding £235,000 issued to sinking funds), raised the gross National Debt by £8,448,000 to about £8,154 millions.

9 DAYS' CHANGES IN DEBT

(£ thousands)	
NET INCR. IN DEBT	NET REPAYMENTS, ETC.
Bk. of England Adv. 5,000	Treasury Bills ... 11,697
Publ. Debt Adv. ... 17,485	Nat. Savings Certs. ... 350
Land Sett. (Fac.) ... 10	Tithe Act issues ... 950
Acts	P. O. and Teleg. (Money) Act ... 550
	N. Atlantic Ship. ... 500
22,495	14,047

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to April 9, 1938, are shown below:—

(£ thousands)	
Ordinary Exp. ... 26,824	Ordinary Rev. ... 18,771
Inc. in bllcs. ... 159	Gross borrg. 8,447
	Less:
	New S.F. 235
	Net borrowing ... 8,212
26,983	26,983

FLOATING DEBT

(£ millions)						
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1937						
Mar. 31	674.6*		23.5	...	698.1	...
Apr. 10	500.0	186.5	26.0	...	712.5	...
Dec. 31	889.7*		39.4	55.7	984.9	...
1938						
Jan. 22	597.0	301.0	28.1	...	926.2	329.1
Feb. 5	587.0	292.3	31.6	...	910.9	323.9
Feb. 12	572.0	281.7	33.6	...	887.3	315.3
" 19	557.0	276.9	31.9	...	865.8	308.8
" 26	542.0	275.5	31.3	...	848.8	306.8
Mar. 5	532.0	273.1	39.2	...	844.3	312.3
Mar. 12	522.0	282.4	39.8	...	844.2	322.2
" 19	517.0	283.8	38.9	...	839.8	322.7
" 26	512.0	285.5	35.6	...	836.1	324.1
Mar. 31	828.7*		13.1	...	841.8	...
Apr. 9	512.0	304.9	30.6	5.0	852.5	335.5

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS

(£ millions)					
Date of Tender	Amount			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
Apr. 9	40.0	75.3	40.0	10	10.27
Dec. 24	50.0	68.4	50.0	12	0.64
Dec. 31	50.0	80.5	50.0	10	11.59
1938					
Jan. 28	30.0	86.5	30.0	10	0.80
Feb. 4	30.0	88.4	30.0	10	0.98
Feb. 11	30.0	87.7	30.0	10	0.89
Feb. 18	35.0	86.6	35.0	10	1.04
Feb. 25	40.0	92.0	40.0	11	1.39
Mar. 4	45.0	97.8	45.0	10	0.94
Mar. 11	45.0	92.1	45.0	10	1.35
Mar. 18	50.0	82.3	50.0	10	1.54
Mar. 25	50.0	84.0	50.0	9	11.31
Apr. 1	50.0	77.0	50.0	10	3.24
Apr. 8	50.0	85.2	50.0	10	2.65

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills. On April 8th, applications at £99 17s. 5d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Saturday of the following week were accepted as to about 56 per cent. of the amount applied for. Applications at higher prices were accepted in full. £43.0 millions of Treasury bills are being offered on April 14th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
12 weeks to:		
Mar. 27, 1937†	8,647,289	£ 6,485,467
Mar. 26, 1938	8,398,114	6,298,585
Week to: Mar. 27, 1937	562,411	421,808
Mar. 19, 1938	625,278	468,958
Mar. 26, 1938	600,811	450,608

† After adjustments. Net Exchequer receipts, 12 days to March 31, 1938: Dr. 950,000

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Portugal appeared in The Economist of February 5; Danzig and Lithuania, of March 26; Egypt, Estonia, Hungary, Yugoslavia, Bulgaria, Greece and South Africa, of April 2; International Settlements, U.S. Federal Reserve Banks, New York Federal Reserve Bank, France, Australia, India, Netherlands, Belgium and New Zealand, of April 9.

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$s

ASSETS	Apr. 1, 1937	Mar. 2, 1938	Mar. 23, 1938	Mar. 30, 1938
Loans, total	12,907	12,298	12,107	12,039
Investments	1,886	2,039	1,945	1,898
Reserve with Federal Reserve banks	15,126	14,381	14,301	14,268
Due from domestic bks. LIABILITIES	5,144	5,260	5,231	5,218
Deposits: demand (adjusted)	353	673	697	696
Time	5,915	5,752	5,539	5,438
U.S. Government				
Inter-bank				

† In this item, comparison between May 20, 1937, onwards and preceding weeks is affected by a revision of the statement.

REICHSBANK

ASSETS	Apr. 7, 1937	Mar. 7, 1938	Mar. 31, 1938	Apr. 7, 1938
Gold	67.7	70.8	70.8	70.8
Of which deposited abroad	18.9	20.3	20.3	20.3
Res. in foreign currencies	5.8	5.4	5.2	5.3
Bills of exchange and cheques	4728.9	5371.2	5901.8	5520.1
Silver and other coins	225.8	152.0	152.4	181.0
Advances	31.9	43.3	63.3	47.6
Investments	456.5	394.5	392.8	411.1
Other assets	762.6	850.1	1236.0	1359.8
LIABILITIES				
Reserves	493.0	493.0	514.4	514.4
Notes in circulation	4646.1	5085.1	5621.6	5476.3
Other daily maturing obligations	815.6	811.0	1323.3	1245.1
Other liabilities	174.6	347.1	213.0	209.9
Cover of note circulatn.	1.58%	1.49%	1.35%	1.39%

† First return showing effects of incorporation with Austria.

CENTRAL BANK OF ARGENTINA

ASSETS	Mar. 15, 1937	Feb. 15, 1938	Feb. 28, 1938	Mar. 15, 1938
Gold at home	1,224	1,336	1,336	1,331
Gold abroad	315	67	63	53
Non-int.-bearing Govt. bond	119	119	119	119
Treasury bonds	399	398	398	398
LIABILITIES				
Notes	1,137	1,149	1,166	1,159
Government deposits	115	101	125	121
Bank deposits	403	370	360	348
Certs. of participation in Treasury bonds	399	292	283	283
Gold and for. exch. to note and sight liab.	92.8%	86.4%	84.5%	84.8%

BANK OF CANADA

ASSETS	Mar. 31, 1937	Mar. 2, 1938	Mar. 23, 1938	Mar. 30, 1938
Reserve, of which	210.0	201.7	207.9	206.1
Gold coin and bullion	187.9	180.0	180.4	180.6
Securities	152.8	172.8	173.2	173.6
LIABILITIES				
Note circulation	126.0	149.9	148.8	148.8
Deposits: Dom. Govt.	36.8	20.2	25.7	24.0
Chartered banks	194.3	192.0	194.0	195.3
Reserves to notes and deposit liabilities	58.6%	55.3%	56.0%	55.6%

BANK OF SWEDEN.—Million Kronor

ASSETS	Apr. 7, 1937	Mar. 7, 1938	Mar. 23, 1938	Apr. 7, 1938
Gold reserve	461.8	473.4	494.1	501.2
Govt. secs.: Swedish	28.9	17.1	21.1	26.1
Foreign	25.2	47.1	50.6	45.0
Gold abroad not in gold reserve	69.4	89.7	80.8	74.2
Balances with foreign banks	267.8	200.7	242.0	240.6
Bills payable in Sweden	11.4	11.4	12.6	12.4
Bills payable abroad	547.3	653.1	573.1	573.1
Advances	21.5	20.5	21.1	20.6
LIABILITIES				
Notes in circulation	800.0	883.2	965.3	901.1
Deposits: Government	125.1	295.4	268.7	269.4
Com. banks	655.9	498.9	434.3	498.0
Other	14.0	6.2	7.6	6.9

BANK OF FINLAND

ASSETS	Mar. 23, 1937	Mar. 23, 1938	Mar. 15, 1938	Mar. 23, 1938
Gold reserve	603.1	602.6	602.6	602.6
Gold abroad not in gold reserve	213.2	32.0	32.0	32.0
Foreign correspondents	1784.3	2240.6	2300.3	2301.6
Foreign bills, etc.	94.7	58.2	59.0	63.4
Int. bills and home loans	1100.8	1312.7	1362.3	1411.1
Finnish & foreign bonds	411.8	444.3	443.7	446.3
LIABILITIES				
Notes in circulation	1842.2	2047.8	2211.8	2217.7
Sight deposits: Govt.	526.9	642.9	489.3	454.0
Other	580.3	753.2	837.3	929.6
Ordinary cover to sight liabilities	75.7%	78.4%	77.0%	76.5%

NATIONAL BANK OF ROUMANIA

ASSETS	Feb. 5, 1938	Feb. 12, 1938	Feb. 19, 1938	Feb. 26, 1938
Gold and gold exchange	16,586	16,586	16,602	16,602
Cleaning and other for. exchange	2,577	2,541	2,496	2,401
Commercial bills	6,131	6,175	6,311	6,275
Agric. & urban advces.	1,983	1,980	1,977	1,989
Treasury bills issued against losses on credits	4,943	4,944	4,946	4,946
State debt and adv. to Treasury	5,607	5,607	5,607	5,607
Secs. and participatns.	1,195	1,203	1,203	1,203
LIABILITIES				
Notes in circulation	30,408	30,697	30,490	30,731
Other sight liabilities	10,509	10,362	10,506	10,570
Long-term liabilities	2,701	2,835	2,675	2,716

BANK OF LATVIA

ASSETS	Mar. 29, 1937	Feb. 28, 1938	Mar. 28, 1938	Mar. 28, 1938
Gold coin and bullion	77.44	77.56	77.56	77.57
Silver coin	15.21	13.93	13.86	13.81
Foreign currency	39.59	44.41	46.42	47.48
Treas. notes and change	7.33	7.46	7.53	7.61
Short-term bills	49.74	46.38	46.94	47.48
Loans against securities	68.29	81.21	80.39	80.67
LIABILITIES				
Notes in circulation	48.61	66.49	65.53	66.71
Deposits & currnt. accs.	134.57	121.71	121.38	121.24
Government accounts	66.28	69.68	72.45	72.40

MONTHLY STATEMENT OF LONDON CLEARING BANKS

(000's omitted)

Average Weekly Balance March, 1938	Barclays Bank Limited	Coutts and Co.	District Bank Limited	Glyn, Mills and Co.	Lloyds Bank Limited	Martins Bank Limited	Midland Bank Limited	National Bank Limited	National Provin- cial Bank Limited	West- minster Bank Limited	Williams Deacon's Bank Limited	Aggre- gate
ASSETS												
Coin, Bank Notes and Balances with the Bank of England	£ 48,618	£ 1,974	£ 7,825	£ 3,225	£ 39,040	£ 9,120	£ 60,542	£ 3,350	£ 31,351	£ 35,435	£ 3,679	£ 244,159
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland	9,946	678	2,341	1,866	10,101	2,811	13,081	264	7,232	9,247	1,548	59,115
Items in Transit	...	...	...	...	3,861	667	...	...	...	...	...	4,528
Money at Call and Short Notice	25,172	2,235	7,080	6,256	25,426	5,665	24,387	4,178	19,802	24,364	5,788	150,353
Bills Discounted	42,569	1,129	3,398	614	34,241	1,999	73,223	1,505	30,496	48,880	477	238,561
Investments	99,259	8,877	29,602	10,200	110,442	30,958	122,413	14,317	84,110	112,311	11,496	633,985
Advances to Customers and other Accounts	199,892	10,535	30,977	10,686	174,973	44,038	212,666	17,061	147,230	132,412	14,739	995,209
Liabilities of Customers for Acceptances, Endorse- ments, etc.	8,812	869	8,947	3,142	31,112	8,486	19,865	269	9,123	19,746	1,672	112,043
Bank Premises Account ...	7,378	412	1,580	740	7,525	2,683	9,727	657	7,298	5,129	1,070	44,199
Investments in Affiliated Banks and Subsidiary Companies	6,981	...	...	...	3,525	...	7,874	...	2,514	2,993	...	23,887
	448,627	26,709	91,750	36,759	440,246	106,427	543,778	41,601	339,156	390,517	40,469	2,506,039
Ratio of Cash to Current, Deposit and other Ac- counts												
	11.77	8.28	10.18	10.16	10.17	10.10	12.2	8.97	10.05	10.06	10.18	10.83
LIABILITIES												
Capital Paid up	15,858	1,000	2,976	1,060	15,810	4,160	15,155	1,500	9,479	9,320	1,875	78,193
Reserve Fund	10,750	1,000	2,976	530	9,500	3,500	12,407	1,140	8,500	9,320	800	60,423
Current, Deposit and other Accounts	413,207	23,840	76,851	31,737	383,817	90,261	496,351	37,330	312,054	352,118	36,122	2,253,688
Acceptances, Endorsements, etc.	8,812	869	8,947	3,142	31,112	8,486	19,865	269	9,123	19,746	1,672	112,043
Notes in Circulation	...	...	...	...	7	20	...	1,362	...	13	...	1,402
Reduction of Bank Premises Account	...	...	...	290	...	...	...	...	...	...	...	290
	448,627	26,709	91,750	36,759	440,246	106,427	543,778	41,601	339,156	390,517	40,469	2,506,039

BANK CLEARINGS

PROVINCIAL
(£ thousands)

	Month of March			Week ended Saturday		Aggregate from January 1 to	
	1937	1938	Change	Apr. 10, 1937	Apr. 9, 1938	Apr. 10, 1937	Apr. 9, 1938
No. of working days:	25	27	%	6	6	84	85
BIRMINGHAM	11,321	10,583	-13.5	2,040	2,071	41,584	36,738
BRISTOL	4,579	3,593	-27.4	1,067	880	16,273	12,502
BRISTOL, F.	5,474	5,913	+ 7.8	1,280	1,271	18,634	18,729
HULL	4,017	3,977	- 1.0	918	854	13,807	13,301
LEEDS	4,840	4,341	-10.3	748	871	16,259	15,638
LIVERPOOL	3,325	3,309	- 0.5	668	691	11,467	10,809
MANCHESTER	35,802	24,799	-30.7	7,061	5,371	109,956	80,394
NEWCASTLE	50,681	43,958	-13.3	10,580	9,613	165,411	146,494
NOTTINGHAM	6,296	6,865	+ 9.0	1,474	1,411	21,044	23,605
SHEFFIELD	2,291	2,323	+ 1.4	479	497	7,936	7,954
DUBLIN	4,960	4,857	- 2.2	1,021	1,106	16,832	17,951
Total: 11 Towns	133,596	114,518	-7.4	27,136	24,636	439,205	384,015

† Based on average working day. ‡ 15 full weeks.

MONEY RATES

LONDON

	Apr. 6, 1938	Apr. 7, 1938	Apr. 8, 1938	Apr. 9, 1938	Apr. 11, 1938	Apr. 12, 1938	Apr. 13, 1938
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bank's drafts	17½	17½	17½	17½	17½	17½	17½
3 months' do.	17½	17½	17½	17½	17½	17½	17½
4 months' do.	17½	17½	17½	17½	17½	17½	17½
6 months' do.	17½	17½	17½	17½	17½	17½	17½
Discount Treasury Bills							
2 months'	12-17½	12-17½	12-17½	12-17½	12-17½	12-17½	12-17½
3 months'	12-17½	12-17½	12-17½	12-17½	12-17½	12-17½	12-17½
Loans—Day-to-day	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Short	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Deposit advances: Bk.	12	12	12	12	12	12	12
Discount houses at call	12	12	12	12	12	12	12
At notice	84	84	84	84	84	84	84

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938	%	%	%	%	%	%
Mar. 17...	12-1	17½	17½-18	2-2½	21-2½	21-3
Mar. 24...	12-1	17½	17½-18	2-2½	21-2½	21-3
Mar. 31...	12-1	17½	17½-18	2-2½	21-2½	21-3
Apr. 7...	12-1	17½	17½-18	2-2½	21-2½	21-3
Apr. 13...	12-1	17½	17½-18	2-2½	21-2½	21-3

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Apr. 14, 1938	Mar. 16, 1938	Mar. 23, 1938	Mar. 30, 1938	Apr. 6, 1938	Apr. 12, 1938
Call money	1½	1½	1½	1½	1½	1½
Time money (90 days' mixed coll.)	1½	1½	1½	1½	1½	1½
Bank acceptance rates	11½	11½	11½	11½	11½	11½
Members—eligible 90 days	7½	7½	7½	7½	7½	7½
Non-mem.—eligible 90 days	9½	9½	9½	9½	9½	9½
Commercial accept., 90 days	1	1	1	1	1	1

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	Apr. 6, 1938	Apr. 7, 1938	Apr. 8, 1938	Apr. 9, 1938	Apr. 11, 1938	Apr. 12, 1938
London:—							
60 days ...	4-8665	4-9523½	4-9523½	4-9523½	4-9523½	4-9653½	4-9653½
Cables ...	4-9614	4-9614	4-9614	4-9614	4-9614	4-9712	4-9712
Demand ...	8-2397	4-9614	4-9614	4-9614	4-9614	4-9712	4-9712
Paris, Fr.	23-54	3-0812	3-0612	3-0612	3-0714	3-1012	3-1316
Brussels, Bel.	32-67	22-93	16-84	16-84	16-83½	16-87	16-85½
Switz'd. Fr.	8-91	5-26¼	5-26¼	5-26¼	5-26¼	5-26¼	5-26¼
Berlin, Mk.	40-33	40-13	40-13	40-13	40-13	40-17	40-16½
Vienna, Sch.	32-82	...	...	...	...	...	...
Madrid, Pt.	68-06	55-36	55-36½	55-38	55-37½	55-53	55-49
Amst'dm. Gldr.	145-37	22-15	22-17½	22-15	22-15	22-20	22-20
Oslo, Kr.	...	24-92½	24-95	24-95	24-95	24-97½	24-97½
Stockh., Sw.	...	25-57½	25-60	25-57½	25-57½	25-62½	25-62½
Athens, Dr.	1-29½	0-91½	0-91½	0-91½	0-91½	0-91½	0-91½
M'treal, Can.	169-31	99-340	99-340	99-340	99-340	99-400	99-370
Yokohama, Yen	84-40	28-94	28-95	28-94	28-94	28-97	29-01
Shanghai, \$	...	26-87	27-50	27-12	27-37	27-31	27-06
B. Aires, \$	...	30-78	30-78	30-78	30-78	30-86	30-84
Rio, Ms. \$	11-96	5-90	5-90	5-90	5-90	5-90	5-90

Usance: T.T.

* Dollars per £1.

† Official.

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges
(Range of the day's business)

London on	Par of Exch. per £	Apr. 7, 1938	Apr. 8, 1938	Apr. 9, 1938	Apr. 11, 1938	Apr. 12, 1938	Apr. 13, 1938
New York, \$...	4-862½	4-96½	4-96½	4-96½	4-96½	4-97½	4-97½
Montreal, \$...	4-862½	4-99½	4-99½	4-99½	4-99½	5-00½	5-00½
Paris, Fr.	124-21	160-161½	160½	160½	159½	160½	157½
Brussels, Bel.	35-00a	29-46-49	29-47-51	29-47-51	29-47-51	29-49-52	29-52-57
Milan, L.	92-46	94½-95½	94½-95½	94½-95½	94½-95½	94½-95½	94½-95½
Zurich, Fr.	25-22½	21-63-65	21-63½	21-63½	21-63½	21-62½	21-63
Athens, Dr.	375	540-55	540-55	540-55	540-55	540-55	540-55
Amst'dm, Fl.	12-107	8-96-97	8-96-97	8-96-97	8-96-97	8-95½-96½	8-95½-96½
Berlin, Mk.	20-43	12-36-38	12-35-38	12-35-38	12-35-38	12-36-39	12-37-40
Registered Marks	(c)	49-54	49-54	48½-53½	48½-53½	48½-53½	48½-53½
Dr. India Rup.	18d.	18½-20½	18½-20½	18½-20½	18½-20½	18½-20½	18½-20½
Hong Kong, \$	1	12½	12½	12½	12½	12½	12½
Shanghai, \$	1	12½	12½	12½	12½	12½	12½
Rio, Mil.	15-899d.	21½-22½	21½-22½	21½-22½	21½-22½	21½-22½	21½-22½
B. Aires, \$	11-45	16-12½	16-12½	16-12½	16-12½	16-12½	16-12½
Valparaiso, \$	40	125½(1)	125½(1)	125½(1)	125½(1)	125½(1)	125½(1)
M'video, \$	151d.	19-20	19-20	19½-20½	19½-20½	19½-20½	19½-20½
Lima, Sol.	17-33	20½	20½	20½	20½	20½	20½
Mexico, Pes.	9-76	21½(1)	21½(1)	21½(1)	21½(1)	21½(1)	21½(1)
Manila, Pes.	24-66d.	23½-24½	23½-24½	23½-24½	23½-24½	23½-24½	23½-24½
Moscow, Rbls.	26-29	26-30½	26-30½	26-30½	26-30½	26-32½	26-36½

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

(b) Other Exchanges

London on	Par of Exch. per £	Apr. 8, 1938	Apr. 12, 1938	Apr. 13, 1938
Helsingfors, M.	193-23	225½-61½	225½-61½	225½-61½
Madrid, Pt.	25-22½	80-140(1)	80-140(1)	80-140(1)
Lisbon, Esc.	110	110-110½	110-110½	110-110½
Vienna, Sch.	34-58½	Nominal	Nominal	Nominal
Budapest, Pen.	27-82	24½-53½	24½-53½	24½-53½
Prague, Kr.	8164½	142½-53	142½-53	142½-53
Danzig, Gul.	25-00	26½-53	26½-53	26½-53
Warsaw, Zl.	48-38	24½-53	24½-53	24½-53
Riga, Lat.	25-22½	24½-53	24½-53	24½-53
Bucharest, Lei	813-8	665-90	665-90	665-90
Constantinople, Pst.	110	620*	620*	620*
Kovno, Lit.	276-32	212-222	212-222	212-222
Belgrade, Din.	48-66	29-30	29-30	29-30
Sofia, Lev.	673-66	390-420	390-420	390-420
Tallinn, E. Kr.	18-159	17½-18½	17½-18½	17½-18½
Oslo, Kr.	18-159	19-85-95	19-85-95	19-85-95
Stockholm, Kr.	18-159	19-35-45	19-35-45	19-35-45
Copenhagen, Kr.	18-159	22-35-45	22-35-45	22-35-45
Alexandria, Pst.	97½-98	97½-98	97½-98	97½-98
Kobe, Yen	124-58d.	13½-14½	13½-14½	13½-14½
Singapore, \$	12-11	8-93-96	8-92½-95½	8-92½-95½
Batavia, R.	12-11	8-93-96	8-92½-95½	8-92½-95½
Bangkok, Bht.	121-82d.	22-22½	22-22½	22-22½

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par 197-10½ since koruna devaluation on February 17, 1934. Rate for payments to the Bank of England:—(j) Under Anglo-Spanish Agreement. (k) Under Anglo-Turkish Agreement. (l) Nominal.

LONDON—FORWARD

(Closing quotations)

London on	Apr. 7, 1938	Apr. 8, 1938	Apr. 9, 1938	Apr. 11, 1938	Apr. 12, 1938	Apr. 13, 1938
New York cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	7½-52	7½-52	7½-52	7½-52	7½-52	7½-52
2 "	7½-52	7½-52	7½-52	7½-52	7½-52	7½-52
3 "	11½-58	11½-58	11½-58	11½-58	11½-58	11½-58
Paris, francs	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	1½-17½	1½-17½	1½-17½	1½-17½	1½-17½	1½-17½
2 "	3½-33½	3½-33½	3½-33½	3½-33½	3½-33½	3½-33½
3 "	4½-47½	4½-47½	4½-47½	4½-47½	4½-47½	4½-47½
Amsterdam, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	13½-14	13½-14	13½-14	13½-14	13½-14	13½-14
2 "	2½-2	2½-2	2½-2	2½-2	2½-2	2½-2
3 "	17-19	17-19	17-19	17-19	17-19	17-19
Brussels, cent.	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	4-6	4½-6½	4½-6½	4½-6½	4½-6½	4½-6½
2 "	10-12	10-12	10-12	10-12	10-12	10-12
3 "	17-19	17-19	17-19	17-19	17-19	17-19
Geneva, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	2-1	2½-1½	2½-1½	2½-1½	2½-1½	2½-1½
2 "	3½-2½	3½-2½	3½-2½	3½-2½	3½-2½	3½-2½
3 "	5½-4½	5½-4½	5½-4½	5½-4½	5½-4½	5½-4½

(p) Premium.

(d) Discount.

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Apr. 10 (£'000)					Aggregate Gross Receipts, 14 weeks (£'000)				
	Passenger	Merchandise	Coal	Other	Total	Passenger	Merchandise	Coal	Other	Total
L. M. & S.—	424	535	296	831	1,255	5,715	6,745	3,987	10,732	16,447
1937	467	508	241	749	1,216	5,598	6,851	4,101	10,952	16,550
L. & N. E. (a)—	278	367	270	637	915	3,786	4,637	3,620	8,257	12,043
1937	314	346	231	577	891	3,704	4,802	3,819	8,621	12,325

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Deben-ture Interest	Amount Available for Distribution	Appropriation				Balance Forward	Corresponding Period Last Year	
					Prefce. Amount	Ordinary Amount	Rate	Carried to Reserve, Deprecia-tion, etc.		Net Profit	Divi-dend
Banks		£	£	£	£	£	%	£	£	£	%
Ionian Bank	Dec. 31	7,823	16,639	24,462	...	15,000	2½	...	9,462	(v) 21,177	3
Breweries											
Charrington and Co.	Dec. 31	232,317	912,883	1,145,200	103,778	350,831	15	442,750	247,841	833,862	14
Shipstone (James) and Sons	Dec. 31	103,384	183,441	286,825	23,842	114,979	19½(e)	40,000	108,004	169,447	15
Whitbread and Co.	Dec. 31	227,936	331,827	559,763	43,407	184,392	18	70,000	261,964	347,449	18
Woodheads Canonbury	Jan. 31	553	7,568	8,121	1,650	3,000	10	1,920	1,551	8,879	10
Financial Land, etc.											
Agricultural Mortgage Cpn.	Mar. 31	6,799	16,742	23,541	...	...	...	19,549	3,992	25,447	Nil
Brixton Estate	Dec. 31	4,966	11,200	16,166	3,750	5,400	7(d)	2,200	4,816	10,389	6½
Nth. of Scot. Can. Mtge.	Feb. 15	186	Dr. 29,255	Dr. 29,069	...	...	...	Dr. 29,069	...	7,856	Nil
Slough Estates	Dec. 31	34,775	99,113	133,888	...	82,597	15	...	51,291	81,312	12½
Iron, Coal and Steel											
Ransomes and Rapier	Dec. 31	1,394	27,137	28,531	675	19,875	7½†	5,000	2,981	30,269	8½†
Rubber											
Amherst (Selangor)	Dec. 31	1,492	16,478	17,970	...	13,304	12½	2,000	2,666	10,920	7
Edinburgh Rubber	Nov. 30	1,757	8,480	10,237	...	5,844	2½	2,000	2,393	5,030	2½
Kuala Selangor	Dec. 31	2,954	11,778	14,732	...	9,687	12½	277	4,768	12,032	14½
Lavant	Dec. 31	414	1,659	2,073	...	...	...	2,033	40	2,222	Nil
Lubok	Dec. 31	3,194	12,748	15,942	...	9,000	12½	2,000	4,942	7,916	10
Maruda	Dec. 31	...	5,302	5,302	3,150	1,185	4	500	467	2,200	Nil
Panagula	Dec. 31	2,508	8,408	10,916	...	6,000	6	2,771	2,145	3,020	2½
Rangoon Para	Dec. 31	1,979	8,046	10,025	...	4,689	6½	2,100	3,236	5,794	6½
Soengei Rampah	Dec. 31	5,709	7,310	13,019	...	4,250	5	2,500	6,269	4,843	5
Sungei Salak	Dec. 31	5,683	27,363	33,046	...	18,000	15	8,916	6,130	15,138	10
Shipping											
Court Line	Dec. 31	33,365	341,276	374,641	...	122,500	25	200,000	52,141	51,705	Nil
Houlder Brothers and Co.	Dec. 31	25,253	55,076	80,329	5,500	40,000	5†	5,000	29,829	45,184	4†
Union-Castle Mail	Dec. 31	149,355	446,833	596,188	295,296	...	...	150,000	150,892	435,827	Nil
Shops and Stores											
Horne Brothers	Jan. 31	48,112	51,308	99,420	38,500	...	...	...	60,920	56,817	Nil
McIlroy (William)	Feb. 16	25,338	9,263	34,601	5,600	6,000	6	...	23,001	17,353	7½
Tea											
Amblamania	Dec. 31	643	4,807	5,450	...	3,260	5	1,425	765	2,035	3
Dickwell	Dec. 31	2,036	6,706	8,742	550	3,500	5	2,100	2,592	2,674	3½
Highland of Ceylon	Dec. 31	1,669	7,422	9,091	...	4,640	8	2,336	2,115	4,475	6
Pundaloya	Dec. 31	2,329	11,426	13,755	1,658	6,089	11	3,225	2,783	4,346	7½
Trusts											
Second Scottish Northern	Mar. 15	16,796	40,685	57,481	12,185	21,981	11½	5,000	18,315	35,982	10
Third Guardian Trust	Mar. 15	13,778	31,788	45,566	13,052	13,169	5	5,000	14,345	31,012	4½
Waterworks											
Monte Video Waterworks	Dec. 31	133,632	124,391	258,023	...	52,000	4†	25,340	180,683	102,426	4†
Stroud Water	Dec. 31	849	4,005	4,854	500	1,738	10 & 7	1,800	816	4,401	10 & 7
Other Companies											
British Timken	Dec. 31	25,882	133,007	158,889	...	33,750	15	100,000	25,139	111,824	15
Browne and Eagle	Dec. 31	19,100	27,417	46,517	6,250	15,000	10	6,000	19,267	28,975	10
Churchill Machine Tool	Dec. 31	6,135	72,123	78,258	5,166	59,553	40	...	13,539	66,744	15½(e)
Finch (B.) and Co.	Dec. 31	...	6,863	6,863	1,561	2,625	5	...	2,096	581	(a)
Franco Signs	Mar. 31	2,031	21,462	23,493	...	15,000	10	...	8,493	(a)	(a)
Mansell, Hunt, Catty & Co.	Dec. 31	5,155	11,306	16,461	1,200	3,750	5	5,894	5,617	3,009	Nil
McNeill (F.) and Company	Dec. 31	1,007	33,075	34,082	10,000	7,500	10	14,000	2,582	23,439	10
Metal Closures	Dec. 31	1,983	27,702	29,685	...	9,375	12½	16,000	4,310	17,808	6
North British Rubber	Dec. 31	22,410	61,138	83,548	38,750	...	...	...	44,798	39,393	Nil
Olympic Portland Cement	Dec. 31	31,626	27,729	59,355	...	16,601	7½	14,727	28,027	39,995	7½
Oxendale and Company	Dec. 31	6,748	35,411	42,159	24,369	6,250	16½	5,000	6,540	27,677	Nil
South African Druggists	Dec. 31	5,286	72,122	77,408	22,000	40,000	10	...	15,408	65,722	12
Stevenson, Hardy and Co.	Dec. 31	...	53,011	53,011	...	33,750	25	2,698	16,563	(a)	(a)
Tayside Floorcloth	Feb. 28	45,256	26,384	71,640	...	17,250	12½	15,000	39,390	23,162	12½
Wilkes Berger Engineering	Dec. 31	...	(e) 23,717	23,717	...	8,640	16	9,644	5,433	(a)	(a)
Total Profits, 1938, in £,000's											
To April 9	No. of Cos.	723	32,576	115,439	148,015	20,110	60,648	...	32,400	34,857	103,188
To April 16	766	33,838	118,769	152,607	20,771	61,965	...	33,555	36,316	106,014	...

(c) 4½% paid free of income tax.
(e) March 12th to December 31, 1937.

(d) 6% paid free of income tax.
(v) Sixteen months.

† Free of income tax.
(w) Absorbed £22,515.

(a) No comparable figure.

Aktiebolaget Volvo.—In 1937 6,325 vehicles were sold for Kr. 36,359,691, against 4,176 for Kr. 23,845,828 in 1936. Total assets, December 31, 1937, Kr. 25,706,267. Profit for 1937, Kr. 2,116,422. To reserve, Kr. 520,000. Dividend 5 per cent., absorbing Kr. 910,000. Carry forward increased from Kr. 433,168 to Kr. 1,119,591.

Swedish Ball Bearing Company.—Results for 1937 show net profit of Kr. 24,017,005 after depreciation of Kr. 5,887,063 and taxes provision of Kr. 7,200,000. A dividend of Kr. 10 per share totalling Kr. 13,000,000 is proposed, as last year. To pensions, Kr. 1,300,000, balance of Kr. 9,717,005 transferred to available surplus account, which will then be Kr. 78,388,717. The general meeting will be held in Gothenburg on May 23, 1938.

THE ROYAL BANK OF CANADA

DIVIDEND NO. 203

NOTICE IS HEREBY GIVEN that a DIVIDEND of 2 per cent., being at the rate of 8 per cent. per annum, upon the Paid-up Capital Stock of the Bank, has been declared for the three months ending 31st May, 1938, and will be PAYABLE at the Bank and its Branches on and after 1st June, 1938, to shareholders of record 30th April, 1938.

By Order of the Board,

E. B. MCINERNEY, London Manager.

6 Lothbury, London, E.C.2.
14th April, 1938.

ALEXANDRIA WATER COMPANY LIMITED

ALEXANDRIA, EGYPT
PAYMENT OF DIVIDEND

NOTICE IS HEREBY GIVEN that a DIVIDEND of Ten Shillings and Ninepence per £5 Share will be paid without deduction of British Income Tax on Coupon No. 99 on and after the 16th April, 1938, at the National Bank of Egypt, in Alexandria at Rue Toussoum, or in London at 6 King William Street, E.C.4.

Dated, Alexandria, Egypt, the 11th April, 1938.

By order of the Board,

K. B. WOODD SMITH,
Managing Director.

THE ECONOMIST

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Back to the Old Diplomacy

THE Anglo-Italian Agreement signed in Rome by Count Ciano and Lord Perth last Saturday, April 16th, is an historic landmark; for, whatever view may be held as to its wisdom, its justification or its inevitability, it unquestionably marks in a most spectacular manner the departure by Great Britain from the collective settlement of world affairs which was set up after the Great War. It is, for the time being at all events, an abandonment of the attempt to establish an international order, based on justice and reason, which was to govern the relations between the citizens of civilised countries. It proclaims that the gulf between public and private morality is not, after all, to be closed, and that a shifting balance of power, collapsing periodically into war, is to return to a world in which the application of science has made war suicidal. The aggression of great States in Manchuria, Abyssinia, Spain, Austria and China were blatant violations of the new order. Last week's agreement is an acquiescence—to be followed shortly in the case of Abyssinia by formal recognition—in two of those acts of aggression; and it is offered to the aggressor by a country which has been one of the principal architects of the League, and until recently was one of its most active sponsors.

The agreement goes even further. Great Britain not merely condones the Duce's aggression in Abyssinia and Spain. She comes to terms with him and seeks to build up good relations on the basis of these *faits accomplis*. True, the agreement is not to come into effect until the Italian men and material are withdrawn from Spain, but it is

tacitly accepted that, before it is ended, the intervention will be allowed to complete the final destruction of the Republican Government; while in Africa the Italian occupation is to be eased by a "good neighbour" agreement in return for a recognition of British interests in the waters of Lake Tsana. In short, we are back to the old diplomacy—in the atmosphere of the ten years immediately preceding August, 1914. The Anglo-Italian agreement of 1938 is a diplomatic instrument of the same character as the Anglo-French agreement of 1904 and the Anglo-Russian agreement of 1907. The kinship is unmistakable. Two Powers of unequal strength and appetite, which have been at odds with one another, simultaneously take alarm at the behaviour of a third Power which is hungrier and more ambitious than either of them. They decide that, in face of this common danger, their own quarrel is a luxury which must be renounced, at least till the German clouds roll by; so they strike a bargain. Great Britain purchases from Italy a promise not to go on twisting the lion's tail in the Mediterranean and the Red Sea. Great Britain pays Italy for this relief at the expense of other parties who are too weak to defend themselves.

But with all its defects, the agreement of 1938, like those of 1904 and 1907, mixes good with bad and creates a breathing space in which saner forces may make themselves felt. In those pre-war agreements the bargain was paid for by helpless victims. Egypt, Morocco and Persia were sacrificed then, as Abyssinia and Spain are being sacrificed now, as the cement of an alliance against the power and ambi-

tion of Germany. But in those agreements, as in this, a major evil was accompanied by a minor good. The Anglo-French and Anglo-Russian friction that had been produced by a clash of rival imperialisms was industriously, and more or less effectively, planed out; and this, at any rate, was something to the good. Study of the terms of the Agreement (which are summarised on page 178) reveals a similar element of good in it; and for this M.M. Chamberlain and Mussolini may be decorated with an olive leaf apiece. The various detailed arrangements—other than the clauses that deal with Spain or Abyssinia—are all useful steps which will relieve tension, and at least they have the merit that they are not made at anyone else's expense.

Even here, the new Anglo-Italian agreement does not go very far, if measured by our (now abandoned) post-war standards. Like the similar Anglo-Italian agreement of last year, which it reaffirms, it does not provide for any quantitative limitation of the two parties' respective naval, air or land forces. Limitation of armaments and the old diplomacy are mutually exclusive. The old diplomacy provides no end to competition in armaments except ultimate war. Short of this, however, the agreement does provide, as between Italy and Great Britain, for the qualitative limitation of naval armaments that is agreed to in the London Treaty of 1936, and it also provides for an exchange of military information; for the non-militarisation of natives (except for purposes of local defence) in Italian East Africa and in British South-East Arabia; for a stand-still, on the part of both Powers, in the fortification of points on the Red Sea and in the acquisition of political influence over either of the two independent Arabian States of Saudi Arabia and the Yemen; for abstention, on both sides, from hostile propaganda; and for the preservation, for each party, of an important facility: for Italy her freedom of passage through the Suez Canal, and for Great Britain and Egypt the use of the waters of Lake Tsana for the irrigation of Egypt and the Anglo-Egyptian Sudan.

These provisions mean (if we may assume that they are being adopted *bona fide* on both sides) that, for the duration of the agreement, the British and Italian Empires will be content to exist side by side within their present limits, without either of them trying to steal a march on the other. This is, of course, an achievement of value. But it is not, by itself, sufficient to justify the high claims that are being

made for the Agreement as a major contribution to the pacification of the world. If the Agreement is of this importance it must carry implications far wider than its actual terms. To be specific, it will prove to have been of real value only if it implies at least a partial detachment of Italy from the German alliance and the end of the sharp division between the dictatorships and the rest of the world.

The matter will not, of course, be put in such brutal terms. There will be fervid assurances of devotion to the Axis when Herr Hitler visits Rome. But there are some signs that, in fact, Signor Mussolini is now more concerned to halt than to assist the advance of Germany. There is the obvious haste to have the agreement concluded before Herr Hitler's arrival. There is the willing alacrity with which parallel negotiations with France have been started. There is the fact that those shrewd observers, the Czechs, have thought this the right moment to recognise the conquest of Abyssinia and to recall the wartime comradeship of the Czech Legions and the Italian Army. There is the widespread realisation in Italy, which no brave words of the Duce's can dispel, that the annexation of Austria was a victory over Italian interests and a blow to Italian ambitions. There is the equally widespread fear that neither the South Tyrol nor Trieste has been permanently removed from the list of German desires.

This is impressive evidence. But it is not in itself convincing. Italy has as good reason to fear Germany's hostility as to resent her expansion; and the detached benevolence with which Berlin has commented on the agreement may cover the conviction that Italy can be brought to heel when necessary. A victorious alliance with Germany is, indeed, the only possible means of realising Signor Mussolini's Mediterranean ambitions; and the mutual attraction of Fascist regimes is powerful.

Thus the final judgment on last week's Agreement, even as a piece of old diplomacy, cannot yet be given. It will be given in the coming months by Italy's behaviour. If she is found in the crises on the side of peace, then there will at least be a major gain of expediency to set against the major sacrifice of principle. But if it turns out that Signor Mussolini has merely for the time being deflected his aggressive intentions away from British preserves in order to direct them elsewhere, then Mr Chamberlain's agreement will prove to have been a bad day's work alike for the British Empire and for the world's hopes of even temporary peace.

Budget Horoscope

THE Budget which Sir John Simon is to open in the House of Commons on Tuesday—the first for which he has been responsible—has been awaited with less interest, and certainly with less apprehension, than a sober study of the figures might justify. The usual flood of guesses and anticipations has been a mere trickle this year, and the indifference undoubtedly reflects the general conviction that, for one more year at least, the taxpayer will be spared from carrying significantly heavier burdens.

How far is this widespread assumption correct? The published estimates of the Supply Services amount to £696 millions, but the necessary provision for Supplementary Estimates will bring the figure to, say, £704 millions. It is unlikely that the Chancellor will allow less for the Consolidated Fund Services than was allowed last year, so that the total for all ordinary expenditure will be about £940 millions. This does not, of course, include the £90 millions that is to be borrowed for defence expenditure. Nor does it include any provision at all for the acceleration of the defence programme that has been decided upon since the Estimates were published. It may be guessed that the Chancellor will decide to increase the authorised

total of borrowing to include this undefined new liability.

The figure of expenditure to be met out of revenue is thus about £936 millions. The total of revenue in 1937-38 was £872½ millions. It has already been estimated in *The Economist* (March 12, 1938, page 544) that there will be an automatic increase in revenue, derived partly from the delayed effect of last year's new taxes, and partly from the natural buoyancy of direct taxation that is collected one year in arrear, of about £41 millions. The present basis of taxation can therefore be expected to bring in an amount that can be put at £914 millions.

The gap between revenue and expenditure with which Sir John Simon will be faced thus appears to be of the order of £22 millions. It would, of course, be quite possible to fill the gap entirely by increased income taxation. A standard rate of income tax of 5s. in the £ is not the highest rate that has been levied in peace-time. But it has a certain symbolic importance, and it would probably be neither popular nor prudent (especially in a period of uncertain business confidence) to increase the standard rate, except as part of a large programme to meet a very urgent financial emergency. Sir John Simon will indeed be surprising

the prophets if he alters the standard rate of tax. What other expedients are open? One which has been frequently mentioned is the device of calling for three-quarters of next year's income tax (on those schedules which are divided into two instalments) to be paid in January and one quarter in July, instead of half in each instalment as at present. This would bring in about £15 millions. But it would be a non-recurring £15 millions, and it is very questionable whether it is worth while inflicting considerable inconvenience on the smaller taxpayers when the emergency itself is not non-recurring. Nevertheless, what was done in 1931 may be done again.

There has also been considerable discussion of the problem of checking tax evasion, especially among surtax payers. That there is such evasion on a large scale is unquestionable. The rates of income tax and of surtax were both at the same levels in 1937-38 as in 1931-32. Nevertheless, the yield of income tax in 1937-38 was over £10 millions, or 3.7 per cent., higher than in 1931-32, while receipts from surtax were nearly £20 millions, or 25.6 per cent., lower than in the earlier year. This difference—which can be seen very clearly in the diagram on page 213—is much greater than can be explained by the fact that there is a longer time-lag with surtax between the earning of income and the payment of tax upon it.

To establish that surtax is being avoided, however, is one thing, and to devise methods of stopping the evasion is another. All known methods of evasion should, wherever practicable, be stopped, and a further instalment of the Inland Revenue's counter-attack on the evading taxpayer may be expected this year. Some advocates, however, have gone farther than this and suggested that the whole legal principle of tax gathering should be changed. The *onus* of proof, they maintain, should not be on the tax collector to prove that a given device is illegal, but on the taxpayer to prove that his business arrangements have not been adopted with the main purpose of lessening his liability to taxation. Such a change would come very close to an abolition, for tax purposes, of the principle that every man is innocent until he is proved guilty, and it raises points of law and ethics that require far more extended discussion than is possible in the debates on the Finance Bill. And, in any case, the more radical the measures taken against tax avoidance, the less likely are they to contribute anything substantial to this year's revenue. So far as next week's Budget is concerned, there is, at most, only a million or two to be obtained from measures against tax avoidance.

What other sources of revenue are there? The Select Committee on Medicine Stamp Duties reported last year in favour of changes that would bring in about £2,500,000 more of revenue, and it may be guessed that this recom-

mendation will be accepted. Almost the only remission of taxation in the last few years that has not already been reversed is the reduction of motor licence duty by a quarter in 1934. A return to the old rate of duty would produce nearly £12 millions in a full year and perhaps £8 millions in the current year, unless there were a marked tendency to change over to smaller cars, which would not, in any case, be apparent at once. It would perhaps be sounder policy to raise the same sum by an increase of 2d. per gallon in the petrol duty. Additional sums could also be raised in case of need from other Customs and Excise duties. The taxes on alcohol and tobacco alone bring in over £112 millions, and could be made to yield a few millions more with slight adjustments, though it is doubtful whether increases in these duties would be acceptable without corresponding new burdens of direct taxation. Luxury taxes are not open to the same objection, but, as a class, they involve much administrative difficulty for small returns. The examples given above, however, are quite sufficient to show that there should be no great difficulty in raising by taxation the £22 millions of which the Chancellor will be in need.

Part of the sum required may, however, be found from sources other than taxation. The Road Fund is no longer there to raid, but there are other similar autonomous funds with tempting balances. Mention has recently been made of the Victory Loan Suspense Account, but this is only one of several. The Exchange Equalisation Account has accumulated a jobbing profit which is believed to be about £12 or £15 millions. Another large potential source of windfall revenue is in the gold stock of the Bank of England. If this were re-valued at the present market price of gold there would be a net profit, after making all the necessary adjustments, of something of the order of £50 millions, which would accrue to the Government. Sooner or later this profit, or the larger part of it, will have to be taken, but the possibility of balancing this year's accounts without recourse to this device would perhaps make it more prudent to wait until next year, when rising expenditure and (very probably) falling revenue, will create a very difficult budgetary problem.

The general expectation thus appears to be broadly justified. The probability is that, for one more year, it will be possible to balance the Budget—or that part of it that is allocated to revenue—by small increases of the miscellaneous taxes and by drawing on various reserves, and without any sensational new imposts or large increases in the main taxes. But if the Chancellor solves his problem in this way it will only be prudent of him to warn the public that we are entering on a period in which the financial problems of the State will not be capable of solution save by much more heroic measures than will be necessary this year.

High Industrial Profits

AS every accountant knows, the last day of December is as popular a date for the closing of financial records as is the month of August for British holiday-making. The first quarter of each year, consequently, always produces a rich harvest of company reports, whose significance is both historical and anticipatory. Their figures are a measure of economic progress in the year which has passed and of taxable capacity in the financial year to come.

Between January and March of this year we analysed the reports of 646 British companies, with a total share capital of £837 millions. The results of our inquiry are striking. Beyond all question, 1937 was a prosperous year. The first of the tables given on page 176 shows that since 1934 the increase in industrial earning power has been uninterrupted, and that profits represent a higher percentage return on paid-up share capital to-day than before the Great

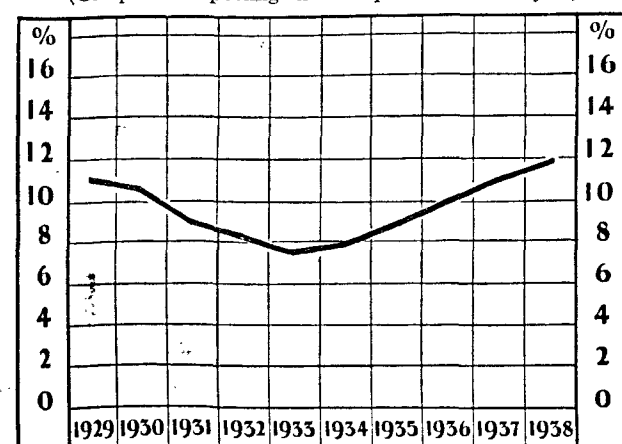
Depression. Our sample of companies is not identical from year to year, and to preserve an element of continuity we have contrasted the earnings of each year's batch of companies with those of the same concerns in their preceding financial year. On this basis it is possible to compile a chain index of profits reported in the first quarter of every year since 1929, which gives the following results:—

CHAIN INDEX OF TOTAL PROFITS
(1929=100)

Profits earned in Year*	Profits	Profits earned in Year*	Profits
1929	100.0	1934	84.1
1930	89.3	1935	95.3
1931	76.5	1936	106.7
1932	69.7	1937	116.7
1933	73.4		

* Reported in succeeding year.

PERCENTAGE RETURN ON TOTAL SHARE CAPITAL, 1929-38
(Companies reporting in first quarter of each year)

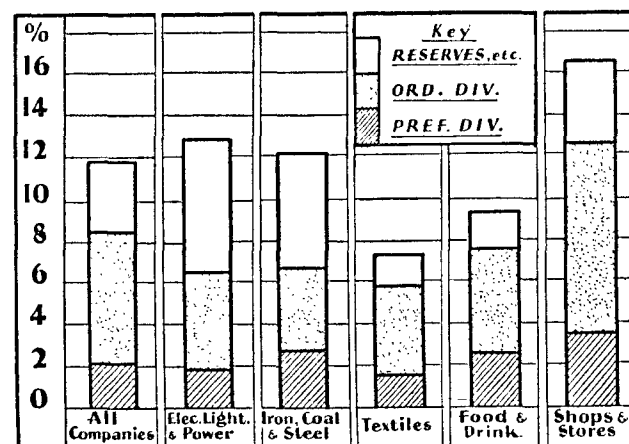


This series of index figures suggests that recovery from depression opened inconspicuously in 1933 but was well under way by 1934. Since then, its pace has been remarkably even. Between 1934 and 1935 the index rose 11.2 points. Between 1935 and 1936 it rose a further 11.4 points, but last year showed a very slight slackening; for the increase, as compared with 1936, was 10.0 points. In view of the fact that 1937 was a year in which prices and business activity alike reached a peak and began to decline, it is both significant and gratifying that the check to the rate of growth of industrial earning power was hardly perceptible.

In Table II we have set out various figures showing the method of division of profits during each of the last ten years. For some years past, the relative burden of debenture interest has been slowly but steadily decreasing. This tendency still persists, and it represents a long-term factor in favour of ordinary shareholders. There has been no similar decline in the average rate of preference dividend, which has even tended to increase as certain companies have caught up with the arrears of preference payments accumulated during depression. Ordinary shareholders have benefited indubitably from industrial recovery; for their current average rate of dividend is nearly half as high again as it was in the depths of depression. But that rate is still slightly below the level of 1929, although the percentage earned for ordinary shares is higher to-day than in the pre-depression year. The explanation is clear from even a cursory inspection of the first four columns of Table II. The proportion of total profits "ploughed back," by way of additions to reserves, etc., was 21.1 per cent. in 1929, 9.6 per cent. in the depression year 1932, and 29.7 per cent. in 1938. In other words, a large proportion of the fruits of recovery has been earmarked not for shareholders but for the "kitty." Much of the increased capital required to finance an increasing business has come from within rather than from without.

The average figures for all industries, which have been so far considered, cover a multitude of differences in the experience of individual trades. The first of the two charts on

DISTRIBUTION OF PROFITS, 1938
(Companies reporting in first quarter; percentages of total share capital)



this page shows that the earnings of all companies reporting in the first quarter of this year averaged just under 12 per cent. on total share capital, against 11.1 per cent. in 1929 and 7.6 per cent. in 1933. But the second chart shows that the ratio, for the latest year, is well below 8 per cent. in the case of textile companies, and over 16 per cent. in that of the prosperous retail trading group of concerns. Although the iron, coal and steel companies, again, are enjoying greater prosperity for many years past, the return on their total share capital is actually a little more than the average for all companies. The "pillars" in the chart have been shaded to show the division of profits between preference and ordinary dividends and reserves. Significantly, the companies in the textile and the food and drink groups, which have a profits ratio below the average, are putting a smaller proportion of earnings to reserve than the other groups. Reserve policy in the shops and stores group is adequate rather than generous, but the iron companies and the electric light and power concerns distinguished by the large proportion of their total earnings which they are "ploughing back." Detailed figures of earnings, and their distribution, in a large number of industrial groups, will be found on page 217.

On the whole, our analyses suggest that although the rise in industrial earnings did not quite retain its momentum last year, profits should make a noteworthy contribution to the buoyancy of the revenue, of which Sir John Simon's first Budget will doubtless take its full toll next week. *Per contra*, our figures afford at least a partial explanation of the conservatism with which the Stock Exchange is viewing future dividend prospects. The policy of directors is tending increasingly to stress the importance of reserve allocations. It is unlikely that, in the event of a trade setback, they would be prepared to allow reserves, rather than dividends, to take the full brunt of any decline in total earning power.

TABLE II.—DIVISION OF PROFITS (FIRST QUARTER COMPANIES)

Reports issued during First Quarter	Proportion of Total Profits* (= 100)			Rate of Payment on Each Class of Capital			
	Paid in Pref. Div.	Paid in Ord. Div.	Put to Reserve or "Carried Forward"	Debt-interest	Preference	Earned for Ordinary	Paid on Ordinary
1929	18.2	60.7	21.1	4.89	5.3	14.7	10.9
1930	19.7	61.9	18.4	4.89	5.8	13.0	10.0
1931	21.7	62.1	16.2	4.82	5.6	10.7	8.5
1932	21.5	68.9	9.6	4.80	4.9	9.9	7.5
1933	24.0	63.8	12.2	4.77	5.0	8.9	8.7
1934	22.1	59.4	18.5	4.73	4.9	9.8	7.5
1935	20.8	59.8	19.4	4.64	5.1	11.0	8.3
1936	19.1	58.7	22.2	4.51	5.3	12.6	9.2
1937	19.8	56.6	23.6	4.39	5.8	14.4	10.1
1938	17.0	53.3	29.7	4.22	5.5	15.8	10.2

* After debenture interest.

West Indian Problems

(By a Correspondent)

NEARLY four thousand miles across the Atlantic lies a beautiful chain of islands forming a crescent from Florida in the United States to Venezuela in South America and enclosing the blue waters of the Caribbean Sea. Though the British public hears little of them, the British West Indies are among the oldest and were once the most highly prized of British domains.

Since Columbus stumbled across them in his search for a westerly passage to India, the islands have had a chequered history. After Columbus came settlers from Europe, seeking with the help of black slave labour to make their fortunes in cocoa, coffee, cotton, tobacco and, above all, sugar. For two centuries the islands were a scene of great prosperity, and, being much coveted by European Powers, the theatre of numerous wars. But with the coming of the nineteenth century that prosperity vanished, and with it the islands, fading into obscurity, ceased to be a turbulent concern of European politics.

Not least of the factors which contributed to the decline of the West Indian planter was the abolition of slavery in 1834. But what spelt ruin to a handful of planters brought rebirth to the hundreds of thousands of Africans whom they had enslaved. By raising them to free and equal citizenship, the abolition of slavery turned the West Indies into a black community. If the ghost of an old planter roamed through the islands to-day, he would see the descendants of his slaves filling positions of high responsibility, prospering as merchants and planters, and revealing themselves, with doctors, lawyers, clergymen, engineers and scientists, the intellectual equals of the white man. These, however, are a minority, the *élite* of their race; the vast majority remain poor and untutored.

The task of extending the fruits of progress to as wide as possible a circle has been rendered particularly difficult in recent years by the economic situation. The two and a half million inhabitants are mainly agricultural; they earn their living by exporting sugar, cocoa, copra, bananas and citrus products, and they import manufactured goods in return. So severely, however, and for so many years, have the prices of West Indian products been depressed, that neither the increased preferences granted by Great Britain nor the achievement of technical improvements have sufficed to restore the islands to prosperity.

Trinidad, with its population of 450,000, is an exception, because it has an expanding oil industry which contributes much to its well-being. Jamaica, also, with its population of 1,100,000, has had an expanding banana industry which, though it is now menaced by plant disease, has done much to improve the standard of living of its people. But the smaller islands—Barbados, the Windward group (Grenada, St. Lucia, St. Vincent and Dominica) and the Leeward group (Antigua, St. Kitts, Montserrat and the Virgin Islands)—each depend almost exclusively on sugar, citrus or cocoa. They have endured so many economic difficulties that the occurrence, in recent years, of a large number of serious disturbances need occasion little surprise. Barbados, especially, which has a rapidly expanding population of over 1,000 to the square mile, is a centre of extreme and increasing poverty, which can only be alleviated if new outlets for emigration are found.

There is some hope in the islands that the new international sugar agreement may prevent the market from collapsing as badly in the future as it has in the past. Further, experiments are being made in growing and exporting fruit

and vegetables for the Canadian and United Kingdom markets in order to reduce the present dependence on sugar. Hope has been expressed, also, that the forthcoming Anglo-American trade agreement will include substantial concessions to the West Indies. The proportion of West Indian exports taken by the United States fell from 26 per cent. in 1930 to 7 per cent. in 1933, partly as a result of heavy American restrictions; and it was still only 11 per cent. in 1936. Anything which tended to restore the natural outlet for West Indian products, would be welcome.

The instability of agricultural prices has also helped to shake confidence in the agricultural future of the West Indies, and possibilities in other directions are being eagerly canvassed to-day. Serious efforts are being made to develop a tourist trade, for which the islands, by their beauty and equable climate, are admirably suited. Greater emphasis, however, has been laid on the prospects of industrialisation. In this connection, the decision of Messrs Tate and Lyle to establish refineries in certain islands was warmly welcomed; and it is hoped that other companies will choose to take advantage of the combined presence of large supplies of labour and of raw materials to establish factories in the West Indies for processing other products.

Simultaneously, the case for land settlement is being urged more strongly than ever before. The present structure of West Indian society is still largely the legacy of the days of slavery, when a handful of white planters owned all the land and drew upon the rest of the population merely as a source of labour. The immediate effect of Emancipation was to create a large rural proletariat. Though in the succeeding century a substantial peasantry has emerged, especially in Jamaica, the distribution of land still bears the stamp of slavery. The social consequences of the plantation system have shocked every Commission which has visited the islands since 1897. There is now a vast body of official literature condemning the low rates of wages paid to agricultural labour, the deplorable housing conditions on the plantations, and the inadequate medical, educational and other social services which are directly attributable to it. Forty years ago, a Royal Commission urged in the strongest terms that the last vestiges of slavery should be removed by buying and breaking up some of the large plantations and settling the people on the land as co-operative peasant proprietors. Their recommendations have been repeated by all successive commissioners, including last year's Trinidad Commission, but they have hitherto been largely ignored.

A great responsibility rests with the Colonial Office to press forward with the policies so authoritatively commended. And it is equally important that the constitutions of the islands should be liberalised. There is an insistent demand for a broader franchise and wider representation of the people on the Legislative Assemblies.

The children of the liberated subjects of the West Indies have already behind them a record of solid progress and achievement in co-operation with the children of the liberators. Unhappily, this progress has recently been set back and this co-operation has been marred by poverty and by the serious disturbances which have originated in poverty. It is the duty of British statesmanship to help to remove the obstacles which stand in the way of further advance. Given sympathy and sound assistance, the West Indies will remain among the most loyal, as well as the most ancient, of British Colonies.

The Anglo-Italian Agreement

A Summary of the text of the Rome Agreement signed on April 16th by Lord Perth and Count Ciano on behalf of the British and Italian Governments, respectively.

Protocol

The two Governments state their desire to reach agreement on questions of mutual concern in order to contribute to the general cause of peace and security. The questions involved are listed as: *the Mediterranean; Military Information; the Middle East; Propaganda; Lake Tsana; the Military Duties of Natives in Italian East Africa; the free Exercise of Religion in Italian East Africa; and the Suez Canal*. On each topic a separate and self-contained Declaration is annexed, these instruments to take effect on such date as the two Governments shall together determine. When the instruments take effect, the two Governments will invite the *Egyptian Government* to participate so far as questions affecting Egypt or the Anglo-Egyptian Sudan are concerned, including boundaries and commerce. And the British and Italian Governments agree to negotiate as soon as possible about commercial relations between Italian East Africa and the United Kingdom, India and British colonies, dependencies and mandated territories.

Eight Annexes are then appended.

Annex One

The Rome Declaration of January 2, 1937, regarding the maintenance of the *status quo* in the *Mediterranean* is reaffirmed.

Annex Two

The two Governments agree to exchange military information in January of each year regarding the movements and distribution of military, naval and air forces stationed in or based on (a) overseas possessions in or with a seaboard on the Mediterranean, Red Sea or Gulf of Aden or (b) territories in Africa bounded by longitude 20° east on the west and latitude 7° south on the south. They also agree to notify each other of any decision to provide naval or air bases in the Mediterranean east of longitude 19° east and in the Red Sea or approaches thereto.

Annex Three

To ensure that there shall be no conflicts of British and Italian policy in the *Middle East*, it is agreed that:—

(1) *Neither party* will impair the independence or integrity of *Saudi Arabia or the Yemen*; obtain or seek a privileged position of a political character in these territories; acquire, fortify or defend islands in the Red Sea; or intervene in any conflict in *Saudi Arabia or the Yemen*. They further recognise that it is in their common interest that no other Power should seek a privileged position in these territories or intervene in any conflict therein. (*Articles 1, 2, 3, 4 and 5.*)

(2) In the territories of the Arab rulers east and south of the present (or future) boundaries of *Saudi Arabia or the Yemen*, the *Government of the United Kingdom* agree to take no action likely to impair the independence or integrity of *Saudi Arabia or the Yemen*; not to undertake any military preparations other than purely defensive, or enrol the inhabitants in military forces other than forces for local defence or to preserve order; and to maintain the autonomy of the Arab rulers under their protection. *The Italian Government* declare they will not seek political influence in this zone. (*Article 6.*)

(3) *The Government of the United Kingdom* guarantee freedom of entry, travel and residence and the free exercise of their trades to Italian citizens and companies in the *Aden Protectorate*. (*Article 7.*)

(4) Provision is made for the revision of this Annex, which may be terminated upon notice by either party, after the expiry of 10 years. (*Article 8.*)

Annex Four

The two Governments agree not to use publicity or propaganda to injure the interests of each other.

Annex Five

The Italian Government confirm their assurances (given in 1936) that they have no intention of overlooking or repudiating their obligations in the matter of *Lake Tsana*.

Annex Six

The Italian Government confirm their assurance of 1936 not to compel Italian East African natives to undertake military, as distinct from police or local defence, duties.

Annex Seven

The Italian Government guarantee freedom in the exercise of religion to British nationals in Italian East Africa; and will look with favour on humanitarian and benevolent activities by British religious bodies.

Annex Eight

The two Governments re-affirm their intention to respect the Constantinople Convention of 1888, guaranteeing free use of the *Suez Canal* to all powers at all times.

In addition to the above formal Agreement, Notes were exchanged on April 16th between the British and Italian Ministers on the following topics:—

Libya: Count Ciano informed Lord Perth that withdrawals of Italian troops from Libya had been begun at the rate of 1,000 a week, and would be continued at this rate until the Italian Libyan effectives reached peace strength.

* * *

Spain: Count Ciano informed Lord Perth that the Italian Government fully adhered to the United Kingdom's formula for the proportional evacuation of foreign volunteers from Spain, which they would carry out when and how the Non-Intervention Committee might determine. He further stated that all Italian volunteers and war-material would, in any case, be withdrawn on the termination of the Spanish Civil War; and that the Italian Government again disclaimed any territorial or political aims and sought no privileged economic position in Spain, the Balearic Isles, the Spanish Overseas Possessions or Spanish Morocco.

* * *

Abyssinia and Spain: Lord Perth informed Count Ciano of H.M. Government's intention to take steps, at the meeting of the Council of the League of Nations, to clarify the situation of member States in regard to the recognition of Italian sovereignty over Ethiopia. . . . H.M. Government also regarded a settlement of the Spanish question as a prerequisite of the entry into force of the Agreement between the two Governments.

* * *

London Naval Treaty: Count Ciano informed Lord Perth that the Italian Government had decided to accede to the Naval Treaty signed in London on March 25, 1936.

Also on April 16th another Agreement was signed between the British, Italian and Egyptian Governments, as follows:—

Desiring to provide for friendly relations in *East Africa*, the three Governments undertake, in addition to discussing detailed frontier questions, at all times to co-operate for the preservation of good neighbourly relations in that region; to prevent raids and other unlawful acts across their respective frontiers; to prevent the evasion of the anti-slavery laws of the respective territories; and not to enrol the nationals of the other parties (including deserters or refugees) in forces of a military nature.

Topics of the Week

Speeding up Rearmament.—The acceleration of the defence programme proceeds slowly. The Minister for Defence has again written to the employers and unions in the engineering industry in the strictest confidence and, it is reported, still in general terms. It is clear that the Government have laid no quantitative proposals before the industry, but are rather urging the two parties to prepare a speeding-up programme autonomously, and then to state their utmost capacity to augment the production of munitions and material. The Confederation of Engineering and Shipbuilding Unions have proposed a joint meeting with the Amalgamated Engineering Union. When this has taken place, joint or separate meetings will be held with the employers. The greatest immediate need in the revised arms programme is for aircraft, and here a new possibility is suggested by Lord Winterton's recent announcement that the British Government are investigating the possibility of obtaining aircraft from America. A small mission has now left to pursue the inquiry.

Hitherto, it has been the official British view that military aircraft could be obtained more expeditiously from the British than from the American industry. This view has been based partly on the fact that the production of military aeroplanes in America has hitherto been small, and partly on the existence of an American Government ruling that prohibits the export of the latest types. But now it is understood that the American Administration is disposed to put no obstacles in the way of the export of aeroplanes to Britain, while the differences experienced in obtaining a rapid enough supply at home are making the Air Ministry look with a more kindly eye on the possibilities of American production. Another angle to the matter is the possibility of setting up factories in Canada which could manufacture aircraft of either British or American design, out of reach of the enemy's attack and the American Neutrality Act respectively. But in whatever way it proves practicable to bring in the industries of the New World to redress the balance of the Old, it is obviously common sense that something of the sort should be done. We have now accepted the melancholy fact that the accumulation of monstrous armaments by the peaceful States is a necessity if peace is to be preserved, and the democracies should exploit to the full all their advantages, of which the ability to buy from America is not the smallest.

American Armaments.—Meanwhile, America is concerned with her naval armaments. The Naval Affairs Committee of the Senate has favourably reported the Bill embodying President Roosevelt's recommendations, and there is every indication that it will go through. It will authorise the construction of no fewer than forty-six new vessels, including three battleships of 45,000 tons, two aircraft carriers and nine cruisers. It is doubtful whether this is the answer that the Japanese expected to receive to their behaviour of recent years and months, but it is an answer that will give them food for thought. The fact is that American public opinion is changing, in spite of the furious rearguard action put up by the isolationists. Europeans should resist the temptation to exaggerate the extent to which the conversion has already been achieved. It is salutary to remember that the Neutrality Act is still on the statute book, and that the movement to repeal it has not yet thought it prudent to challenge a vote in Congress. But the events in the Far East that culminated in the sinking of the "Panay" last December, and the events in Europe that culminated in the seizure of Austria, have made as profound an impression in America as anywhere else. The conviction is growing that if another world conflagration breaks out, America will certainly be unable, and possibly unwilling, to keep out of it. From this conviction to the belief that it would be better to help prevent the conflagration from occurring

is only a short step in logic, but in the practical realities of American politics it is a long road, on which only the first milestones have yet been passed.

* * *

Cinema Operators' Strike.—The approach of Easter was heralded last week by threatened strikes of cinema projectionists in London and the Home Counties, South-East Lancashire, Northumberland, Durham, Tyneside and North Yorkshire. In London, the Electrical Trades Union, which was responsible for the threatened stoppages in all these districts, claimed recognition from the Cinematograph Exhibitors' Association. In Lancashire, the operators were insistent upon securing the 48-hour week previously agreed upon by the local Conciliation Committee, although the exhibitors alleged that the larger cinemas with long programmes could not guarantee a working week of less than 52 hours. Elsewhere, the Union's demand was, more generally, for shorter hours, higher pay and improved conditions. Strikes actually took place in London, Lancashire and Hull during the week-end, and on Tuesday spread to film studios at Islington and Shepherd's Bush. As a whole, the stoppages were unsuccessful. The public went to the pictures as usual, unmoved by the projectionists' grievances; and the machines were operated by members of the National Association of Theatrical and Kinema Employees, pooled among the exhibitors. Actually, the E.T.U. has no formal status in the cinema industry. The workers' representatives on the Joint Conciliation Board and its local committees, whose agreements are ostensibly the basis of cinema working conditions, are drawn from the N.A.T.K.E. The E.T.U.'s action has been in part merely a declaration of inter-union war. On the other hand, although the E.T.U.'s proper procedure was first to approach the Conciliation Board, a majority of operators are their members; and, most important, the current agreements about wages, hours and conditions, which are by no means generous, are far from being effectively and generally applied. In the last resort, however, the operators are the aristocrats of their trade. The young people cited at this week's conference of the National Union of Teachers as working 70-80 hours a week, are the real victims of the unorganised character of Britain's most popular industry.

* * *

Milk Distribution.—Reports have appeared in the Press in the last few days of a forthcoming Government scheme to experiment with the rationalisation of the retail distribution of milk. As in the case of the very similar Government proposals for rationalising the retail distribution of electricity last year, the public's information is based

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only on what has leaked out through the indignation of the interests affected, who have apparently been consulted by the Ministry of Agriculture. This is particularly unfortunate, as it tends to create an atmosphere of prejudice against the proposals, which the full revelation of their purport will be unable to overtake. In point of fact, the Government's proposals, in so far as they are known, seem to be moderate and praiseworthy. Almost every inquiry into the milk trade has reported that the price of milk is very high in this country—high relative both to the price of milk in other countries and to the prices of other foods in this country—and that part at least of the explanation is to be found in the high cost of distribution. There is good reason to believe that the present state of competition in the trade contributes to the high cost—both directly, by ensuring that few of the facilities of distribution are used to capacity, and also indirectly, by stimulating distributors, whose prices are fixed, to indulge in all manner of expensive and unnecessary additions to distributive service. The Government's object is apparently to experiment in a number of areas with unified distributive services, in order to see whether costs can be reduced and consumption expanded. It may be presumed that these experiments will be carried out with the consent of the persons affected and that there is no question of compulsion either on the distributor or on the consumer at present. The aim, it is said, is to reduce the retail price of milk by 1d. a quart. If this scheme could be combined with reform of the Marketing scheme, on the lines suggested by the Cutforth Commission, so that the price of milk for liquid consumption would not have to bear the cost of subsidising a larger surplus than is strictly necessary to ensure a level supply, it might be possible to reduce the retail price by almost another 1d. a quart. A reduction of about a quarter in the price of a vital foodstuff would be an achievement large enough to warrant the public in disregarding the clamour of aggrieved interests that is now being worked up.

New Confidence in France.—M. Daladier is settling himself into the saddle with a greater air of permanence and effectiveness than has been seen in Paris for a long time past. After the Chamber had given him almost unanimous support, the Senate went one better and gave him a vote of 290 to 0. Both houses then adjourned until May 31st, and as M. Daladier's plenary powers extend until July 31st, he should be safe for at least three months. His advent has been greeted with enthusiasm on the Bourse; both the franc and French securities have been in strong demand and prices have risen sharply. This was partly due to the new Government's success in settling the strikes that had been the cause of so much apprehension in M. Blum's last days. We recorded last week the settlement of the strike in the State aircraft factories, and this was quickly followed by a resumption of work in the great majority of the privately

owned factories as well. The improvement hitherto has been largely psychological, as the Government has not yet made any use of its plenary powers or even indicated in detail what it proposes to do. There have, indeed, been warning voices against the temptation to enjoy in inaction the temporary improvement in confidence, which has postponed the necessity for raising the limit of borrowings from the Bank of France. But the indications are that M. Daladier is using the breathing-space only for more mature consideration of the measures that will have to be taken.

It is not merely in France that M. Daladier has inspired confidence. The reaction to his advent in Germany, which greeted M. Blum with a pitying smile, has been both friendly and respectful, and both London and Rome have taken steps which indicate their conviction that France once more has a real Government. M. Daladier and M. Bonnet have been invited to London at the end of the month to strengthen the personal contacts between the French and British Governments and to concert the foreign policies of the two allied Governments. As for Rome, the French suggestion that the time had come to heal the differences between France and Italy has been accepted with alacrity by Count Ciano and negotiations are to begin at once. They will presumably follow lines parallel to those that have produced the Anglo-Italian Agreement, though it may be supposed that the French anxieties on the subject of Spain will be far sharper than Mr Chamberlain's. The French cannot afford to forget that, even if the Italians now in Spain are eventually evacuated, nothing has been done to get rid of the Germans, who have made themselves both more useful and less obnoxious to the Spaniards than the more numerous Italians. But since Britain has decided to make an agreement with Italy and to recognise the conquest of Abyssinia, France has nothing to gain by standing out. On the contrary, there is much to be gained if France and England can contrive to keep in step in their diplomacy.

Mexican Oil.—Since the Mexican Government returned their *non possumus* to the British Government's demand that the oil companies should be reinstated in their properties, there has been no further news of diplomatic action. The position, obviously, cannot remain in its present state, with Great Britain standing on her dignity while Mexico sits on the oilfields. But what the next move will be is not clear; for the British and United States Governments, unfortunately, are not at one in their demands on Mexico. Britain demands the oil, the whole oil, and nothing but the oil, while the United States would be satisfied with an equivalent financial consideration, of as yet undefined dimensions. The Mexican Chamber of Deputies has now approved an issue of internal bonds, to the extent of 100,000,000 pesos. Meanwhile, a British financier is rumoured, in Mexico City, to have secured a contract for the purchase of 15,000,000 barrels of Mexican petroleum. The logical policy for the British Government should be to refuse to recognise the validity of any transaction arising out of such an arrangement, having regard both to the Government's expressed policy and to the interests of British investors the world over.

Czechoslovakia's Fight for Peace.—A timely and courageous stroke for peace was struck by President Benes on Easter Saturday. He proclaimed an amnesty—which is to include the discontinuance of prosecutions under the Czechoslovakian Defence of the Realm Act—for all political offences other than military treason; and even sentences for this offence may be subject to reconsideration in special cases. The number of the beneficiaries is announced as 1,235 Germans, 485 Magyars, 187 Ruthenes, 30 Poles, as well as 930 Czechs and Slovaks. The number of persons serving sentences or awaiting trial on charges of military treason is stated to be 1,320. To these the amnesty does not apply, but they may petition for a revision of their sentences or for abandonment of the

case against them. These figures will not be surprising to observers who have been following Czechoslovakia's domestic affairs closely; an act of clemency was due on grounds of humanity as well as political expediency. But Czechoslovakia may justly claim that her police-work will bear comparison with that of most of her neighbours, and that her President has had the courage and vision to take the initiative in a policy of liberality and mercy which might be followed with advantage all over Central and Eastern Europe from Hamburg to the Urals. Equally notable was the speech which the President delivered on the same day, in the Chamber of Deputies at Prague, on the occasion of the annual ceremony of the proclamation of an Easter Peace Week. Dr Benes declared that Czechoslovakia was determined to avoid anything that might increase the tension between the Great Powers. She believed especially in an understanding with Germany in the spirit of the latest assurances that had been given by the German Government. The President went on to express his wish that all questions at issue affecting the nationalities in the Republic, and in particular the question between Czechs and Germans, should be discussed objectively and amicably in an endeavour to arrive at a compromise acceptable to both parties. He repeated the assurance that Czechoslovakia did not intend to join any ideological front, and the warning that she would resist any attempt to force her into one. He added that it was clear that any conflict arising out of a local quarrel in Europe would inevitably become general. If all the statesmen of Europe were as statesmanlike, the rest of us might sleep easier.

A Plot Foiled in Roumania.—At long last the Roumanian Government has taken stringent measures against the notorious Fascist organisation, the Iron Guard—and has done so, moreover, in circumstances of European significance. At the time of the formation of the first Cabinet under the Patriarch and the creation of the new royal dictatorship in Roumania, M. Codreanu, the leader of the Iron Guard, sought refuge in Italy, where he announced his intention of retiring from politics. Since then, however, a second Patriarchal Government has been formed, whose anti-Fascist tendencies, both in domestic and in foreign politics, are thoroughly distasteful to M. Codreanu and his external abettors. Shortly before Easter, he returned to Roumania from Italy, well supplied with arms and money, and, according to the Roumanian Government's announcement, plotted a *coup d'état* which was to set up in Bucharest a regime that could be relied upon to make Roumanian oil available to the hungry military powers of the Rome-Berlin axis. The plot, however, was discovered, the ringleaders were seized and are to be put on trial, M. Codreanu among them. Thus one more proof is provided of the fact that Roumania, under King Carol's leadership, is now firmly set upon a course which, while hardly democratic, is certainly more firmly opposed to the diplomacy of Rome and Berlin than at any time since M. Titulescu left office. The peaceful penetration of South-East Europe is not going to be so easy for the new masters of Vienna as has sometimes been supposed. The domestic implications of the affair are no less satisfactory. No post-war private army in any country has a blacker record of lawless violence than the Iron Guard (one of the discoveries of the last few days has been proof of M. Codreanu's implication in the murder of the Liberal Premier Duca in 1934). The Iron Guard has derived its strength from the dissatisfaction of the new intellectual proletariat that is being turned out by the post-war secondary schools and universities of Greater Roumania. In pre-war Hungary, no doubt, the Roumanian part of the population was starved of higher educational facilities, and a redressing of the balance was overdue. But that is no excuse for the gross intolerance of more educated minorities, especially of the Jews, which the Iron Guard has preached, on no better ground than that they still occupy a large place in the commercial and professional life of the country. Racial hatred is poisoning life throughout Central Europe, and the Iron Guard, in its smaller sphere, is as much responsible as the Nazi Party in its larger. It will not be mourned.

Road Wages Bill.—The text of the Government's eagerly awaited Bill to regulate the remuneration of workers on motor goods vehicles has been made public. Ever since the licensing of goods vehicles was determined by the Road and Rail Traffic Act of 1933, there has been an obligation upon licensees under statute to pay reasonably high and uniform wages and to provide reasonably good working conditions. For reasons examined in a leading article in *The Economist* on April 2nd (page 17) attempts to establish effective standards of remuneration through a joint Conciliation Board representative of employers and workers have largely failed. The Baillie Committee reported last year that the enforcement by Ministerial Order of agreed decisions relating to wages and conditions was desirable. In March of this year a strike was threatened on the temporary breakdown of the existing voluntary conciliation machinery. The new Bill follows the Baillie Committee's recommendations. A Central Wages Board, representative of operators and men, will be set up for Great Britain, with Area Boards for Scotland and the ten Traffic Areas of England and Wales. The Board's proposals will be submitted to the Minister of Transport, who will be empowered to give effect to them by Order. This scheme follows closely the proposals recently made for retail trade by a Committee set up under the *aegis* of the Ministry of Labour, and is symptomatic of the current movement to apply established Trade Board methods to large and relatively unorganised industries. This system of Boards will apply only to the employees of public and limited carriers (holders of A and B licences). The employees of private carriers, using vehicles in connection with their own business, were excluded from the 1933 Act, though such operators number nearly three-quarters of all carriers. Under the new Bill these workers may appeal to the Minister for improved wages. The Minister may refer the complaint to the Industrial Court, which will decide the appeal according to existing collective agreements if the employer and/or the workers concerned are so covered or, if not, according to trade union agreements or Industrial Court decisions regarding remuneration payable for similar work. No new principle is introduced by this measure, but it reflects a desirable trend towards making effective collective agreements and uniform standards in the great disparate industries. Retail distribution is ripe for similar action.

Wars East and West.—Both in Spain and in China weight of metal is telling against mere human devotion. General Franco, aided by the artillery and the aircraft of his abettors, has reached the Mediterranean. Government Spain was cut in two on Good Friday, when the insurgents occupied the coast town of Viñaroz, immediately to the south of the mouth of the Ebro. Since then, Government attempts to dislodge them have failed, and General Franco is now in occupation of almost thirty miles of the coast. That this gives him a decisive advantage is

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all too clear. But if he expected his arrival at the sea to produce instant collapse in the Government ranks he has been disappointed. Barcelona and Madrid, now cut off from one another, are showing equal determination. The Government have remained in Barcelona, while General Miaja is in civil and military command of what is now known as Central Spain. In both regions the resistance is being intensified and solidarity between the different squabbling factions is being achieved. It will take something approaching a miracle for the Spanish Government to be saved. But they are going about their work as if they were confident of the miracle's arrival.

* * *

In China the main battle is raging in southern Shantung. This is the region in which the Chinese have successfully held off the Japanese attack for two months, and have latterly inflicted severe reverses on the invaders. The Japanese have now brought up heavy reinforcements, and are smashing their way through to their objective, which is the Lunghai Railway. The Chinese, however, are very far from defeated, even in this single battle of what is clearly going to be a long-drawn war. They are showing themselves increasingly resourceful in waging guerilla war behind the Japanese lines, and they are also showing an ability to take advantage of the Japanese concentration on the Shantung front by attacking some of the weakened outposts of the wide Japanese invasion. China should borrow not merely her tactics but her grand strategy from Parthia. She is doing so very successfully, and in a very true sense even a Chinese retreat is a victory for China, if the Japanese can be forced to achieve it only at the cost of precious weeks lost and precious troops drawn from the garrisons of Japan and Manchuria.

Overseas Correspondence

From Our Special Correspondents

United States

A Needless Defeat

WASHINGTON, April 13.—Unless President Roosevelt finds his political touch, the United States faces two years and eight months of steady decline. This is the remaining period of the President's second term. From his point of view, it is his final opportunity to complete the New Deal, and to consolidate the control of New Dealers in the Democratic Party. From the country's point of view, his most important duty is to combat the new business depression.

The defeat of the President over the Reorganisation of Government Bill was a needless ignominy. If the Bill had been passed, it would have contributed next to nothing to the President's chief objectives. He could have withdrawn it at the first rumblings of revolt without losing face. It became a major issue only by becoming a question of confidence. This the President and his party leaders in the House chose to make it.

So the defeat produced the first successful anti-Roosevelt coalition in Congress. And there the coalition stands, waiting to do battle over the remainder of the President's programme. If it functions, the New Deal will not be completed, and Mr Roosevelt will not dominate the next election and help put his successor into office. And necessary steps to combat the depression may not be taken.

There is no comparison between this defeat and the failure last year of the Bill to enlarge the Supreme Court. However distasteful the thought may be to most Americans, the President's attack on the Court was logical and strategically sound. The New Deal represents a shift of political and economic power in America, and the Supreme Court stood athwart the change.

But the Reorganisation Bill was not fundamental. True, the executive branch of the Government is hopelessly

Italy and the Suez Canal.—Italy's interest in the Suez Canal, which has played a part in the recent discussions at Rome, has a financial as well as a political bearing. During the Abyssinian campaign Italy paid in dues from 100,000 to 200,000 gold francs for every vessel carrying war materials which proceeded through the Canal. From June 25 to December 25, 1935, the total payment for the passage of her transports was nearly £1½ millions. After the war, the number of Italian merchant ships passing through the Canal increased considerably. According to Italian statistics, the total (in both directions) increased from 891 in 1934 to 1,987 in 1935, the net tonnage from 3.7 to 7.8 million tons, the total cargoes from 0.7 to 1.8 million tons and the number of passengers from 23,000 to 126,000. In 1937, it may be estimated that Italy paid, in foreign currency, the equivalent of about 300 million lire in Canal charges for "peace-time" traffic in connection with the colonisation of Abyssinia. Adding payments for purely military traffic, and for the transport of Italian passengers and materials in foreign ships, the 1937 total may have been as high as 500 million lire. British traffic still holds first place in the list of Canal users, but Italy has already replaced Germany for second place. Though Italians may regard that fact as strengthening their claim for a share in the administration of the Canal, it can scarcely be a sound argument for the expectation of a substantial reduction in the scale of charges. Alternatively, Italy might find some compensation for her payments if she were in a position to acquire a fair holding of Suez Canal shares. But their acquisition would be anything but easy. Meanwhile, the Anglo-Italian Agreement, signed on April 16th, has reaffirmed the Convention of 1888, guaranteeing the free use of the Canal to all Powers at all times.

cumbersome and inefficient. The hundred and thirty Government agencies overlap, and the White House itself is understaffed, so that some of the finest recruits in the Government have had their hearts broken under the New Deal, waiting for decisions on administrative measures, decisions which only the President could give, and which he did not have time to give. Part of the fault has been the President's enjoyment of power and his reluctance to delegate it. But most of the trouble has been a poor administrative structure.

There were features in the Reorganisation Bill which needed debate and modification. Congress was right to examine the change from the system of the Comptroller-General to the post-audit in Government expenditure, though it probably would have agreed to the theory of the proposed system, if carefully applied. Congress was also entitled to ask for the power of veto over changes by a majority vote, instead of by the two-thirds majority called for by the original Bill. It might have strengthened the Civil Service section of the Bill—though that would be expecting a loftiness of civic virtue new to an American Congress.

The President Loses Touch

The President's loss of political touch was shown in his fighting for the Bill at all. Probably he was taken aback by the resistance the proposals aroused. And he was misled by his victory in the Senate. There he had a margin of six votes. Heretofore the House has not revolted, and the President must have thought that his troubles were over when the stubborn Senate passed the Bill.

The loss of political touch has been shown, too, in the whole timing of the President's actions during past weeks. The new spending programme, which he now feels is needed to arrest the business decline, might just as well have been decided upon a fortnight earlier. If it had been, the country would have felt that the Roosevelt of old was again at the helm, and Congress would have sensed his leadership.

It rebelled against him, partly because he was doing nothing to cope with the depression, and partly because, in a moment of great national anxiety, he seemed to be without a policy.

It may be unjust to blame the President for not deciding to spend sooner than he did. He had been told by some of his economists that March would see the upward turning of the business curve, and he had been won over to Secretary Morgenthau's fervour for a balanced Budget. It may have been sensible to wait to see what the March index would reveal before abandoning all hopes for the Budget.

But if it was sensible, it was also poor political intuition. It must be that the President did not know how much he had lost ground with the vocal section of the public and with his own followers in the House, due in the main to the depression. He did not foresee that 400,000 telegrams would descend on Congress demanding the defeat of the Reorganisation Bill, all motivated by the same reason, the fear of him and the new importance he was giving his office.

The Opposition's Future

It is too soon to say that the new House coalition will survive its birth and grow in power and influence. The President can decide that possibility for himself. If he chooses to fight the coalition, then the great overhaul of American politics will have begun, and the effort will be made to unite Conservatives of both parties against the New Dealers in both parties.

Then the next election would see a coalition of Republicans and Conservative Democrats lined up against a coalition of progressive Democrats (for want of a better name), progressive Republicans and the Committee for the Industrial Organisation wing of Labour. If the country were still in a depression, the Rooseveltians would be sure to lose. If recovery should be under way, the outcome looks now like a toss-up.

But the President has not yet chosen to fight, and he may take his defeat in the House as a warning, not as the end of his leadership in Congress. He may now be ready to compromise with the utilities, for one thing, and give his blessing to the deletion of the taxes on capital gains and surplus profits. In other words, he may revert to the practice of his first term, when he was quick to retreat and take half-measures, as long as the general direction remained forward.

In his second term Roosevelt has been a fighter, whose chief fights have gone against him. If he stops fighting he will be able to get his spending programme through Congress at a price—principally concessions to business—and that will be the end, for the present, of the coalition.

Government Spending

NEW YORK, April 12.—For the past week the Press has been so pre-occupied with the spending programme that it has given comparatively little attention to the Senate's revision of the Tax Bill. The proposals of the so-called spending programme include the usual relief appropriation (\$1,250 millions), an authorisation (passed and signed) to lend \$1,500 millions to business enterprises, and a proposal to lend \$1,500 millions to states and municipalities, for 50 years without interest. In addition, there are the usual agricultural subsidies, and the naval programme.

Government spending programmes are usually advocated on the ground that they are necessary because of a stoppage or reduction in the required flow of capital into the normal channels of private or corporate enterprise. That such a stoppage exists in our economy is patent, and the Tax Bill just passed by the Senate is intended to open channels of individual and corporate investment. Tax bills, of course, originate in the House; and the so-called Senate Bill is a radically amended version of a Bill already passed by the House. Both bills are now in conference, and it is likely that the form adopted by the conference will be passed by both Chambers.

Three features of the Senate Bill deserve special attention. First, the Undistributed Profits Tax (on Corporations) is replaced by a straight 18 per cent. tax. In the House version the "principle" of the Undistributed Profits Tax was retained by providing a sliding scale from 16 per cent. to 20 per cent. In either form, the distinctly punitive features of the existing tax would be repealed. This tax has been unpopular, partly because of the fact that its imposition immediately preceded the depression, and so became associated with it; but specifically because it constituted a disproportionate burden on corporations weakened by the depression, heavily indebted, or with characteristically irregular earning power.

Secondly, the Senate Bill provides a maximum capital gains tax of 15 per cent. on property held over 18 months, replacing the present sliding scale, which for persons in the

upper surtaxes, averaged much higher. Thirdly, the Senate Bill provides that tax exemption should be withheld from Treasury securities to be issued in the future. This provision was introduced at the last minute, just before the Bill was passed by the Senate.

Tax Exemption

Under the present system, incomes from Treasury bonds owned by individuals are (with minor exceptions) liable to full income tax; but the 3-5 years notes (about half the public debt), and bills, are fully tax-exempt; as is also the income from obligations of states and their political subdivisions. When the surtaxes were relatively low, and the public debt small and shrinking, the tax-exemption feature of these Treasury securities made little difference. With each rise in the surtaxes in recent years, tax-exemption has commanded a proportionately higher premium; with the result that capitalists in the higher income grades were encouraged to liquidate their taxable securities and concentrate their holdings in securities exempt from taxation.

The markets tended to equate the differences, so that one might imagine that what the Treasury lost in revenue, it made up in the cheapness with which it could borrow. The important consequence was that it "compartmented" the capital market, and exerted a considerable influence upon the canalisation of capital.

Capital Gains

The capital gains tax has had a varied history. In the twenties, capital gains were considered as income, and capital losses were deducted from taxed income. This was modified, and, in its present form, capital gains are counted as income, but capital losses are deductible from other income (except capital gains) only to a maximum of \$2,000. However, income from capital gains is computed on a sliding scale which gives alleviation in the case of the realisation of assets held more than one year. The Senate Bill in effect puts capital gains in a separate category of income, permits the carrying forward of capital losses for one year as an offset for capital gains in the ensuing year, and imposes a maximum tax of 15 per cent. on capital gains derived from the sale of property held for more than 18 months; sales in under 18 months are subject to full income tax.

Combined with the availability of tax-exempt securities, the capital gains tax had proved to be a powerful force in discouraging large capitalists from investment in private enterprise. That is, entrepreneurial undertakings could offer no attraction competitive with the tax-exempt security. Even complete non-investment became relatively attractive. Nor was the capital gains tax successful in producing revenue; for the higher taxes were applied against a much shrunken aggregate of taxable capital gains, as reported in the Statistics of Income.

The Senate Bill is therefore supported by solid statistical argument. What the Treasury gained from lower rates it lost by tax-exemption; the capital gains tax had passed the point of diminishing returns; and the net effect was to divert capital from enterprise, thus creating the unemployment which called for the deficit to be financed by higher taxes and by tax-exempt Treasury securities, and so on in a vicious circle. Opinion generally rates the Bill as a constructive measure of the first importance; and of more potential influence than the glamorous spending programme.

Building Revival

Business activity in the first half of April has not differed materially from the flatness of the preceding four months. Concrete evidences of recovery are few and inconclusive, and commonly matched by data or observation of continued degeneration in other forms of business.

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There is, however, one conspicuous exception. Building in March appears to have shown signs of revival. Reports from Washington indicate a lively and widespread interest in the new Federal mortgage plans; and, for some types of building, costs are said to be substantially lower than the prohibitive levels of a year ago.

One development of particular interest has recently been announced in New York City. Formerly, life insurance companies in New York State were not permitted to operate real estate, except that acquired under foreclosure. Recent State legislation gives a general authorisation, and one insurance company has assembled a tract of 120 acres, on which it intends to erect flats for about 18,000 families, at an estimated cost of about \$35 millions.

France

Temporary Unity

PARIS, April 21.—The Socialists refused plenary powers to M. Chautemps and the Radicals to M. Blum. But, this time, even the Communists voted for M. Daladier, who was supported by M. Reynaud and M. Mandel, advocates of the Franco-Russian pact and of a Government of union with the Communists. The Socialists then followed suit. They voted for a policy of union in the place of a Government of union.

Moreover, the Moderates agreed to a programme which entails inflation, but only as a preliminary to the issue of a loan for national defence, instead of the systematic inflation, accompanied by exchange control and a capital levy, proposed by M. Blum. The Government's success so far, with such mixed support, is far from representing real unanimity in the Chamber. And confusion is great among the Left groups.

It is notable that, after some doubts, public opinion now seems much impressed by the *détentes* at home and abroad. The country is tired of internal conflicts, and at last realises the need to bar the incursions of the "hereditary enemy." Moreover, the British Prime Minister's double policy of treating with Italy while consolidating Britain's military accord with France, and the coming visit of the British Sovereigns to Paris, have been contributory factors of first importance in this change of atmosphere.

France now has a Government which should last until the autumn. Meanwhile, it will enter into negotiations with Rome. It holds 10,000 million francs of advances from the Bank of France and has plenary powers until May 31st, which should enable it to take measures favourable to the success of a large loan—probably for 15,000 million francs—and to a revival of business activity. Even though the economic recession abroad and the size of the French deficits do not justify the hope of a complete recovery, there is no doubt that a series of wise decisions should obtain practical results of no mean importance. Moreover, the demonstration that the way of autarky and nationalisation is barred, the end of the unpopular strike in metallurgy and the initiation of conversations with Rome have had an immediately favourable reaction on the exchange market, on the money market, on the public funds and on industrials (which have registered a rise of 20 to 25 per cent. in four days).

Breakers Ahead

The Treasury is partially insured against the requirements of 1938, amounting possibly to 35,000 million francs, by the Bank's advances of 10,000 million francs and the prospect of 15,000 million francs raised by a loan. The main task of M.

Daladier's Government is now to bring about a revival of economic activity. The real danger is that the new francs put into circulation will cause a fresh rise in prices and a further slump in the franc.

The desired increase in production is rendered more difficult by economic troubles abroad and by the forty-hour week, which is still staunchly upheld by the Left. And M. Marchandau will have to resolve the difficult problem of increasing production by an alleviation of the tax burden, while at the same time restoring confidence by more nearly balancing the Budget though increasing certain taxes or Customs duties.

In social policy, the Government must draft and pass a new law relating to strikes. In financial policy, the agreement with the Bank of France to increase the limit of its advances by 10,000 million francs must be carried out, together with the preparation of the loan for national defence. In foreign policy, the consequences of the preliminary negotiations with Rome will be eagerly awaited.

Production and Prices

The Statistique Générale has just published its monthly figures showing industrial production in France:—

	(1928=100)			
	Feb., 1937	Dec., 1937	Jan., 1938	Feb., 1938
General index	92	91	87	85
Mines	89	99	89	91
Chemical industries...	107	107	105	102
Paper	198	183	166	163
Textiles	89	91	83	82
Leather	83	70	69	69
Iron and steel	83	87	83	79
Engineering	89	92	89	87
Automobile	95	87	90	92
Building	80	58	58	58
Gas and electricity ...	120	130	131	130
Miscellaneous	112	112	107	104
Old general index (1913=100)	103	102	98	96

The figures for the cotton industry were as follows:—

	Nov., 1937	Dec., 1937	Jan., 1938	Feb., 1938
Spinning (average per spindle in kilograms):—				
Production	2,071	2,210	1,914	1,811
Deliveries	1,999	2,124	1,780	1,729
Stocks	1,813	1,938	2,079	2,074
Unfulfilled orders	6,198	5,810	5,900	5,797
Weaving (average per loom in pieces of 100 metres):—				
Production	4.91	5.31	4.67	4.48
Deliveries	4.67	5.35	4.37	4.16
Stocks	7.32	7.67	8.32	8.31
Unfulfilled orders	16.62	15.72	16.11	16.10

Unemployment on April 9th was 395,335, against 398,254 in the preceding week and 381,855 a year ago. Prices have moved slightly upwards:—

	March, 1937	Jan., 1938	Feb., 1938	March, 1938
Prices				
Wholesale prices (1914=100)				
General index	536	612	613	617
Domestic products	553	653	656	654
Imported products	506	537	538	552
Foodstuffs	518	620	624	613
Industrial products	552	605	605	622
Retail prices (1914=100) ...	576	691	692	690
Lighting & heating (1930=100) {	93.8	115.6	116.0	116.4
Clothing... }	87.7	100.0	100.0	100.0

The number of bankruptcies in March was 417, against 370 in February and 421 in January.

Germany

Italy and Austria

BERLIN, April 20.—Judged by Press (which means official) comments, the Anglo-Italian agreement has caused no apprehension in authoritative circles. Probably much time will pass before the consequences for the Berlin-Rome Axis, if there are to be any, will be visible. The agreement may possibly be sincerely welcomed as an introduction to an Anglo-German deal, from which the Reich, as the only complainant, would probably be the only beneficiary.

Austrian economic questions have fallen into the background, or been obscured by the vast unceasing public

demonstrations, which swallow much time, money and materials, and are monotonous, unanimity being, if sometimes virtuous, always tiresome. The economic frontier is gradually disappearing. Germans may now visit Austria and take with them what money they will. Austria's import duty on agricultural machinery has been removed, in order to facilitate the mechanisation of farming.

The veto on the establishment in or transfer to Austria of business undertakings by citizens or companies of the old Reich (or by foreigners) has been embodied in an Austrian State Law, which holds good, however, only until October 1st. The Reich taxation system is inevitably being extended to Austria. Already the two fiscal systems and the method of distributing tax revenue between Central and local governments are similar. Austria, like the Reich, has income, corporation-income, property and turnover taxes, and stamp duties, all of which, together with customs, are Federal, while the real estate taxes of various kinds, including increment tax, certain taxes on consumption (including electrical and motor-vehicle taxes) are provincial or municipal.

Part of the Federal revenue goes to local Treasuries. The highest rate of income tax in Austria (for individuals) is 45 against the German 50 per cent. The corporation income tax in Austria is 25 per cent. of the taxable net profit, and in the Reich 30, and until recently 20, per cent. The German turnover tax, being easy to introduce, will replace the Austrian on May 1st.

Austria has no flight tax. The introduction of the Reich flight tax, which is 25 per cent. of the property of persons going abroad for good, has been already decreed.

The Reich Unemployment Board states that the 400,000 Austrian unemployed do not constitute a reserve from which the general labour deficiency can be met. These will be needed for local reconstruction. "We cannot allow," says the President of the Board, "Austrian agricultural labourers to leave the countryside in order to take industrial employment."

It is noted here that Italian journals predict that the port of Trieste will lose from Austria's accession to the Reich. This is contrary to early German comments; but the Italians adduce certain convincing reasons for their view. A minor reason is that nearly all Austrian traders or agents who use Trieste are Jews.

In the Reich, the exclusion of Jews from all kinds of gainful occupation is going on rapidly, in particular among the so-called "private banks," which until recently numbered about 1,000, the most substantial being Jewish. There is no law compelling Jews to surrender their banks, but official and officially dictated pressure is irresistible.

Good Reports of Agriculture and Industry

The official crop report for April 1st is satisfactory, all cereal and fodder crops being better than in April, 1937. The area under maize this year will be about doubled, and will then be nearly seventy-fold that of 1932. The area under maize, "Turkish wheat" as it was first called, was considerable in the nineteenth century, but this cereal was driven out by potatoes and sugar-beet. The results since the revival have been good. The import of wheat in the first quarter year was 282,400 tons, valued at Rm. 38,720,000, and there was a substantial import of oats and barley.

Retail turnover in January-February was 8 per cent. higher than in the same months of 1937. The Ministry of Justice, discussing prison labour in industry, states that of 115,000 prisoners, 85,000 are already at work, some 17,000 on land amelioration and water regulation, and 3,000 in building and metal industries. The occupation of all these is permanent. The remaining 34,000 must be put to work at their special trades if they have any.

Railway-wagon loadings in February were 3.4 per cent. higher than in February, 1937, and were the highest since 1929. Pig-iron output in March was 1,521,500 tons; and in the first quarter 4,307,900 tons, against 3,786,800 in the same quarter of 1937. Coming after a period of stagnation at a very high level, this increase is considerable. The Reich-owned Vereinigte Aluminium-Werke A.G. reports production since the autumn of 1937 at the rate of 100,000 tons a year, which is tenfold the production of 1933.

The electro-technical industry is working at its full effective capacity, though some shortage of certain materials and of labour prevails. The cutlery trades are doing well, and are replacing silver and nickel with rustless steel and light metals. An attempt is being made to restrict the term "Solingen cutlery" to quality wares.

The Reich Ministry of Economy has taken over exchange control from the Board hitherto in charge. In the main, this is merely an organisational change. Owing to Reich loan marketing, which began yesterday, the demand for money is

considerable. The official *Volkische Beobachter* implies that the Reich Debt will continue to increase, by less, however, than the private capital-creation expected. Savings deposits in the savings banks in March totalled Rm. 16,546 millions, against Rm. 14,838 millions in March, 1937.

Holland

Higher Taxation

AMSTERDAM, April 9.—The political disturbances of the past month have inevitably been of great influence on financial and economic affairs in Holland. The unsettled conditions dominated events on the local stock exchanges, and security values fell appreciably. The reluctance to trade was more widespread than ever, and even first-class investment material, such as State loans and leading local securities, declined substantially. Several conversion loans had to be withdrawn in view of the political tension.

The Prime Minister, Dr Colijn, broadcast a reassuring message to the nation, making it clear that the Government were fully mindful of their responsibility to provide for any eventuality. The strengthening of the national defences calls for additional revenue and new and increased taxation. It is estimated that the proposed increases in income and dividend taxes will provide over 10 million guilders in extra revenue.

Opinion is practically unanimous about the need to augment defences, and the increased tax burden will not presumably encounter any very serious opposition—although, in the Second Chamber, the alternatives of a capital levy or a large-scale National Defence Loan at a low rate of interest have been advocated. Voluntary contributions towards the cost of our means of defence are already reaching the Defence Department in large numbers.

Foreign Trade below 1937 Level

Increased taxation would be the easier to meet if national economic recovery had not come practically to a standstill, giving place, in some cases, to a slight recession. The foreign trade returns for March show a decline compared with March, 1937, as the following table, compiled by the Central Bureau of Statistics, shows:—

VALUE OF TRADE (Excluding gold and silver: in millions of guilders)					
	IMPORTS			EXPORTS	
	1936	1937	1938	1936	1937
January	79	106	119	50	73
February ...	74	105	118	50	79
March	79	125	120	55	95
April	81	142		57	101
May	76	128		53	90
June	77	140		53	95
July	80	146		60	102
August	82	123		63	99
September...	82	130		72	113
October	92	149		75	106
November...	101	130		77	98
December...	114	128		80	98
Total	1,017	1,552		745	1,148

The value of imports from Great Britain fell from 30 million guilders in January-March, 1937, to 27 millions in the corresponding quarter of this year, while the value of exports to Great Britain in the first quarter rose from 50 million guilders to 56 millions.

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Unemployment Again Serious

Simultaneously with these indications of declining prosperity, the problem of unemployment is again coming to the fore. After the depreciation of the guilder in September, 1936, a gradual decline in unemployment set in. The returns for 1937 up to September showed about 60,000 fewer unemployed persons than in 1936. Since then, however, the improvement compared with the previous year has gradually shrunk, and in February, 1938, the total number of unemployed, at 420,700, was only 19,000 fewer than twelve months before. Actually, unemployment is now at about the same level as in 1935; and apprehension lest unemployment should exceed the 1937 level in the course of the current year is a source of great anxiety to the Government.

On the foreign exchange market, the temporary pressure on the guilder brought about by the political disturbances has abated. Since the middle of March, the influx of gold has come to a standstill; and the Equalisation Fund has been able to cease its purchases of sterling.

The annual company reports for 1937 are now being issued. They continue to show that many companies booked larger profits and are distributing higher dividends; and the view is confirmed that 1937 was a favourable year for many branches of commerce and industry in the Netherlands.

U.S.S.R.

New Economic Policy

MOSCOW, March 28.—With the most sensational of all the Soviet Union's treason trials completed, and the traitors "liquidated," the Kremlin has now begun a propaganda campaign to turn the patriotic energies of Communists from continued purging to more constructive economic effort. Under the leadership of M. Kaganovich, Commissar for Heavy Industry, who has had significantly little to do with the political purge, a series of national conferences have been held in nearly every industry to launch the newest New Economic Policy and to inaugurate the third Five-Year Plan.

Preparation of this plan was ordered last June, but it has not yet been published. Two of its chief authors, Valery Mezhlauk, former head of the State Planning Commission, and Ivan Kraval, former chief of the Central Statistical Department, are among the Soviet Union's "missing persons." They are believed to have been arrested, but there has been no mention of them, even in the long tale of treason told at the Rykov-Bukharin trial.

The recent conferences of factory directors and industrial managers have shown the new policy to which the third Five-Year Plan will now be shaped. It calls for a concentration on quality, costs and labour productivity instead of the quantity and speed indices with which Soviet success has until now been measured. "Cultured production" has become the nation's new slogan.

According to *Pravda*, the Communist party's official newspaper, "political vigilance now demands neat, careful 'cultured' working conditions; where work is clean, the stain of sabotage will be more quickly visible." There is ample evidence that not only political vigilance, but also economic necessity has dictated the change. Although even recession is too strong a word for it, Soviet industrial progress has struck a snag, and the few control figures for 1938 which have been published indicate that the Communists will try to overcome it by reducing speed, especially of new construction, and by concentrating on problems of organisation.

Industrial Growth Checked

How far this new policy has slowed up the rate of Soviet industrial growth in 1938 is shown by the following figures (in millions of tons):—

	1935	1936	1937 Plan	1938 Plan
Pig iron	12.49	14.40	16.1	16.28
Steel	12.59	16.40	20.1	20.2
Rolled metal	8.9	12.40	15.6	15.0
Coal	109.2	126.4	150.1	139.0
Cement	4.46	5.84	7.43	6.25

Production figures for 1937 have not yet been made public, except for a few commodities. In steel, it has been announced, production in 1937 amounted to 17,810,000 tons instead of the planned 20,100,000 tons. In rolled metal, 12,930,000 tons were produced, against the plan figure of 15,600,000 tons. Light industry has reported a production of 14,600 million roubles, some 11 per cent. more than the 1936 figure, but only 92 per cent. of the 1937 plan. The increase in 1938 has, accordingly, been planned at only 13 per cent., to make a total production in light industry during the year of 16,560 million roubles.

In spite of the statistical demoralisation caused by the purge, and the further confusion resulting from the transfer of important metallurgical units from the Heavy Industry Commissariat to the Red Army, it is possible to conclude that this picture of light industry holds good, with minor changes, for almost all Soviet industry. Production increased during 1937, but at a rate significantly slower than in preceding years or than called for by the plan. Whatever the reason for this, the Kremlin has apparently accepted the slower annual increment, at least for this year, and has determined to drive forward major reforms in socialist management, which have been long recognised as overdue.

One of the most important of these is a shift of emphasis inside the system of "Stakhanovism," the Soviet variant of labour rationalisation. Record-breaking coal-miners or weavers, fulfilling several hundred "norms" in a single day, have disappeared from news in the Press. "Stakhanovist brigades" or entire "Stakhanovist factories" have replaced them in official favour. The cyclical character of most modern industrial processes, which require even-paced co-ordination more than the "shock troop" spirit of the Civil War, has now been recognised by the Bolsheviks.

The new policy has begun to show results. On March 25th, for the first time in many years, each branch of the iron industry, from ore mining to rolling mills, reported fulfilment of its daily plan. Planned co-ordination, inside any factory or in Soviet industry as a whole, is still blocked most seriously by difficulties of transport and fuel supply, which continue to lag. Until these problems can be overcome the rise in labour productivity, which is the chief objective of the Bolshevik's new campaign, is likely to be slow.

China

The Balance of Payments

SHANGHAI, March 15.—The Chinese Government has decided to introduce a system requiring applications for allotments of foreign exchange. This decision brings China into line with many other countries, including Japan, that have found it necessary to ensure by such methods the maintenance of an even balance of international payments. Independent observers have expressed considerable surprise that China has been able to maintain exchange stability for so long, while her coast line has been blockaded by the Japanese navy, her revenue and administrative services disorganised by invasion, and her territory laid waste by military operations.

Fortunately for China, when hostilities with Japan began, in July of last year, there had already been a noticeable improvement in economic conditions, and the currency was supported by considerable reserves of foreign currencies and large holdings of silver. Danger and uncertainty in and around the large ports of Shanghai and Tientsin resulted in a substantial decrease in commercial imports from abroad during the second half of last year, and the demand for foreign currency was reduced. At the same time, efforts were made to maintain the flow of exports by diverting goods through the ports of South China. Invisible exports were augmented by an inflow of patriotic and philanthropic contributions from abroad. Thus, until now, the rate of exchange has been maintained with little to indicate any appreciable strain on currency reserves.

Exchange Control

It is largely because of the formation in Peiping of the Japanese-controlled Federal Reserve Bank of China that the new measures of exchange control have been so suddenly introduced. Already there are signs that the Japanese wish to bring North China into the Japan-Manchukuo yen bloc, and they are exerting pressure to establish the yen in general circulation in the North on a par with the Chinese dollar. There was good reason to fear that supplies of the notes of the three Chinese Government Banks might be shipped by the Japanese to Shanghai and used to obtain foreign currency. The National Government objects to assisting Japan to finance her military operations against China at the latter's expense, and the new exchange restrictions are the result.

The efforts made in recent years to unify the national currency will now have to be abandoned, and remittances between the parts of North China under Japanese control and the rest of the country may become increasingly difficult. It is reported that restrictions on the supply of foreign currency are already in operation in North China, making it almost impossible to purchase non-Japanese foreign goods on a large scale.

Shanghai is in a peculiar position. It is cut off from the

interior by an area under Japanese military occupation. The river Yantsze is still closed to commercial navigation, and neither by road nor by railway is it possible for Shanghai to carry on trade with the hinterland. The head offices of the Chinese Government Banks were transferred from Shanghai when the Japanese occupation of this area was completed, and, despite the importance of Shanghai as a financial centre, the detailed measures of monetary control have to be arranged with the authorities at Hankow via Hongkong.

It is, perhaps, not surprising that some criticism was aroused in foreign banking and commercial circles by the failure to arrange for applications from Shanghai for allotments of foreign exchange to be dealt with in Shanghai, and more frequently than once a week; but it is hoped that these difficulties will be solved, and that the spirit of co-operation between Chinese and foreign banks that has prevailed since China adopted a foreign exchange standard of currency in November, 1935, will survive this new test. A "gentlemen's agreement" on the one side to observe the spirit of the new regulations, and on the other, to avoid inquisitorial or bureaucratic formalities would be most helpful in present circumstances. The future of the Chinese dollar will depend on a number of considerations, such as the duration of the present hostilities, the extent and nature of the assistance China receives from abroad, and the policy Japan adopts in China.

Canada

Politics and European Alarms

OTTAWA, April 3.—The Federal Parliament, on the eve of its adjournment on April 8th, has very little to show for the two months since it reassembled. The Government has passed through the Commons its Bill to strengthen parliamentary control over the export of power. But the need for the measure has largely disappeared since the intimation of the Roosevelt Administration that it is opposed to the Ontario Government's plan to export its surplus power to private interests in the United States.

The Government and people have been following with anxious interest developments in Europe, and the King Ministry has been receiving regular communications from Downing Street. These have been in the nature of information and not consultation; and Mr King has explicitly stated that his Government has offered no opinion about the foreign policy pursued by the British Government. On the whole, to judge by Press comments, probably a majority of the Canadian people supports Mr Chamberlain's temporising policy towards the Fascist dictatorships. There is a general realisation that the emergence of the issue of participation in another European war would split Canada from end to end, and there has been a rapid growth of isolationist sentiment—in part, because Liberal elements, who would support the maintenance of a system of collective security, would not favour Canadian co-operation in any purely Imperialist war.

A recent Federal by-election in the East Edmonton division of Alberta resulted in a great disappointment for the Liberal Party which made a determined effort to wrest the seat from the Social Crediters. The Social Credit candidate won by an increased majority of over 2,000. Meanwhile, word comes from Alberta that the Aberhart Ministry, finding further progress with a plan of Social Credit impossible for the present, has worked out a drastic reorganisation of the economic life of the province on co-operative lines.

Downward Trend of Business

Winter is now in its final stages and, in the more southerly areas, farmers have begun to cultivate the land. Reports from the prairie country indicate that the supply of water is much better than it has been at this date for several years and, in some parts of the drought-stricken area of Saskatchewan, floods, which have been unknown there for nearly a decade, are causing inconvenience—but also rejoicing.

The downward trend of business persists, and the general index of economic activity, published by the Bureau of Statistics, stood at 109.1 in the week ended March 19th, against 115.2 a year ago. Data about three major components of the index are given below:—

Week ending	Car Loadings	Wholesale Prices	Bank Clearings	General Index
March 20, 1937 ...	80.5	85.2	127.1	115.2
" 5, 1938 ...	79.6	83.5	107.4	110.9
" 12, 1938 ...	76.9	83.2	95.8	109.7
" 19, 1938 ...	77.9	83.2	94.3	109.1

Both the level of business activity and wholesale prices are lower than they were a year ago. At the same time, Canadian business is holding its ground better than business

in the United States. Unfortunately, just when some encouraging influences, like the prospect of a better Western grain crop, were being counted upon, the outlook has been further darkened by developments in Europe. Leaders of business are now faced with disturbed conditions overseas which have led to some hesitancy in making heavy forward commitments ahead.

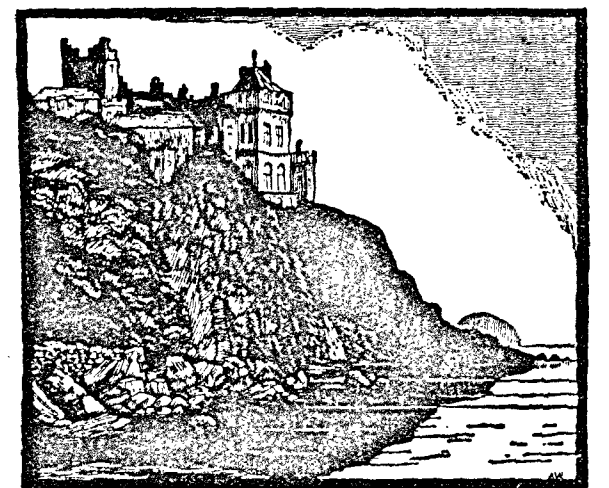
Fall in Exports

The intensification of the armaments race promises to help the export sales of metals for the manufacture of munitions, but the export trade in other products continues to decline. There was little encouragement in the trade returns for February. Exports were valued at \$60,981,203, compared with \$75,681,324 in February, 1937, and imports at \$46,951,619, compared with \$48,680,842.

The shrinkage in export trade reduces the purchasing power of large numbers of producers and creates unemployment. The latest employment bulletin of the Bureau of Statistics shows that, in February, nearly 25,000 people were struck off the payrolls of reporting firms, and the index of employment on March 1st was 107.8, compared with 110.4 on February 1st and 102.8 on March 1, 1937. There has been a fairly good sale for seasonable spring goods like lighter clothing, but, in other lines, merchants have only been able to sustain their volume of business by heavily advertised sales and by cutting profits.

While the heavy industries are estimated to have suffered a decline of 10 per cent. in their business in February compared with January, the lighter industries are not experiencing any such recession and, in some cases, have not reduced operations. The newsprint mills are still operating far below their capacity, and their output for February fell to 202,601 tons, compared with 275,532 tons in February, 1937.

The mining industry still flourishes and exports of copper, nickel and zinc in February were 327,727 cwts., 193,022 cwts. and 277,798 cwts., respectively, compared with 257,154 cwts., 159,312 cwts. and 142,429 cwts. in February, 1937. Hopes of improvement in the building industry have not been realised. The value of contracts in February was only \$6,551,000, compared with \$9,140,000 in January and \$8,728,000 in February, 1937.



A woodcut of Culzean Castle, Ayrshire, the property of the Marquis of Ailsa. One of the series of Famous Woodcuts published by W. D. & H. O. Wills.

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Letters to the Editor

The Trade Cycle

TO THE EDITOR OF THE ECONOMIST

SIR,—I have just seen Mr J. C. Gilbert's letter to you in this week's *Economist* (April 16th, page 142). I suggest he is mistaken in thinking that a committee of economists could determine the causation of trade cycles.

I think it is improbable that statistics will ever do more than systematise the symptoms of cycles. When this has been done we may be in a position to predict the future course of trade with moderate accuracy and still be very little nearer to the causes of what we are observing.

The movements of the sun and moon were known and the tides made use of before ever the law of gravity was formulated. Winter and summer were known by their signs before man knew the shape and movements of the earth.

A committee consisting of an astronomer, a meteorologist, a chemist, a physicist, a biologist, a psychologist, an historian, an economist and a professional philosopher may one day determine the causation of trade cycles; but any less wide inquiry than such a body might make must fail. As far as one can see, until we do know the causes of trade cycles, all attempts to reduce fluctuations are a matter of trial and error.

Yours faithfully,
C. M. B. RENSHAW.

Piccadilly,
London, W.1.

TO THE EDITOR OF THE ECONOMIST

SIR,—The interesting letter from Mr J. C. Gilbert on the need for a trade cycle policy emphasises the importance attached to the equation of investment to saving by the Austrian and the Keynes schools of thought, and suggests a reconciliation of their conflicting views. Each school, in envisaging either a too great or a too small production of capital goods, has common ground in the implied postulation of an inversely proportionate demand.

Neither view, however, makes it clear that the volume of world trade is determined more by actual purchasing power than by potential production. In our view a recession in trade is the result of a distortion of the international credit and currency structure, brought about by the unequal expansion of purchasing power in the various trading nations during the upward swing of the trade cycle. The distortion has the appearance of an excess of voluntary saving over investment or *vice versa*, according to the needs and resources of each nation.

The *pari passu* increase in purchasing power necessary for continued expansion of trade cannot take place under the present method of developing the raw materials of the world (e.g. tin, copper and rubber), whereby the whole profit of the enterprise, after the payment of wages and local expenses, reverts to a lender nation. During the last century the rapid growth of the population of Europe and America, and the

great increase in the standard of living thus made possible, counteracted the comparatively small increase in purchasing power elsewhere; and, further, foreign lending was more often financed through the medium of a fixed interest loan. Under present conditions, with these mitigating factors absent, one can only expect an intensification of the trade cycle which purely internal public works can do little to remedy.

If, however, a larger proportion of the revenue derived from the development of raw materials in a borrower country could be retained in that country, the inhabitants would be in a position to increase their purchases from the older industrial nations; and it would be possible during this century to raise the standard of living in these more remote countries to a level comparable with our own. In this way, any disproportion between investment and saving would be adjusted; a growing volume of trade in both directions would be maintained; and a higher level of prosperity would be established throughout the world.

Your obedient servants,
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Sea Power, Oil and Battleships

TO THE EDITOR OF THE ECONOMIST

SIR,—Your article on "Italy's Oil Supplies" (April 9th, page 77) shows how Italy is dependent on the sea for her oil. The answer to your very pertinent question "What will happen if war or any other international complication cuts off sea-borne supplies from the Italian refineries?" is that, in that case, Italy would quickly be beaten in war, as Germany was when once her cargoes of all kinds were stopped.

The statement that "Italy's petroleum supplies in wartime will depend on her political relations with the petroleum-producing countries" applies equally to England. We, like Italy, have practically no oil of our own, and, even with the command of the sea that we take for granted, we can only get oil by leave of the foreigners whose countries contain it.

Accordingly, when choosing between coal and oil for our Navy, strategic and, above all, political considerations are far more important than technical and engineering considerations, and therefore the Government must bear the responsibility for the grave threat to the unfettered use of our sea power caused by using a foreign fuel. It is for engineers to burn fuel, not to choose it. Many new merchant ships now burn coal in the modern way without any manhandling from the collier to the ash ejector; in fact, without stokers or shovels or coal dust or smoke.

The present obsession for foreign oil has put the British Navy in pawn to people like the Shah of Persia and the politicians of Mexico, and it is for the Government to redeem our Navy and to free England from the grip of the foreign oil octopus by reverting to the use of our own coal from under the feet of our own distressed miners for our own Navy. In *The Economist* there is no need to emphasise the beneficent revolution in our national economy that would be caused by using English fuel for our power in all spheres instead of foreign fuel.

Your Note, on the next page (page 78, April 9th), on "Larger Battleships," follows naturally on the article about Italy's oil. Because two ships can fire at one ship, but one ship cannot fire at two, two "half-Nelsons" with six 14-inch guns in each could beat one of our monster "Nelsons" with her nine 16-inch guns, and the two smaller ships together would cost less than the one monster they could beat. Both ships and guns should be comparatively small and many instead of huge and few. "Jumbomania" hails from America, and it is not for us to copy America in naval matters. Our battleships are far too big already.

For two-hemisphere strategy, which we may have to adopt, it is easier to divide up many smaller ships than a few huge ships; also smaller ships can dry-dock in many places, huge ships in a few places only. In short, what we need in battleships is many "half-Nelsons" driven by our own coal.

Yours faithfully,
GEOFFREY BOWLES.
25 Catherine Place,
London, S.W.1.

Books and Publications

Two Voices*

"THE transformation of the world," remarked Joseph Stalin to H. G. Wells, "is a great, complicated and painful process." Mr Strachey, no less than Stalin himself, is undeterred by the blood and tears of revolution. True, his Marxism is a pliant growth, shorn of many of the knots and gnarls which disfigure the parent tree. True, too, his exposition of Labour history in Britain is succinct and clear—even when he is hardly fair to the movement's Fabian fathers. But, for the future, he can see nothing but turbulent change. Socialism must be empirical; but all its *ad hoc* devices must lead to the root and branch transformation of society, which can only be done violently. Mr Strachey is not afraid.

Mr Voigt is afraid—afraid of the amoral brutality, the intolerant ruthlessness of the secular religions of Communism and National Socialism, whose arrogance threatens the spiritual values which are to him alone worth preserving in civilisation. Mr Strachey's Marxist masters teach him that the crash will come and the workers win with the inevitability of a scientific process. What he calls science, Mr Voigt, with a wealth of learned citation in a brilliant, circumstantial and thought-provoking book, seeks to expose as myth—potent to sway human masses in the mouths of demagogues, based on the reality of class as Nazism is on the reality of race, but myth none the less.

To Mr Voigt, Marx was "perhaps the greatest journalist who ever lived." "His wrath was a prophetic wrath; and his voice will never be silenced—by the booming, screeching voice of a Hitler, or by the prisons and concentration camps of Germany, Italy and Russia." Lenin was "incomparably the greatest strategist of the Great War," but what he and Stalin have done in Marx's name has left the truth at the heart of Marx's prophesying still unfulfilled.

Yet Mr Strachey would have us follow the path of "scientific" Socialism. His immediate objectives—"peace, democracy and the standard of life, the three vital bridge-heads held in Western Europe by the working class and their allies"—would appeal to Mr Voigt. But what are his methods? To rest Britain's future on the Marxian myth, to court violence as inevitable, and to create a New Model Party of secular Jesuits, "not tolerating within their ranks the co-existence of more than one ideology," and subject to "an omniscient centre disposing of the party members as of screws or cogs."

Mr Voigt cannot distinguish this creed and policy from the messianic and chiliastic gospel and programme of National Socialism. Personalities differ. Mussolini is "a kind of modern condottiere," Hitler first and last a revolutionary, a stage-manager, mystic, hysterical and unscrupulous. But, from Leningrad to Rome, they all believe in violence, and are aware of the popular power of myth. Mr Strachey's analysis of Labour policy, his plea for a Popular Front to protect peace and democracy with "sobriety, integrity, earnestness and calmness," and the lucid reasonableness of his latest model of shrewd, fluent exposition, all these are founded on common sense and disarming of criticism. But the stars to which he would hitch his wagon are composed of Mr Voigt's graphically painted hell-fire.

What then are we to do? Mr Strachey's Popular Front may, indeed, be made, but Mr Voigt's Pax Europica, which he would add to the Pax Britannica and the Pax Americana lest they in their turn should falter and fall, bringing down Mr Strachey's peace and democracy in the ruins, must be erected as well. Mr Voigt is not sure how to do this. Britain must be strong at heart to resist secular religions and dangerous myths; and strong on land and sea and in the air to resist the onward march of the greatest military power on earth. Her diplomacy must rest on the triangle of London,

* "What are We to Do?" By John Strachey. Gollancz. 286 pages. 7s. 6d. "Unto Caesar." By F. A. Voigt. Constable. 359 pages. 10s.

Washington and Geneva; and her greatest danger is not the Comintern, despite Mr Strachey's plausible menaces, but the Anti-Comintern pact. In the long run, however, peace is a problem of civilisation, not of diplomacy, and Mr Voigt can only hope for the best.

Shorter Notices

"The Forum." Independent South African Weekly. Volume I. Number 1. Maritime House, Loveday Street, Johannesburg. 6d.

The importance of South Africa in British history, in British trade and in the Commonwealth of Nations renders it wholly desirable that British people should know more about the Union and its people than is commonly the case. This new weekly, for the unsectarian and non-partisan expression of South Africa's views on national and world topics, will fill a wide and unworthy gap in the knowledge of world affairs possessed by most of us. The first number of *The Forum*, ranging widely, shrewdly and informatively over the continents from a South African base, augurs well for its future. It is well presented and well written, and should amply fulfil its purpose.

"Hungarian Expert, 1938." Annually by the Hungarian Economy, Budapest. Obtainable from E. Hajos, 8 Devonshire Terrace, London, W.2. 2s. 6d. (post free).

This annual is deservedly well known. It surveys very completely Hungarian trade and finance, and gives most useful information about transport, communications, clearing agreements and credit operations. Business men with interests, actual or potential, in Hungary, will find this work almost indispensable.

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THE BUSINESS WORLD

Building Society Outlook

FLEXIBILITY is the hall-mark of British institutions. The British building society movement, whose recent achievements and future problems are examined in a survey published with this issue of *The Economist*, has itself demonstrated its capacity for orderly adaptation to momentous economic and social changes. Its constituent societies are governed by statutes, of which the most recent dates from 1894. In that year, the total assets of the incorporated societies amounted to £42½ millions, shared among well over 3,000 societies. The official figures for 1936 showed that the number of societies had been reduced to 985 (owing largely to the winding-up of terminating societies), but that these controlled total assets to the prodigious amount of £656 millions.

The movement, which was founded, like all friendly society institutions, on a basis of civic self-expression, has developed from modest beginnings into a leading financial and economic force of our time. Its liabilities to shareholders and depositors amounted to £609 millions at the end of 1936, compared with total deposits for the "Big Five" banks of £2,016 millions. A more relevant comparison is, perhaps, with other media employed by the small investor. Balances with the Post Office and Trustee Savings bank amounted to £432 millions and £248 millions, respectively, at the end of 1936. At that time there were about £390 millions outstanding in Savings Certificates, and probably £70 millions invested in unit trusts. The building societies are thus responsible for some 35 per cent. of the total funds administered by the typical institutions which cater primarily for the small investor.

It is, perhaps, in the building society movement that the concepts of saving and investment are most intimately related. Of the £609 millions saved in the form of building society shares and deposits at the end of 1936, no less than £586 millions was invested in mortgage advances, predominantly on moderate sized residential properties. From our own computations, it may be estimated that by the end of 1937 the movement's total shares and deposit liabilities had exceeded £655 millions and its mortgage assets £630 millions. The total amount advanced on new mortgage business in 1936 amounted to £140 millions for all societies. The movement obviously exerts a powerful influence on the scale of new residential building operations and, in addition, it has facilitated dealings in existing properties.

Its contribution to the biggest building boom of modern times is evident throughout our survey. Convenient mortgage facilities have provided a positive stimulus to building activity in recent years which may well be as important, qualitatively, as the favourable basic factors of rising incomes and cheap money, and such environmental influences as the demand for improved housing accommodation and the supply of efficient transport. In particular, the reduction of the borrower's initial cash stake, through the operation of the "builder's pool," coupled with lower interest rates, has greatly broadened the scope for building society business since the depression. But new problems have also been created, which may require the increasing attention of the societies in future years. Either the movement must maintain its total new mortgage business or it must squarely face the serious implications of a future reduction. The former alternative seems the less likely, on a broad reading of the future, unless the societies are to enter the non-residential property field, with its risks and special problems, to a greater extent than hitherto.

This, of course, is a long-term problem in essence, but its significance becomes the more immediate since heavy mortgage repayments are due to the societies in future years, in respect of new advances made during the boom period. The societies appear to be nearing the point at which, granted the maintenance of their share and deposit capital, their mortgage business will become self-financing. Will there be a common policy, already worked out, to meet the very important changes which this situation will imply? Should not the movement's task be to formulate, even now, a broad conception of its future role in a country where the major re-housing movement in the middle and the upper artisan classes may be losing its impetus, and where the population may be tending towards stability?

It is not the function of our survey to pass any hard and fast judgments on a problem whose solution must be provided by the societies themselves. But our inquiry clearly emphasises certain factors affecting lending policy and the demand for houses in the future. In the first place, the movement's responsibility, as always, is to maintain the fullest confidence of its shareholders and depositors. Not the least remarkable of its achievements during the depression of 1931-33 was the continued increase in shareholders' and depositors' balances. But to-day the total resources entrusted to its keeping greatly exceed those even of five years ago, and there is some evidence that, owing to the relatively attractive rates which the societies have been able to offer on new money, the volume of "cloak-room" deposits has tended to increase.

Public confidence has been continuously and well maintained since the pre-war Birkbeck crisis, and there can be no doubt that the leaders of the movement are fully conscious of their greatly increased powers and responsibilities to-day. Yet, at a time when new advance business is tending to fall—we compute the decline last year at 3¼ per cent.—and a perceptible, though still slight, economic recession is in train, it would be more advantageous if there were greater evidence of common policy within the movement. Local individualism has served it well in the past; but its measure of success is implicit in the practical difficulty of co-ordinating different methods of business, all of which, in their own context, may be supported by the experience of many years of successful working. To-day, the movement is more than a series of local units. It is, rather, in a stage of transition from local growth towards national organisation. The original conception of building society activities did not include the modern, multi-branch undertaking, with assets rivalling, and even exceeding, those in the care of the largest industrial companies. Our own sample of leading societies includes only one-tenth of the total number, but covers as much as 85 per cent. of the movement's total assets. So far, however, the different societies in the movement have not found it possible to agree on a common lending policy in the granting of loans, and to-day there are, in fact, two organisations representing different viewpoints on this issue.

Building society well-wishers will surely hope that this situation will be remedied at the earliest moment. Yet it is difficult to reach agreement, with the best will in the world, in a movement in which small, but democratically-minded, societies exist in considerable numbers. Is the solution to be found in a process of amalgamation? Recently there has been remarkable stability in the numbers of societies. Since

1928, only 50 societies have disappeared from the register, and many of these were of the old "terminating" type. The remainder are "permanent" societies, and the bulk of them, by numbers, are small. Considerations of local prestige are still powerful in the movement; and, in any case, the legal arrangements for amalgamation between existing societies are far less convenient than those which apply to companies. Amalgamation must needs be voluntary, in every instance, but the question remains whether more efficient service could not be given by the larger societies in territories at present covered by the smaller units. Already the former have widely spread their catchment area through the branch office system. Judicious amalgamation seems a logical corollary to this trend in the movement's organisation and internal relations.

As a contribution towards the achievement of common policy, the consolidation of the movement would be important, but it is necessarily a long-term factor. Meanwhile, unless there is to be an undignified scramble for a poten-

tially reduced volume of future new business, some measure of co-ordination is evidently highly desirable, though its complete achievement may have to wait upon statutory amendment. Finally, the relationship between the capital of the societies and their principal assets deserves serious consideration. To many observers it seems that the movement might obtain some advantage if it could attract a greater proportion of its resources without an obligation to make repayment at short notice, thus offsetting the relative fixity of its mortgage assets to some extent in its capital structure. Deposits with a term of, say, up to five years might suit the societies' purpose more conveniently than a fixed capitalisation of the company type.

Such considerations as these will doubtless engage the best future endeavours of the movement's leaders, whose task it is to administer its funds efficiently, profitably, and securely. It has been our task to measure the height and depth of that responsibility, in the hope of assisting building society executives and investors alike.

Priming the Pump Again

PRESIDENT ROOSEVELT has never been a man to do things by halves. Having resolved that the United States must spend its way out of the recession into which, much to the country's surprise and the President's embarrassment, it has fallen in the past six months, he has now proposed a programme which all too clearly "rejects the lore of nicely calculated less and more." The President's proposals fall into three divisions, which may conveniently be characterised as Spending, Lending and Expanding:—

1. *Spending.* The President has proposed to Congress that \$1,250 millions should be appropriated for general relief through the Works Progress Administration and \$300 millions for special relief by the National Youth Administration, the Civilian Conservation Corps, etc.—both sums to cover the first seven months of the fiscal year beginning July 1st. In addition, \$1,462 millions is to be allotted for various forms of public works. The total of additional spending is thus \$3,012 millions or, if relief expenditure continues for the whole year at the rate of the first seven months, about \$4,100 millions per annum.

2. *Lending.* The Reconstruction Finance Corporation, which is wholly financed by public funds, has already been authorised to make loans to private business up to a total of \$1,500 millions.

3. *Expanding.* The restrictive credit policy of 1936-37 is definitively reversed. The reserves which member banks of the Federal Reserve system are required to keep against their deposits are reduced by one-eighth, thus transferring about \$750 millions of reserves from the "required" to the "excess" category. In addition, the Inactive Gold Fund has been abolished and the \$1,183 millions of "sterilised" gold in it, plus enough more from the Stabilisation Fund to bring the total to \$1,400 millions, has been added to the Treasury's working balance. This will enable the Treasury to expend \$1,400 millions, either in ordinary expenditure or in meeting debt maturities, without raising funds either by taxation or borrowing. As this sum is spent, or as it is deposited in member banks, it will accrue to the excess reserves of the member banks, which thus stand to gain by \$2,150 millions. In addition, the Securities and Exchange Commission is liberalising its rules to assist the raising of capital in the open market by small businesses.

These astronomical figures convey little meaning until they are related to the existing state of affairs. As for the spending, the presumptive annual rate of expenditure on relief and public works of about \$4,100 millions next year compares with actual expenditures in the eight months to February 28, 1938, of \$1,338 millions—spending at the rate of \$2,007 millions per annum. The R.F.C., which is authorised to advance \$1,500 millions to private business, had \$1,712 millions of previous loans outstanding on February 28th. It does not, of course, follow that loans will be granted to the full amount of the authorisation, as the R.F.C. has paid careful attention in the past to solvency

and security. But if the whole amount is lent, there will clearly be a much larger stream of public funds going out from Washington to swell the circulation of credit. In January the President estimated the 1938-39 deficit at \$950 millions. But that allowed only \$1,226 millions for relief, so that the new proposals may increase the deficit to about \$3,800 millions. This in itself would be the largest deficit of any year save only 1935-36, when the soldiers' bonus raised the total to \$4,361 millions. But as a measure of money "created" by Government finance there must be added to the Treasury deficit the amount that the R.F.C. succeeds in lending to private business. The net result is clearly likely to be gigantic.

The expansion of the cash base of the credit structure is also on a generous scale. It may be recalled that the excess reserves of the member banks of the Federal Reserve system, at the level reached in July, 1936, immediately prior to the first increase in requirements, stood at just over \$3,000 millions. They were reduced by the successive increases in reserve requirements to \$773 millions in August, 1937. Since then they have slowly increased, owing to a variety of causes, to a figure of \$1,580 millions on April 7th. They are now to be increased immediately by \$750 millions to \$2,330 millions and proximately by a further \$1,400 millions to \$3,730 millions. The clock is being put back with a vengeance.

The programme as a whole is thus a thoroughgoing attempt to reflate the American economy. What will be its effects? Apart from its obvious effect in postponing to the Greek Kalends any hope of balancing the budget, can it be expected to stimulate a recovery of business activity? In retrospect over the last eighteen months, it is easy to see that the restrictive policies initiated in the summer of 1936 made a very large contribution to the present recession. The decision to mop up the excess reserves seemed reasonable and moderate at the time it was taken. But it failed to take account of the relative indebtedness of different parts

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of the country to each other. The story of its effects has been told in detail in *The Economist* (October 16, 1937, page 117) and it need only be said here that the result was to impose a severe strain on the money markets of New York and Chicago and severely to depress the bond market. Between July, 1936, and August, 1937, the reporting member banks of the Federal Reserve system sold \$1,707 millions worth of securities. This pressure was felt at its severest in the spring months of last year, which was just the time when the deficit of the Federal Budget began to decline rapidly. The combined effect was startling. In January, 1937, the sums being borrowed on the market by the Federal Government and by business combined were running at the rate of over \$6,000 millions a year. From that time the total fell off sharply. It was as low as \$4,500 millions by the middle of the year and only about \$2,500 millions—less than the lowest figure of 1933—by the end of the year. The utilisation of savings was reduced by more than half in less than a year.

This was the dual effect of a movement towards credit restriction, which depressed the security markets, and of a movement towards budget balancing, which lessened the amount of public borrowing. It does not, of course, follow that a mere reversal of both influences will automatically restore the *status quo*. The horse can be stopped from drinking, but no amount of leading him to water can compel him to drink if he remains stubbornly unwilling. Nevertheless, the experience of the United States in the years after 1933 is encouraging. When *The Economist* published its full-dress appraisal of the New Deal, which was published as a supplement to the issue of October 3, 1936, the conclusion was reached that "pump-priming" and monetary ease together played a very important part in turning the tide and stimulating recovery.

Thus the evidence of the recent past, both from 1933-35 and from 1936-37, encourages the belief that the new programme will exert a considerable reflationary influence in the coming months. It is being put into force on such a generous scale that it can hardly fail to have some effect. It would be a great mistake to underrate its potentialities. But even if it be given the full benefit of the doubt, is it likely to be enough to cure the recession? Should there not be other elements in a complete programme of "re-recovery"?

Much has been heard recently of the need for restoring business confidence. Is not this a necessary accompaniment? In ordinary times there is much to be said for the New Deal view that "confidence" is a product rather than a cause of the state of trade. When profits are good confidence is high. When profits are failing the unhappiness of business men is rationalised—or irrationalised—into a demand on the politicians to create business confidence. Now whether this argument is generally true or not, it is certainly supported by the evidence of, say, the year 1936. In the months before the Presidential election of that year, the hostility of the business community to the President, and their fear of his politics, rose to a pitch that shocked the European visitor. It hung like a cloud over the towers

of Wall Street and exerted a depressing monopoly over the conversation of business men. But it did not then prevent a very rapid movement of recovery. It is at least arguable that, if Mr Roosevelt's monetary policies restore the volume of profits, "confidence" will return even without any abandonment by him of his obnoxious philosophy. But it is one thing to create bitterness between Government and business when recovery is in full swing, and an entirely different thing to allow it to continue when recovery has vanished. The onlooker may be permitted to hope that the argument will never be put to the test of experience. For, whether or not it is true that recovery can come without "confidence," it is certainly true that its return would be powerfully assisted by even a partial and temporary reconciliation of aims between the reformers and the business men.

Even the combination of monetary reflation with political reconciliation, however, may not be enough, for there was another element in the misfortunes that overtook the American economy last year, in the shape of a "consumers' strike." Ever since the beginning of the New Deal, the Administration has been trying to raise wages and reduce hours. The effect can be seen in the following figures, compiled by the National Industrial Conference Board and referring to factory workers in 22 industries:—

	August, 1929	August, 1935	August, 1937
Average hourly earnings...	\$0.578	\$0.616	\$0.713
Average weekly earnings...	\$27.94	\$24.66	\$27.76
Average hours worked per week	48.4	40.0	38.9

Although the dollars-and-cents income of the average wage-earning family was the same in 1929 and 1936, labour costs, as measured by hourly earnings, had increased by nearly 24 per cent. The inevitable effect of such a policy is to make prices higher, and the purchasing power of the average income lower, than they would otherwise be. For a time this effect was masked, but it appeared with full force between the middle of 1936 and the middle of 1937. In that period retail prices increased by more than 9 per cent. Some other prices rose much more rapidly—construction costs, for instance, by 18 per cent. The natural result was that the dollar incomes of the American people bought less, retail sales fell off and the activity of the consumption goods industries actually started to decline from the very beginning of 1937. If the American people want to make and consume more goods, it would seem, for a magic formula by which the average man can produce less and yet consume more should be abandoned.

Last week's pump-priming programme is therefore no more than a promising beginning with the work of rebuilding American recovery. Moreover, it is the easiest part, for it has cost the President neither the effort of reconciliation with his critics nor the sacrifice of abandoning cherished but disproved theories. The path of economic statesmanship leads on to these more difficult endeavours.

Hire Purchase Bill—II

Criticisms of the Bill

IN an article in our last week's issue we enumerated the main provisions of the Hire Purchase Bill now before Parliament, and described the abuses which it was designed to remedy. We now propose to consider certain objections which have been raised to the measure in its present form.

The most influential voice which has been heard in criticism of the Bill, so far, has been that of Mr Gibson Jarvie, chairman of the United Dominions Trust, the largest single hire-purchase finance firm in the country. In a letter published in *The Times* during the earlier stages of the Bill, Mr Gibson Jarvie contended that, under the clause preventing repossession of goods, after one-third of the price had been paid, without a County Court order, the owner would "to all intents and purposes be denied the

security of his goods" and would not be able to carry on hire-purchase business. Mr Gibson Jarvie's views command widespread respect and attention, but his argument, in this instance, is somewhat difficult to follow. It may be urged that County Court orders will not be impossible to obtain, where justice is on the side of the hire-purchase trader. And, except in cases where there is hardship and the Court orders a lengthier period of payment, the owner will be no worse off after a County Court judgment than before. The sanction of repossession remains under the Bill, though its operation may be delayed. In any case, reputable hire-purchase firms do not seize their goods from hirers. Mr Jarvie himself pointed out that nearly all the transactions of his firm—whose methods stand out as an

example to all others—were completed to the satisfaction of both dealer and buyer, and that only a fraction of 1 per cent. resulted in losses.

In any case, it is not against the repossession clause, as such, that the hire-purchase organisations as a whole are agitating. They appear to have accepted it, for the most part, as necessary to prevent the abuse of "snatching-back," without being detrimental to sound business. The main attack of the hire-purchase organisations is directed against two other clauses of the Bill. The first makes the Bill applicable to goods to the value of £100. In the case of single articles the limit originally laid down in the Bill was £50, but it was raised to its present figure in Committee. The objection is that the raising of the limit brings practically the whole of the second-hand motor business within the scope of the Bill. Second-hand cars are nearly all bought on the hire-purchase system, and they present certain problems of their own. Being mobile, they are easily concealed to prevent repossession. And, for various reasons, the instances in which buyers of second-hand cars tend to be less responsible and creditworthy than the average hirer are sufficiently numerous to invest this type of business with special risks.

The second clause to which the hire-purchase firms raise objection—namely that which allows the hirer to return goods once a third of the price has been paid—also has special relevance to the second-hand motor-car business. Traders argue that the proportion of one-third is far too low for practical purposes. In the case of second-hand motor-cars, and many other articles, it is insufficient to cover the cost of repossession and reselling, to say nothing of depreciation. Most goods depreciate in value by as much as one-third as soon as they change hands and cease to be "new." Depreciation due to wear—i.e. to ordinary use—is almost as rapid. Consequently, goods which have been in the hands of hirers long enough for a third of the instalments to have been paid, frequently have very little marketable value.

In a few cases, when the goods are returned fairly quickly, and the balance of the instalments, up to a third of the hire-purchase price, is paid in cash, the owner may be able to save himself from loss over the transaction. In other cases the advantage will be very much on the side of the hirer. An unscrupulous hirer might terminate every agreement when one-third of the price had been paid, and take out a new agreement on a new set of similar goods. By this means, the system would in effect be not hire purchase, but plain hire. The former is devised to enable easy payments to be made on goods which last for a reasonable time, though not indefinitely; the latter is applicable only to goods which last for a very considerable time. It is true that the Bill includes a sub-section allowing the owner to sue for damage to the goods, apart from fair wear and tear. Traders claim, however, that this will afford them only limited protection, for such damage is frequently far from easy to discover or define.

There is, in fact, a strong case for the raising of the proportion from one-third to an appreciably higher ratio. Most hire-purchase agreements have hitherto contained a clause allowing the termination of the agreement and the return of the goods, provided a certain proportion of the instalments have been paid. The proportion has usually been two-thirds, though occasionally it has been as high as 100 per cent. The hire-purchase organisations suggested a proportion of one-half during the Committee stage of the Bill, and something near this figure would probably be considered equitable. Full justice could be done only if there were a different proportion for different classes of goods, depending on their rate of depreciation, their second-hand marketability, and other factors. Such a policy, however, would hardly be practicable.

Objection is also made by the hire-purchase firms to the wide discretionary powers given by the Bill to County Court judges in making orders. In all really sound hire-purchase contracts, factors like the size of initial payments, the amount of instalments, and the length of payment, are carefully worked out in advance on an actuarial basis. Too drastic a revision of the size and frequency of payments, such as the judges are empowered to make, might turn the transaction into a loss. Traders, however, may rely upon the County Court judges to produce a fair compromise in all feasible instances.

The question of distraint upon hire-purchased goods, however, cannot be so readily dismissed. As the Bill stands at present, landlords are prevented from distraining upon such goods from the moment when an owner has begun an action for re-possession; and the goods are exempted from bankruptcy distraint during the period prescribed by a court for the payment of remaining instalments. The hire-purchase organisations are hoping that a clause may be inserted in the Bill exempting goods under hire purchase from landlords' distraint at all times. There is here an obvious clash of interests, and it is doubtful whether the view of the hire-purchase traders will prevail.

The hire-purchase organisations also maintain that there should be some provision to prevent a hirer from removing hire-purchased goods pending a court action, during which time the owner is powerless to interfere. A sub-section to this effect appeared in the original draft of the Bill, but was removed as being impracticable. The discretionary powers of the County Court judge to order the return of the goods to the owner should, however, be sufficient to cover this point.

A technical difficulty arises, finally, over the clause stipulating that where an agreement is "linked on" to a previous one, the goods in the second agreement shall be returnable whether one-third of the price has been paid or not. In the case where one item in a list of goods is changed and a new agreement drawn up covering the new list of goods, this new agreement provides virtually no defence against default. If the clause is not modified, it will become impossible to change goods included in a hire-purchase agreement.

Such are the main objections which have been raised, from the traders' side, against the Bill as it now stands. All in all, the strongest count in the indictment appears to be against the clause allowing termination of an agreement when a third of the price has been paid. Most of the other objections depend upon this clause. If it were modified, the passage of the Bill would apparently leave the hire-purchase firms with few grounds for complaint. And it would undoubtedly do much to obviate the abuses which have threatened to bring the hire-purchase trade into disrepute.

No clause in the Bill, incidentally, precludes voluntary compromises on special terms between hirer and owner. Action on these lines will in all probability continue to be the general practice where possible, as it has been hitherto among the reputable firms. The vast body of hire-purchase business is based upon goodwill and the desire of both parties to complete the transaction, and this will remain unaffected by legislation. Considering the wide range of abuses that need to be eliminated, it is remarkable that their removal will involve so limited an infringement of legitimate business as is envisaged by the present Bill. If, therefore, it is found possible to introduce amendments, covering the points mentioned in the course of this series of articles, either in the later stages of the Bill in the Commons, or in another place, it may be hoped that they will obtain the largest possible measure of support from the institutions whom the Bill chiefly affects.

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Finance and Banking

Easter Currency Withdrawals.—Comparison of Easter currency requirements by the public in different years are always complicated by extraneous factors. First there is the variation in the date of Easter itself. In 1936 Easter fell on April 12th, and this year on April 17th, but last year it fell on March 28th, and so coincided with the end of both the month and the quarter, when the public are always in need of additional currency. A second factor is the state of the weather, not only during the holiday but also during the fortnight or so preceding it, when individual plans are being made. Easter fell late this year and was preceded by a prolonged period of fine weather. Actually the Easter expansion in the note circulation during the past three years has been as follows:—

	Million £
1936	17.0
1937	10.0
1938	17.7

The figures leave a general impression that a late Easter is conducive to freer spending by the public, while an Easter falling in March is too early to stimulate the full holiday spirit. Broadly, general trade recession so far has not been serious enough to damp down holiday spending. If allowance is made, however, for the rise in prices generally, and of railway fares in particular, since 1936, the comparison with a couple of years ago suggests a slight check to the volume of holiday spending.

Return of Funds to France.—For the first time for many months, the French Exchange Fund authorities have been enjoying the luxury of selling francs against purchases of foreign currencies. Ever since M. Daladier obtained his special powers and with them his impressive vote of confidence in the French Chamber, the trend of the foreign exchanges has been favourable to the franc. It is estimated that since Wednesday of last week the French Exchange Fund—first by braking the appreciation of the franc then by holding the rate at about 158½—has been able to re-acquire about £15 millions of gold. The greater part of this total represents the over-sold professional position in francs, which was covered with great alacrity after M. Daladier's resounding victory last week. Every exchange dealer and arbitrage operator has for many months past maintained, almost as a matter of course, a short day-to-day position in francs. The reversal of this position, more than any other single factor, explains the sudden purchases of francs which descended on the market in the middle of last week. In addition, the pump-priming plans of the United States, and the fears of inflation and even of currency devaluation which they appear to have initially engendered in some quarters, have helped the franc by inducing the repatriation of certain funds, held temporarily in the form of dollar balances by French firms. A smaller contribution to the flow of returning funds has been provided by the resale of dollar and sterling notes, which in recent years had found their way into French mattresses and *bas de laines*. Most London banks have this week received appreciable consignments of these homing Bank of England notes. It is significant, however, that, despite the encouraging showing of the

Paris bourse this week, there is as yet no sign that really large blocks of French capital are returning home for investment. Holders are apparently awaiting more specific tokens of the policy of the new Government than have yet appeared. On Thursday, indeed, the franc was appreciably weaker. After opening at 158½ the rate fell to 160½, and recovered only to 160½.

Decline in the Rupee.—An article on "Indian Banking Trends," in *The Economist* of April 9th last, called attention to the way in which India's external balance of payments was tending to become more passive. Her exports, as a primary producing country, have recently suffered from the world recession and falling prices, while her imports are still high as the result of the purchasing power created by the preceding period of relative prosperity. Our article called attention to one symptom of this change for the worse, namely the contraction during the past year in the Indian Reserve Bank's balance abroad. Now the warning implied in this analysis of India's current position has received further and more definite justification. After having been held at 1s. 6½d. for several years, early this week the exchange rate for the rupee was lowered to 1s. 6½d. At the tender of April 20th, however, the Indian Government rejected the offer of £70,000 of sterling at the low rate of 1s. 6d. The difference between the old and the new rate may not appear very great, but as the essence of the Indian monetary system is the link between sterling and the rupee at a mean rate of 1s. 6d., even a small movement in the rate has significance. Though there is certainly no need to apprehend any fundamental deterioration in India's economic position, the fall in the rupee suggests that India cannot escape the normal vicissitudes of a primary producing country.

United States Silver Policy.—Immediately before Easter, Mr Morgenthau announced that the United States Treasury was buying all the spot silver offered to it in New York—though he was careful to add that this was not a fixed policy. In particular Mr Morgenthau declared that he was not differentiating against Mexican silver; on the contrary, he would buy any Mexican silver offered on a spot basis in New York. As for silver bought through London, he neither knew nor cared about its ultimate origin. The implication is that there is no reason why increased offerings of Mexican silver in the world markets should not be balanced by an increased American demand, but this is by no means equivalent to the former agreement under which the United States bought each month a definite quantity of Mexican silver according to a pre-arranged schedule. This announcement, however, has imparted some slight degree of strength to the forward market, since it means that Mexican silver may not be entirely the dead weight on the market which had originally been feared. The spot price, conversely, is weaker; but this is due to the appreciation of the pound against the dollar, which has reduced the sterling equivalent of the New York spot price.

MONEY MARKET NOTES

Foreign Exchanges

THE main movements this week have been a certain withdrawal of foreign funds from New York, as a result of President Roosevelt's new programme; and a general repatriation of French capital. The consequence was a weakening of the dollar from \$4.98½ to

\$5.01 at Easter and a rally in the franc to Frs. 158. Profit-taking has since brought the dollar rate back to \$4.99½, while the franc has also returned to Frs. 160½. Up to Thursday, however, the French authorities were able to buy sterling. The position is discussed in a Note above. It is thought that, owing to the recent improvement in the Paris market, the reports of an impending

French desire to borrow in London may be premature. Belgas followed the dollar, and guilders were bid down to Fl. 4.98½ owing to movements of funds from New York to Holland, but Swiss francs weakened to Frs. 21.69 as a result of the repatriation of funds to France. The free rate for the Argentine peso, which was over Pes. 20 in March, has now rallied sharply to Pes. 19.

There were reports this week of an impending Dutch-Swiss loan to Argentina, consisting of Fl. 20 millions in 3½ per cent. three months' Treasury bills, with renewals up to a maximum of two years. It is not easy to see why Argentina needs such a loan, for the position of the central bank is very strong. Nor do the Argentine authorities desire a further appreciation of the free rate, for the recent reduction in the surcharge would then become effective, with a consequent growth in imports financed by free pesos. Still, this report probably explains the last stages of the recent improvement in the free peso.

The Bank Return

This week the note circulation has fallen by £1.6 millions. Usually the week including Easter witnesses a slight increase in the circulation, for the notes do not begin to return until after the lapse of a few days. Probably this week's contraction indicates a certain amount of French dishoarding.

	Apr. 21, 1937	Apr. 6, 1938	Apr. 13, 1938	Apr. 20, 1938
Issue Dept.:				
Gold	313.7	326.4	326.4	326.4
Notes in circulation	464.0	489.7	497.2	495.6
Banking Dept.:				
Reserve	50.7	37.6	30.0	31.6
Public Depts.	25.6	12.8	17.7	18.0
Bankers' Depts.	91.2	112.4	104.0	106.5
Other Depts.	38.9	36.8	36.0	36.1
Govt. Secs.	94.1	111.9	116.1	117.6
Discounts & Advances	4.6	10.1	9.6	8.2
Other Secs.	24.0	20.1	19.6	20.8
Proportion	32.5%	23.1%	19.0%	19.7%

Both the Reserve and Government securities are slightly higher on the week, and as a result bankers' deposits have risen by £2.1 millions. It may be

presumed that French dishoarding, followed by the repatriation of French funds and gold sales by the British Exchange Account, would lead to a reduction in the Treasury bills held by the British banking system, offset by a replenishment of the banks' cash.

The Money Market

While money is still very easy, several of the clearing banks have had to call this week. The general expectation is that though money will remain easy this month, it will become slightly tighter in May. The reason is that the market obtained very poor Treasury bill allotments in February and so will be short of May maturities. But much depends upon how the market fares at the May Treasury bill tenders.

	Apr. 22, 1937	Apr. 13, 1938	Apr. 21, 1938
Bank Rate	2%	2%	2%
London Deposit Rate	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	5½-3½	1½-5½	1½-5½
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	1½-2½	1½-2½	1½-2½

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ½ per cent. from loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

On April 15th, the market obtained a 41 per cent. allotment of Treasury bills at £99 17s. 5d., or one penny better than ½ per cent. Some £45 millions of bills were allotted. This was a fairly good result, but the banks remain keen buyers of July bills, and the market is not always able to meet the banks' needs. There is little definite news yet

of the City's inclination to take up Italian commercial bills at cheaper rates.

The Bullion Market

In spite of the improvement in Paris, there has been a fair Continental demand for gold all the week, which may imply a tendency to switch funds over from dollars into gold. All supplies have come from official sources. The premium this week has been too high to permit of arbitrage operations.

Date	Gold		Silver, price per oz. standard	
	Price per fine oz.	Prem. or Dis-count *	Cash	Two Mths.
1938	s. d.	d.	£'000	d.
Apr. 14.....	139 8	2 pm	143	181½
" 19.....	139 6	7 pm	357	181½
" 20.....	139 6	5 pm	375	181½
" 21.....	139 6½	2½ pm	333	181½

* Above or below American shipping price. The New York price of silver remained at 43 cents per ounce .999 fine during the week.

The silver market has been narrow and early influenced by passing events. India has been both a buyer and seller with no sign of any replenishment of Bombay stocks. There has been further Continental and speculative selling. In spite of Mr Morgenthau's Easter statement, referred to in a Note above, it is still true to say that the market is feeling the shock of the American suspension of purchases from Mexico. Thus prices must still be regarded as unstable, whenever they are at or above the American parity.

Investment

Firmer Markets.—Although the stock markets took a reactionary turn in the middle of this week, both in London and in Wall Street, their behaviour has continued to afford evidence of a tentative return of interest, particularly among institutional investors. Since *The Financial News*' index of British ordinary shares touched its lowest level for this year, at 79.4 on March 16th, there has been, in London, a phase of fairly sharp recovery which carried the index to 86.0 by March 25th, a phase of renewed indecision during which the index sagged to 83.8 on March 30th, and a spell of buying which has taken the index to a present level of 91.0. In New York, the Dow Jones industrial index rose from 98.95 on March 31st to 121.00 on April 16th, but closed on Wednesday no better than 114.90. There would appear to have been enough in the news, during the last two or three weeks, to produce a recovery, but not enough to induce a real return of confidence. The closing of bear positions revealed a potential shortage of stock, but the really firm new buying necessary to exploit this condition has so far failed to materialise. And in London the fact that the Easter holidays came only a week before the end of a long Stock Exchange Account and only ten days before the Budget, induced a good deal of professional "evening up" before, instead of after, Easter.

A good Budget ("good" in the sense that it bridged any gap in the revenue by increased borrowing rather than by new direct taxation) might provide the bulls with an argument for continued recovery in share values. Without putting too optimistic a construction on the Anglo-Italian Agreement, the Stock Exchange believes that it has appreciably lessened immediate political tension in Europe.

Meanwhile, trade at home is holding up, on the whole, better than many people expected. A dangerous position in France has been alleviated by M. Daladier's advent. And the American President has moved his foot from the brake to the accelerator pedal. If every one of these possibilities were to develop as the markets would like, the depression of 1937-38 might turn out to be V-shaped after all; and in the summer or early autumn security prices might rise impressively. But there are at the moment rather too many "ifs" in the hypothesis. The Italian Agreement touches only indirectly the real European problem, whose crux is the future relationship of Great Britain and France with Nazi Germany. The volume of new industrial orders is insufficient to maintain indefinitely the present activity of British trade. M. Daladier and his Government are enjoying only a respite, and not a victory. And whether pump-priming will produce a sustained recovery in the United States, so long as the feud between the President and Big Business retains its present bitterness, is open to grave doubt. On the whole, investors are unlikely to abandon their ingrained caution until the horoscope has become clearer.

I.C.I. Meeting.—The report of Imperial Chemical Industries is so fully documented that the annual meeting provides admirable opportunity for broader review. And Thursday's meeting assembled with the knowledge that two highly important general matters might come up for consideration—the recent management changes and the problem of the group's investments. Lord McGowan added little to the details of the changes in the organisation of management, which were fully described and charted in the report. He did emphasise, however, his conviction

IMPERIAL CHEMICAL INDUSTRIES, LIMITED
CONSOLIDATED BALANCE SHEET

BEING A STATEMENT COMBINING THE ASSETS AND LIABILITIES OF IMPERIAL CHEMICAL INDUSTRIES, LIMITED, AND 124 SUBSIDIARY COMPANIES AS AT 31ST DECEMBER, 1937

I. Share Capital of Imperial Chemical Industries, Limited		Authorised	Issued
7% Cumulative preference shares	23,800,956	23,800,822	
Ordinary shares	50,402,496	50,401,861	
Unclassified shares	20,796,548	...	
	95,000,000	74,202,683	
II. Surplus of Assets over Liabilities and Share Capital			
less amount attributed to shares of subsidiary companies not held within the Group, represented by reserves and undistributed profits:			
Imperial Chemical Industries, Ltd.	11,716,179		
Subsidiary Companies	684,836		12,401,015
III. Interest of Outside Shareholders			
Amount attributed to shares of subsidiary companies not held within the Group			2,334,437
IV. Debentures and Secured Loans of Subsidiary Companies			
after deducting Inter-Merger Holdings			5,888,693
V. Current Liabilities and Provisions			
Sundry creditors, loans, unclaimed dividends, accrued charges and provisions for taxation and contingencies		12,062,876	
Interest accrued on debentures and secured loans of subsidiary companies after deducting interest attributable to Inter-Merger Holdings		93,314	
Provision for final dividends (gross) of Imperial Chemical Industries, Ltd., in respect of 1937		3,605,131	
			15,761,321
			110,588,149

NOTE.—The full statement also includes notes on various figures and a statement of contingent liabilities existing at December 31, 1937.

that this further development of the policy of decentralisation would be "of great benefit" to the company. Again, the account of the board's stewardship over its marketable investments should disperse market misgivings regarding the effect of recent losses on the company's financial position. The net balance of capital profit on original merger values of investments amounts to £3,700,000, and the net loss on post-merger investment transactions is no higher than £100,000. This basis, of course, is a legitimate criterion for judging the success of investment policy, although the directors would no doubt agree that it is not the only consideration involved. The major part of the depreciation of £1,824,066 on the book value of investments last December related to the valuation of the German investments, which are still to be retained, while the unaccounted depreciation of £324,066 outstanding after the transfer of £1½ millions from general reserve at the end of last year has since been reduced to £214,594.

Points emphasised in the review of trading conditions include the repeated declaration that a "very small percentage" of the group's activities are concerned with armament orders. The defence programme, for the most part, exerts an indirect influence on the company's business, but certain works have been carried out by the company, largely as agents for the Government. The review of foreign conditions, indeed, leaves little doubt that peace and not war best serves the company's widely-dispersed interests. Reviewing the prospects for 1938, the chairman stressed the importance of conditions in the United States, but he made the significant statement that, even if British industrial activity in 1938 showed some decline, the company should not be affected in comparable measure. Widespread interests, secular expansion in certain products, and greater productive efficiency appear to justify this expectation. In

terms of dividends it has long been recognised that the board's distribution policy is designed to assure the optimum degree of stability, through good and bad years alike. The past year, however, was one of "exceptional activity and profit," and was so recognised in the dividend. The ordinary stock can consequently be valued on the assumption that, if dividend changes occur, they will normally be of small dimensions in either direction.

I.C.I. Group Assets.—In future years the company will include a consolidated balance sheet in the report. The first statement of the group's assets and liabilities, at the end of 1937, was, however, distributed at this week's meeting, and is reprinted in full at the head of this page. It shows a balance sheet total of £110,588,149, compared with £97,999,454 for the parent company. Of this total, fixed assets, less obsolescence and depreciation reserve, account for £51,846,874, and intangible assets, such as patents and other rights (represented by the excess of purchases considerations over the net worth of subsidiary companies) amount to £15,699,000. This sum appears substantial, but it represents just over two years' purchase of the 1937 net profits. In addition, investments in associated companies total nearly £7½ millions. Current assets, including marketable investments, are entered at £35,606,609, and after providing for current liabilities and other provisions, net liquid assets amount to £19,845,288. Of this sum £2,693,048 is represented by cash. Inspection of the liabilities side of the statement reveals that the surplus of assets over liabilities and share capital for the subsidiaries amounts to no more than £684,836, which appears to confirm the directors' contention that no appreciable prior reservation of profits has been made by the subsidiaries before the parent company's revenues are struck. Obsolescence reserves represent 12 per cent. of the book values of land, property and machinery. During the past four years, however, the company has expended over £13 millions on new physical assets, and it would appear that the increase in the obsolescence allocation in 1937 from £1 million to £1½ millions may be a permanent feature, in view of the larger volume of fixed plant which the group must now provide for. All told, the directors may be congratulated on the publication of a consolidated balance sheet which both reflects their cautious financial policy in the past and underlines their high responsibilities for the future.

Lever and Unilever Dividends.—The re-arrangement of the British and Dutch interests of the Unilever group last year had among its objectives the payment of more generous dividends than had been possible under the

original arrangement between its two branches. These expectations have now been realised. Lever Brothers and Unilever, which declared an interim of 4 per cent. in November, have announced a final payment of 6 per cent., making 10 per cent. for 1937, compared with the equivalent of 7½ per cent. for the previous year, when earnings amounted to 15.6 per cent. on the former Unilever shares. Lever Brothers and Unilever N.V. have also raised the dividend on the Fl. 1000 shares from Fl. 55 to Fl. 75, in similar proportion. To what extent this increase in payments is due to the rearrangement of the group, and how far it has proceeded from an actual increase in earnings last year, the forthcoming accounts may reveal. From the reports published by the British subsidiaries, it would seem that a significant increase in earnings was achieved in 1937. The re-division of profits within the group, based on equalitarian distribution of profits by both British and Dutch companies, has quickly proved its advantages.

Cunard Group Position.—Conditions in the North Atlantic passenger trade in 1937 were the most favourable since the depression, and Cunard White Star earnings, assisted by a full year's operation of the "Queen Mary," have responded very satisfactorily. Total revenue increased by £1,340,723 to £8,222,042, and after deducting operating expenses, gross profits have advanced by no less than £717,407 to £1,305,830. The course of operating profits set out in the following table proves yet again that shipping operations are distinctly highly geared, since a substantial proportion of operating costs is of a fixed character:—

	1935	1936	1937
	£	£	£
Total income	5,956,929	6,881,319	8,222,042
Operating expenses	5,984,595	6,292,897	6,916,212
Operating profit	Dr. 27,666	588,422	1,305,830
Depreciation of fleet	...	...	1,111,423*
Fees	10,950	7,750	7,750
Depreciation of plant	11,903	13,213	14,055
1st debenture interest	11,250	20,800	26,250
Net profit	Dr. 61,769	546,659	146,352
Carried forward	Dr. 469,859	76,800	223,152

* Covering depreciation on S.S. "Queen Mary" from May-December, 1936, £135,143, and depreciation of fleet for 1937, £976,280. In addition, £6,348,663 written off ships (except S.S. "Queen Mary") from share premium account, including £2,466,410 depreciation to 1936.

This scale of profits, however, has served to cover depreciation on the "Queen Mary" for part of 1936, and for the full fleet last year. The total provision, which requires £1,111,423, seems by no means ungenerous, and the fact that it has been earned may be regarded as the first major step in the company's progress towards fuller prosperity. In addition, the balance of £6,348,663 on share premium account has been applied to writing down the fleet from £18,717,400 to £12,962,149. Incidentally, the expenditure to date on the as yet unnamed "Queen Elizabeth" is not separately distinguished. This transfer, however, is of little more than accounting significance, for when the Cunard and Oceanic fleets were transferred to the company in 1934, the share considerations were taken at a 100 per cent. premium. Yet the amount available for distribution on the income debentures and share capital is no higher than £146,352, a fact which, for a prosperous year, underlines the necessity for Government financial assistance in the Atlantic passenger trade.

Perusal of the complicated financial provisions governing the service of the prior charges—they have yet to be increased when the "Queen Elizabeth" is completed—proves very plainly that the Cunard Steam Ship's 62 per cent. equity in the operating company is of a deferred character. This company's income last year amounted to £355,382—a slight reduction on the 1936 figures of £361,719. After depreciation and debenture service, the balance available for dividends amounted to £24,516 against £22,740, and the surplus has again been added to the balance carried forward. These results, it would seem,

scarcely reflect the improvement achieved by the principal subsidiaries. Despite various operating difficulties, both the Port Line and Thos. and Jno. Brocklebank companies doubtless earned more satisfactory profits in 1937, although the directors refer to "an unfortunate reaction" in the Indian trade this year. The company's preference dividends are in arrear since 1931, and the prospect of early and adequate remuneration on the holding of Cunard White Star shares is quite uncertain. A more immediate matter, perhaps, is whether the setback in shipping conditions will affect the introduction of the long-awaited reconstruction scheme. Meanwhile, the first preference stock at 44½ and the ordinary shares at 3s. 7½d. stand at little more than half the level recorded a year ago.

Shipping Results.—Reports published recently by three other shipping companies—of which Court Line and King Line are carriers of general cargo and John I. Jacobs owns tankers—emphasise the remarkable rate of recovery in 1937. The three concerns necessarily differ in the measure of their achievement, but all have been able to reward the stockholder for patience in lean years, to increase their depreciation, to improve their liquid position, and in two cases to reduce indebtedness. Earnings for the past three years are analysed in the following table:—

Company	Total Profits	Earned for Divs.	Ord. Div.		Current	
			Earned	Paid	Price	Yield
	£	£	%	%	s. d.	%
Court Line—						
1935	98,837	Nil*	Nil	Nil	15 9	11 51
1936	134,705	12,097*	3 5	Nil	(6 8)	
1937	372,668	191,275	43 7½	25		
King Line—						
1935	52,793	Dr. 3,160	Nil	Nil	18 9	8 53
1936	103,794	10,147	2 7	Nil	(4 1)	
1937	215,748	64,411	17 2½	8		
John I. Jacobs—						
1935	56,114	26,924	10 0†	5	24 6	8 88
1936	64,468	41,947	20 0	7½	(12s.)	
1937	196,209	124,518	66 2	17½		

* After 1½ years' debenture interest in 1935 and 2½ years' in 1936. † After charging only one year's preference dividend. ‡ Before charging premium on debenture or loan redemption.

Unfortunately, the sharply rising trend of freight rates so prominent in the first part of 1937 has for some time been reversed, but while the outlook for the current year is much less cheerful, it is assisted, in part, by some carry-over of business arranged at last year's more favourable rates. These companies, moreover, can face the more difficult circumstances of the current year with a much strengthened financial position. Court Line, for instance, have provided £150,000 against £35,000 for depreciation, though this is partly balanced by the payment in 1937 of only a year's debenture interest instead of 2½ years' as in 1936. The heavy reconditioning, Lloyd's survey, and laying-up expenses, which absorbed some £45,000 in 1935, have been saved, but the conservatism of the distribution is in part explained by the provision of £50,000 for the premium on £500,000 debentures redeemed last December. King Line have done even better than the profits figures suggest, since earnings in 1935 and 1936 included an unstated amount of subsidy. Some £63,000 for arrears of depreciation still remain, but ground lost in the depression has been overtaken, and in 1937 as much as £133,716 was written off the fleet from profits, together with £49,312 from profits on the sale of vessels, while a loan of £444,000 has also been repaid. John I. Jacobs

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and Company, who own tankers, report total profits in 1937 which are over 25 times as great as in 1932. Dividends were resumed in 1935, when a capital reconstruction was effected, but last year about £88,000 was added to reserves and carry-forward, compared with net ordinary dividends of £31,500. All told, shipping results for 1937 have been satisfactory, but their vulnerability to a setback in trade and freight rates is reflected in current yields.

* * *

Walsall Conduits Report.—This electrical manufacturing company has followed up its announcement of a 55 per cent. dividend with a good report. Few newcomers to the market have distinguished themselves so satisfactorily. Already in 1936, earnings had outstripped the rising trend of prospectus profits, and last year's profits have further jumped to £156,384, against £118,344. After-tax and N.D.C. have absorbed £44,000, the amount earned for dividend is £112,084, compared with £12,462 in the last seven weeks of 1936 (after deducting certain expenses), and pre-incorporation profits of £101,802. The 5 per cent. preference dividend absorbs £7,505 net, and £104,579 is consequently available for the ordinary shares, equivalent to no less than 93 per cent. The 55 per cent. distribution is thus liberally covered, and leaves £22,700 to be added to the carry forward, and an inaugural reserve allocation of £20,000. Evidence of progress is also to be found in the balance sheet, for considerable increases are shown in stocks, debtors and creditors. Holdings of Government securities, which were formerly quite small, have risen to over £65,000, the increase of £60,000 more than offsetting a £10,000 drop in cash. The company's ability to take full advantage of general trade conditions has been demonstrated, but current yields of 14.9 per cent. on earnings and 8.9 per cent. on dividend suggest that the market does not overlook the possibility that the concern may be sensitive to business recession.

* * *

British Celanese Preference Surprise.—The announcement, over the Easter holiday, that the directors of British Celanese had decided to pass the payment of the 7 per cent. cumulative first preference dividend, due on April 30th, came as a distinct shock, and the £1 shares which fell to 10s., were unable to maintain this lower level. The directors refer in their statement to the unfavourable trading conditions which have prevailed. A clear indication of difficulty in maintaining profits was also given in the chairman's speech last November, which disclosed that, while the trading volume for the first quarter of the financial year commencing in March, 1937, was higher than in the preceding year, estimated profits were not quite so good. Unfortunately for the company, the indications of a desire for co-operation within the industry, to which the chairman also referred,

have not apparently been followed by positive achievement. It is difficult, in view of the current problems of the textile trades, to assess the prospects for the first preference shares. During the two financial years ending in February, 1936, 3½ years of dividend arrears were overtaken, and the full dividend for 1936-37 left a balance almost sufficient to cover six months' dividend on the second preference shares to October, 1930. First preference shareholders will await the full report with some anxiety, to discover whether the process of accumulating heavy dividend arrears must again be repeated. Meanwhile, it would appear that the board's intention, expressed in the last report, to deal with the arrears on the second preference shares "in a manner which would not entail any sacrifices by any class of shareholders" has for the time being been frustrated.

* * *

W. T. Henley's Profits.—In 1936 this company simultaneously reached its centenary and record profit levels. In 1937, however, these records were broken, for total profits exceeded £450,000 for the first time. After charging income tax, N.D.C. and contingencies, total profits amount to £451,839, against £402,491; depreciation is little changed at £60,602, and preference dividends and other expenses require about £27,000. Ordinary earnings, however, are £62,000 higher at £364,112. On the new capital, increased by the 100 per cent. capital bonus, earnings amount to 30.7 against 24.4 per cent., and the full 20 per cent. dividend is payable on the £1,300,000 of ordinary stock now outstanding. For 1936, 22½ per cent. in all was paid, but the interim dividend of 7½ per cent. was paid on the old capital, and the year's payments included a 3½ per cent. centenary bonus, which was essentially of a special nature. The hopes of satisfactory profits in 1937, expressed at the meeting a year ago, have thus been fulfilled. It is probable, however, that part of the increase in profits in 1937 is due to the high level of activity prevailing in the early part of the year. New orders placed in the first four months constituted a record. Moreover, the rise in stocks from £616,216 to £680,078 and in debtors from £855,818 to £957,313 suggests continued expansion in business. But the current position of orders and prospects for new business must be left to the chairman's speech at next Friday's meeting. The outlook for 1938 is not wholly favourable for electrical manufacturing companies, but a current price of 19s. 9d. for the 5s. ordinary shares fairly values the company's earning ability on a 5 per cent. basis.

* * *

San Paulo (Brazilian) Railway.—The results and recent dividend of this concern for 1937 have caused some recovery in the stock, for the tax-free dividend has been reduced by no more than 1 per cent. to 4 per cent., although a draft upon general reserve has been necessary to provide for the payment. Gross currency receipts on the main line rose by 4.79 per cent. (compared with 19.27 per cent. in 1936), and working expenses absorbed a higher proportion of receipts. Operating receipts rose from £1,550,322 to £1,691,984, and expenses from £1,123,394 to £1,281,346. Net operating revenue, in fact, amounted to £410,638 against £426,927. Ruling out a transfer of £200,000 from general reserve (which may be offset against a similar transfer to Bridge Renewal Fund), the total disposable balance of net revenue was £528,874 compared with £491,450. Both figures, however, include certain smaller transfers from reserve funds, whose effect is difficult to eliminate. The full 4 per cent. dividend is covered, on this basis, with a margin of £28,195. If the Bridge Renewal Fund allocation being, in effect, met from reserve, is excluded from charges, 4.4 per cent., tax free, was earned for dividend, against 5.4 per cent. The railway has paid ordinary dividends regularly, except in 1932, but it has been compelled to reduce its payments without having approached pre-depression levels. With rising costs and obscure prospects both for coffee and cotton, the outlook for a continued improvement in receipts is not too bright, and the current yield on the ordinary stock is as high as 12.7 per cent. gross.

Other Company Results.—Our usual analysis of profit and loss accounts on page 218 contains some 75 companies in all. Rubber company results for 1938 are appearing in increasing numbers, and several new concerns have issued their first reports. The results are discussed on page 202 under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—Reports of company meetings will be found in this issue from page 209. The proceedings at the *Imperial Chemical Industries* meeting are discussed on page 195. Reviewing the opera-

tions of the *Eagle Star Insurance Company*, Sir Edgar Mountain revealed that only £3,000 of the sum of £10,680,819 assured last year represented business outside the United Kingdom. He referred to the increased burdens placed on the motor department in recent years. Sir Harry Goschen, at the *Agricultural Mortgage Corporation* meeting, disclosed that the total amount advanced by the Corporation was increased by £447,809 last year to a total of £12,416,218. Payments of interest and principal continued to be promptly met. At the *Oxendale and Company (Proprietors)* meeting, Mr A. Stanley Smith expressed satisfaction that turnover in all sections had been increasing, in spite of growing competition.

THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT
APRIL 26 APRIL 28

The promise which the markets showed on the resumption of business this week was not maintained. A moderate amount of new buying, associated with the Anglo-Italian agreement, put prices higher in every section on Tuesday, but it was clear on later days that the market's chief pre-occupation was the Budget. In addition, Wall Street and the rail and cable traffic lent no assistance to a market which was in any case disposed to react.

Gilt-edged opened firm, but a moderate amount of realisation on Wednesday proved that little support was available. Budget factors were largely responsible for this reaction, which chiefly affected the dated stocks. A continuing demand for corporation stocks, however, was in evidence. Renewed selling of New Zealand stocks was reported.

In the *foreign bond market*, further support was accorded to Austrian issues, and most of the Central European bonds responded to the Anglo-Italian agreement. German issues rose further. Brazilian and Japanese bonds received better support, but Chinese issues lost part of the gains recorded in the previous week.

*

Home rail stocks found the holiday traffic far from welcome, falls of 1½ in Great Western and 1 in L.M.S. ordinary being recorded. Business in Argentine issues was small, and limited to prior charges.

Hesitancy in advance of the Budget was evident in the *industrial market*, which opened firm, but lost momentum from mid-week. Cable and Wireless were especially weak on the March index number, and international stocks lost ground in sympathy with New York. Steel shares showed initial gains, but failed to maintain the best prices. Walsall Conduits rose on the profits (discussed on page 198), but Henley's Telegraph were steady. Gains were common at first in the motor share list, but prices reacted later. Profit-taking also affected the aircraft group, and the popular engineering counters lost ground. Brewery shares again showed confidence regarding the Budget at first, but also reacted later, in some cases significantly. Tobacco shares were also easier. Interest in textile issues was small, but I.C. Gas responded to the improved outlook in France. Miscellaneous industrial shares generally

made further progress on Tuesday, but their best levels were not held as the account closed. Building shares were also easier.

*

Oil shares opened firm, though Mexican Eagle were sold from Paris and the British Controlled results were not to the market's liking. The leaders, however, displayed firmness, but conditions became easier in mid-week. Rubber shares were initially supported, and after a pause made further moderate headway on Thursday, assisted by the commodity.

Firmer conditions were evident in the Kaffir market, both dividend-paying shares and developing mines making a consistent showing until the end of the account. French interest and local investment support assisted the "heavy" shares, and interest tended to spread to West African issues. Copper shares advanced further at first, but declined later, in company with other base metal issues.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Apr. 14	7,295	9,150	90.9	128.9
Apr. 15		Good Friday		
Apr. 16		Closed		
Apr. 18		Easter Monday		
Apr. 19	7,920	7,855	91.4	128.9
Apr. 20	7,245	9,400	91.2	128.8
Apr. 21	7,755	7,825	91.0	128.8
High...	...	...	97.2	131.0
Low...	...	...	Jan. 12	Feb. 4
			79.4	126.9
			Mar. 16	Mar. 17

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

ACTUARIES' INVESTMENT INDEX

For the second time in succession the Actuaries' Index of 151 industrial ordinary shares has risen, standing on Tuesday last (April 19th) at 69.2, compared with 67.5 a week ago and 65.5 a month ago. The corresponding yields are 5.33, 5.46 and 5.59 per cent., respectively. A selection of the separate indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices, 1938 High
	Mar. 22, 1938	Apr. 12, 1938	Apr. 19, 1938	
Insurance (10)	113.0	113.0	114.6	121.5
Building mats. (6)	75.8	79.8	82.4	87.1
Coal (9)	91.6	93.6	95.9	106.7
Elec. mfg. (12)	111.1	115.8	119.4	129.7
Oil (4)	71.7	72.8	76.1	84.9
Home rails (4)	61.2	61.0	63.2	71.0
Breweries, etc. (20)	120.0	125.1	128.0	133.6

Group	Yields (%)			Prices, 1938 Low
	Mar. 22, 1938	Apr. 12, 1938	Apr. 19, 1938	
Insurance	3.75	3.75	3.71	110.8
Building mats.	7.27	6.95	6.74	75.0
Coal	5.70	5.54	5.41	91.1
Electrical mfg.	5.74	5.89	5.72	111.1
Oil	7.00	6.88	6.58	67.1
Home rails	5.39	5.35	5.22	57.1
Breweries, etc.	5.52	5.31	5.20	119.8

New York

WALL STREET's active session last Saturday was the only occasion during the past week when the President's pump-priming and reflationary measures found any response in market prices. Reduction of reserve requirements by 12½ per cent. and the sterilisation of the inactive gold fund have been unable subsequently to offset Wall Street's fears that a recovery programme will take time and may involve political discord. *Iron Age* has reported in frank terms that the near-term trend in steel operations is likely to be down rather than up and that public expenditure will not provide any immediate stimulus. Current operations are maintained at 32 per cent. The net effect of these factors was a consistent fall in stock prices throughout this week. With the possibility of Congressional face-spiriting on the pump-priming proposals and the President's undefined attitude towards the Tax Revision Bill, all sections of the market, including rail and utility bonds, reveal the pursuit of caution. Turnover remains small and professional interest is even smaller.

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

	WEEKLY AVERAGES			
	1938		Apr. 6, 1938	Apr. 13, 1938
	Low Mar. 30	High Jan. 12		
347 Ind'ls. ...	75.9	101.5	80.8	87.9
32 Rails ...	19.0	31.4	20.9	21.8
40 Utilities ...	57.7	78.8	63.8	65.4
419 Stocks ...	63.7	86.4	68.4	73.6
Av. yield %*	8.35	5.32	5.83	5.30
	High	Low		

* 50 Common Stocks.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)					
Apr. 7	Apr. 8	Apr. 9	Apr. 11	Apr. 12	Apr. 13
90.4	94.8	101.5	98.4	99.3	100.2

(Continued on page 202)

THE COMING RESCUE INFLATION

By Major L. L. B. Angas

Author of "The Coming American Boom," July 1934

Reprinted in this 40-page pamphlet (just published) is the Author's end-March brochure to his clients entitled

The Coming Scramble for Stocks (and Labor)

New Era Publishers, 47 West St., New York

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LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937		Prices, Year 1938 Jan. 1 to Apr. 20, inclusive		Name of Security	Price, Apr. 20, 1938	Change since Apr. 6, 1938	Yield, Apr. 20, 1938	Prices, Year 1938 Jan. 1 to Apr. 20, inclusive			Name of Security	Price, Apr. 20, 1938	Change since Apr. 6, 1938	Yield, Apr. 20, 1938
High	Low	High	Low					High	Low	Change				
841 1/2	73 1/2	79 1/2	71	British Funds	75	+1 1/2	4 s. d.	13 1/2	12 1/2	3 1/2	Com. Bk. of Aus. 10/-	12 1/2	...	4 s. d.
113	105 1/2	111 1/2	107	Consols 2 1/2 %	101 1/2	+1 1/2	3 1/2	53 1/2	51 1/2	2 1/2	Dist. B. 1 1/2 %	53 1/2	...	3 1/2
103 1/2	94 1/2	99 1/2	96	Do. 3 1/2 %	99	+1 1/2	2 1/2	77 1/2	76 1/2	1 1/2	En. S. & Aust. 4 1/2 %	82 1/2	...	5 1/2
103 1/2	97 1/2	102 1/2	99	Do. 3 1/2 %	102	+1 1/2	2 1/2	106 1/2	105 1/2	1 1/2	Hambros 10 1/2 %	106 1/2	...	10 1/2
106 1/2	99 1/2	104 1/2	98 1/2	Do. 3 1/2 %	102	+1 1/2	2 1/2	113 1/2	112 1/2	1 1/2	Hong. and S. 8 1/2 %	113 1/2	...	8 1/2
108	105	108 1/2	105 1/2	Do. 4 1/2 %	106 1/2	+1 1/2	2 1/2	113 1/2	112 1/2	1 1/2	Ind. 4 1/2 %	113 1/2	...	4 1/2
117 1/2	111 1/2	115 1/2	112 1/2	Do. 5 1/2 %	113 1/2	+1 1/2	2 1/2	113 1/2	112 1/2	1 1/2	Midland 1 1/2 %	113 1/2	...	1 1/2
92 1/2	89 1/2	91 1/2	87 1/2	Fund. 2 1/2 %	90 1/2	+1 1/2	3 1/2	90 1/2	89 1/2	1 1/2	Nat. Dis. 2 1/2 %	90 1/2	...	2 1/2
96 1/2	89 1/2	91 1/2	87 1/2	Fund. 2 1/2 %	90 1/2	+1 1/2	3 1/2	90 1/2	89 1/2	1 1/2	Nat. Dis. 2 1/2 %	90 1/2	...	2 1/2
101 1/2	92 1/2	95 1/2	91 1/2	Fund. 3 1/2 %	98 1/2	+1 1/2	3 1/2	98 1/2	97 1/2	1 1/2	Nat. Dis. 2 1/2 %	98 1/2	...	2 1/2
116 1/2	109 1/2	114 1/2	110 1/2	Fund. 4 1/2 %	113 1/2	+1 1/2	3 1/2	113 1/2	112 1/2	1 1/2	Nat. Dis. 2 1/2 %	113 1/2	...	2 1/2
99 1/2	96 1/2	100 1/2	97 1/2	Nat. D. 2 1/2 %	100 1/2	+1 1/2	3 1/2	100 1/2	99 1/2	1 1/2	Nat. Dis. 2 1/2 %	100 1/2	...	2 1/2
114 1/2	107 1/2	112 1/2	109 1/2	Victory Bonds 4 1/2 %	111 1/2	+1 1/2	3 1/2	111 1/2	110 1/2	1 1/2	Nat. Dis. 2 1/2 %	111 1/2	...	2 1/2
105 1/2	99 1/2	103 1/2	99 1/2	War L. 3 1/2 %	103	+1 1/2	3 1/2	103	102 1/2	1 1/2	Nat. Dis. 2 1/2 %	103	...	2 1/2
96 1/2	84 1/2	90 1/2	84 1/2	Local Loans 3 %	88	+1 1/2	3 1/2	88	87 1/2	1 1/2	Nat. Dis. 2 1/2 %	88	...	2 1/2
102 1/2	99 1/2	101 1/2	99 1/2	Austria 3 1/2 %	100 1/2	+1 1/2	3 1/2	100 1/2	99 1/2	1 1/2	Nat. Dis. 2 1/2 %	100 1/2	...	2 1/2
72	62	67 1/2	63 1/2	India 2 1/2 %	67 1/2	+1 1/2	3 1/2	67 1/2	66 1/2	1 1/2	Nat. Dis. 2 1/2 %	67 1/2	...	2 1/2
85 1/2	74 1/2	78 1/2	75 1/2	Do. 3 1/2 %	78 1/2	+1 1/2	3 1/2	78 1/2	77 1/2	1 1/2	Nat. Dis. 2 1/2 %	78 1/2	...	2 1/2
98 1/2	87 1/2	94 1/2	88 1/2	Do. 4 1/2 %	94 1/2	+1 1/2	3 1/2	94 1/2	93 1/2	1 1/2	Nat. Dis. 2 1/2 %	94 1/2	...	2 1/2
119 1/2	112 1/2	117 1/2	114 1/2	Dom. & Col. Govts.	117 1/2	+1 1/2	3 1/2	117 1/2	116 1/2	1 1/2	Nat. Dis. 2 1/2 %	117 1/2	...	2 1/2
109 1/2	105	108 1/2	105 1/2	Austr. 5 1/2 %	107	...	4 0 0	107	106 1/2	1 1/2	Nat. Dis. 2 1/2 %	107	...	2 1/2
105 1/2	101 1/2	104 1/2	101 1/2	Canada 4 1/2 %	102	...	4 0 0	102	101 1/2	1 1/2	Nat. Dis. 2 1/2 %	102	...	2 1/2
118 1/2	114 1/2	115 1/2	113	Nigeria 5 1/2 %	115	...	3 10 6	115	114 1/2	1 1/2	Nat. Dis. 2 1/2 %	115	...	2 1/2
110 1/2	104 1/2	108 1/2	104 1/2	N. Zealand 5 1/2 %	105	...	4 5 1	105	104 1/2	1 1/2	Nat. Dis. 2 1/2 %	105	...	2 1/2
107 1/2	103 1/2	107 1/2	102	Queens. 5 1/2 %	103	...	3 8 7	103	102 1/2	1 1/2	Nat. Dis. 2 1/2 %	103	...	2 1/2
114 1/2	110 1/2	112 1/2	110 1/2	S. Africa 5 1/2 %	111	...	3 7 5	111	110 1/2	1 1/2	Nat. Dis. 2 1/2 %	111	...	2 1/2
103 1/2	93	96 1/2	89	Foreign Governments	90 1/2	+1 1/2	4 19 6f	90 1/2	89 1/2	1 1/2	Nat. Dis. 2 1/2 %	90 1/2	...	2 1/2
105 1/2	97 1/2	102 1/2	94	Arg. 4 1/2 %	102 1/2	+1 1/2	4 19 6f	102 1/2	101 1/2	1 1/2	Nat. Dis. 2 1/2 %	102 1/2	...	2 1/2
91 1/2	84 1/2	89	48	Do. 4 1/2 %	89	+1 1/2	4 19 6f	89	88 1/2	1 1/2	Nat. Dis. 2 1/2 %	89	...	2 1/2
102 1/2	95 1/2	99	91 1/2	Belg. 4 1/2 %	97 1/2	+1 1/2	4 19 6f	97 1/2	96 1/2	1 1/2	Nat. Dis. 2 1/2 %	97 1/2	...	2 1/2
33 1/2	24 1/2	33 1/2	31 1/2	Bulgaria 7 1/2 %	33 1/2	+1 1/2	7 9 0m	33 1/2	32 1/2	1 1/2	Nat. Dis. 2 1/2 %	33 1/2	...	2 1/2
89 1/2	78 1/2	81 1/2	75	Chile 6 1/2 %	78 1/2	+1 1/2	4 19 6f	78 1/2	77 1/2	1 1/2	Nat. Dis. 2 1/2 %	78 1/2	...	2 1/2
28 1/2	15 1/2	16 1/2	14 1/2	China 5 1/2 %	15 1/2	+1 1/2	4 19 6f	15 1/2	14 1/2	1 1/2	Nat. Dis. 2 1/2 %	15 1/2	...	2 1/2
95 1/2	54 1/2	60 1/2	40 1/2	Do. 5 1/2 %	54 1/2	+1 1/2	4 19 6f	54 1/2	53 1/2	1 1/2	Nat. Dis. 2 1/2 %	54 1/2	...	2 1/2
101 1/2	59 1/2	71 1/2	43	Do. 5 1/2 %	63	+1 1/2	4 19 6f	63	62 1/2	1 1/2	Nat. Dis. 2 1/2 %	63	...	2 1/2
108 1/2	101 1/2	105 1/2	58	Czechoslovakia 8 1/2 %	84 1/2	+1 1/2	9 10 6f	84 1/2	83 1/2	1 1/2	Nat. Dis. 2 1/2 %	84 1/2	...	2 1/2
100 1/2	92 1/2	95 1/2	84	Denmark 3 1/2 %	92 1/2	+1 1/2	3 17 9	92 1/2	91 1/2	1 1/2	Nat. Dis. 2 1/2 %	92 1/2	...	2 1/2
106 1/2	100 1/2	103 1/2	100 1/2	Egypt 5 1/2 %	103 1/2	+1 1/2	3 17 9	103 1/2	102 1/2	1 1/2	Nat. Dis. 2 1/2 %	103 1/2	...	2 1/2
18 1/2	11	13	10 1/2	French 4 1/2 %	11 1/2	+1 1/2	5 4 0	11 1/2	10 1/2	1 1/2	Nat. Dis. 2 1/2 %	11 1/2	...	2 1/2
66 1/2	52 1/2	60	43 1/2	Ger. 7 1/2 %	52 1/2	+1 1/2	13 9 2	52 1/2	51 1/2	1 1/2	Nat. Dis. 2 1/2 %	52 1/2	...	2 1/2
49 1/2	35	45 1/2	33 1/2	Do. 5 1/2 %	40 1/2	+1 1/2	13 9 2	40 1/2	39 1/2	1 1/2	Nat. Dis. 2 1/2 %	40 1/2	...	2 1/2
40 1/2	30	34	25	Greek 6 1/2 %	31 1/2	+1 1/2	12 12 0m	31 1/2	30 1/2	1 1/2	Nat. Dis. 2 1/2 %	31 1/2	...	2 1/2
62 1/2	47 1/2	58 1/2	30	Hungary 7 1/2 %	48 1/2	+1 1/2	10 11 9	48 1/2	47 1/2	1 1/2	Nat. Dis. 2 1/2 %	48 1/2	...	2 1/2
88 1/2	53	60	38	Japan 5 1/2 %	53 1/2	+1 1/2	10 11 9	53 1/2	52 1/2	1 1/2	Nat. Dis. 2 1/2 %	53 1/2	...	2 1/2
94 1/2	57 1/2	64 1/2	43	Do. 6 1/2 %	56 1/2	+1 1/2	10 11 9	56 1/2	55 1/2	1 1/2	Nat. Dis. 2 1/2 %	56 1/2	...	2 1/2
121 1/2	100 1/2	124	115	Norwegian 4 1/2 %	119	...	3 7 6	119	118 1/2	1 1/2	Nat. Dis. 2 1/2 %	119	...	2 1/2
61 1/2	40 1/2	47 1/2	36	Peru 7 1/2 %	40 1/2	+1 1/2	10 11 9	40 1/2	39 1/2	1 1/2	Nat. Dis. 2 1/2 %	40 1/2	...	2 1/2
83 1/2	56	63 1/2	43	Poland 5 1/2 %	56 1/2	+1 1/2	14 19 0	56 1/2	55 1/2	1 1/2	Nat. Dis. 2 1/2 %	56 1/2	...	2 1/2
20 1/2	13	15	11	Roum. 4 1/2 %	13 1/2	+1 1/2	14 19 0	13 1/2	12 1/2	1 1/2	Nat. Dis. 2 1/2 %	13 1/2	...	2 1/2
96 1/2	88 1/2	92	80	U.K. & Arg. C. 3 1/2 %	82 1/2	+1 1/2	3 12 2	82 1/2	81 1/2	1 1/2	Nat. Dis. 2 1/2 %	82 1/2	...	2 1/2
118 1/2	111 1/2	115 1/2	110 1/2	Corporation Stocks	112 1/2	+1 1/2	3 4 3	112 1/2	111 1/2	1 1/2	Nat. Dis. 2 1/2 %	112 1/2	...	2 1/2
118 1/2	111 1/2	115 1/2	110 1/2	Bir'ham 5 1/2 %	112 1/2	+1 1/2	3 4 3	112 1/2	111 1/2	1 1/2	Nat. Dis. 2 1/2 %	112 1/2	...	2 1/2
95 1/2	82 1/2	87 1/2	83	Do. 5 1/2 %	87 1/2	+1 1/2	3 5 0	87 1/2	86 1/2	1 1/2	Nat. Dis. 2 1/2 %	87 1/2	...	2 1/2
101 1/2	93	97 1/2	94	C.C. & G. 3 1/2 %	94 1/2	+1 1/2	3 6 11	94 1/2	93 1/2	1 1/2	Nat. Dis. 2 1/2 %	94 1/2	...	2 1/2
104 1/2	100 1/2	103 1/2	101 1/2	Liverpool 3 1/2 %	103 1/2	+1 1/2	3 5 6	103 1/2	102 1/2	1 1/2	Nat. Dis. 2 1/2 %	103 1/2	...	2 1/2
104 1/2	100 1/2	103 1/2	101 1/2	Midx. 3 1/2 %	103 1/2	+1 1/2	3 5 6	103 1/2	102 1/2	1 1/2	Nat. Dis. 2 1/2 %	103 1/2	...	2 1/2

(a) Interim dividend. (b) Final dividend. (c) Dividends for full year. (d) Paid in N.Z. (e) Allowed for exchange. (f) Flat yield. (g) Yield on 3 1/2 % basis. (h) Yield based on 4 1/2 % coupon. (i) Yield based on 5 1/2 % coupon. (j) Yield based on 6 1/2 % coupon. (k) Yield based on 7 1/2 % coupon. (l) Yield based on 8 1/2 % coupon. (m) Yield based on 9 1/2 % coupon. (n) Yield based on 10 1/2 % coupon. (o) Yield based on 11 1/2 % coupon. (p) Yield based on 12 1/2 % coupon. (q) Yield based on 13 1/2 % coupon. (r) Yield based on 14 1/2 % coupon. (s) Yield based on 15 1/2 % coupon. (t) Yield based on 16 1/2 % coupon. (u) Yield based on 17 1/2 % coupon. (v) Yield based on 18 1/2 % coupon. (w) Yield based on 19 1/2 % coupon. (x) Yield based on 20 1/2 % coupon. (y) Yield based on 21 1/2 % coupon. (z) Yield based on 22 1/2 % coupon. (aa) Yield based on 23 1/2 % coupon. (ab) Yield based on 24 1/2 % coupon. (ac) Yield based on 25 1/2 % coupon. (ad) Yield based on 26 1/2 % coupon. (ae) Yield based on 27 1/2 % coupon. (af) Yield based on 28 1/2 % coupon. (ag) Yield based on 29 1/2 % coupon. (ah) Yield based on 30 1/2 % coupon. (ai) Yield based on 31 1/2 % coupon. (aj) Yield based on 32 1/2 % coupon. (ak) Yield based on 33 1/2 % coupon. (al) Yield based on 34 1/2 % coupon. (am) Yield based on 35 1/2 % coupon. (an) Yield based on 36 1/2 % coupon. (ao) Yield based on 37 1/2 % coupon. (ap) Yield based on 38 1/2 % coupon. (aq) Yield based on 39 1/2 % coupon. (ar) Yield based on 40 1/2 % coupon. (as) Yield based on 41 1/2 % coupon. (at) Yield based on 42 1/2 % coupon. (au) Yield based on 43 1/2 % coupon. (av) Yield based on 44 1/2 % coupon. (aw) Yield based on 45 1/2 % coupon. (ax) Yield based on 46 1/2 % coupon. (ay) Yield based on 47 1/2 % coupon. (az) Yield based on 48 1/2 % coupon. (ba) Yield based on 49 1/2 % coupon. (bb) Yield based on 50 1/2 % coupon. (bc) Yield based on 51 1/2 % coupon. (bd) Yield based on 52 1/2 % coupon. (be) Yield based on 53 1/2 % coupon. (bf) Yield based on 54 1/2 % coupon. (bg) Yield based on 55 1/2 % coupon. (bh) Yield based on 56 1/2 % coupon. (bi) Yield based on 57 1/2 % coupon. (bj) Yield based on 58 1/2 % coupon. (bk) Yield based on 59 1/2 % coupon. (bl) Yield based on 60 1/2 % coupon. (bm) Yield based on 61 1/2 % coupon. (bn) Yield based on 62 1/2 % coupon. (bo) Yield based on 63 1/2 % coupon. (bp) Yield based on 64 1/2 % coupon. (bq) Yield based on 65 1/2 % coupon. (br) Yield based on 66 1/2 % coupon. (bs) Yield based on 67 1/2 % coupon. (bt) Yield based on 68 1/2 % coupon. (bu) Yield based on 69 1/2 % coupon. (bv) Yield based on 70 1/2 % coupon. (bw) Yield based on 71 1/2 % coupon. (bx) Yield based on 72 1/2 % coupon. (by) Yield based on 73 1/2 % coupon. (bz) Yield based on 74 1/2 % coupon. (ca) Yield based on 75 1/2 % coupon. (cb) Yield based on 76 1/2 % coupon. (cc) Yield based on 77 1/2 % coupon. (cd) Yield based on 78 1/2 % coupon. (ce) Yield based on 79 1/2 % coupon. (cf) Yield based on 80 1/2 % coupon. (cg) Yield based on 81 1/2 % coupon. (ch) Yield based on 82 1/2 % coupon. (ci) Yield based on 83 1/2 % coupon. (cj) Yield based on 84 1/2 % coupon. (ck) Yield based on 85 1/2 % coupon. (cl) Yield based on 86 1/2 % coupon. (cm) Yield based on 87 1/2 % coupon. (cn) Yield based on 88 1/2 % coupon. (co) Yield based on 89 1/2 % coupon. (cp) Yield based on 90 1/2 % coupon. (cq) Yield based on 91 1/2 % coupon. (cr) Yield based on 92 1/2 % coupon. (cs) Yield based on 93 1/2 % coupon. (ct) Yield based on 94 1/2 % coupon. (cu) Yield based on 95 1/2 % coupon. (cv) Yield based on 96 1/2 % coupon. (cw) Yield based on 97 1/2 % coupon. (cx) Yield based on 98 1/2 % coupon. (cy) Yield based on 99 1/2 % coupon. (cz) Yield based on 100 1/2 % coupon. (da) Yield based on 101 1/2 % coupon. (db) Yield based on 102 1/2 % coupon. (dc) Yield based on 103 1/2 % coupon. (dd) Yield based on 104 1/2 % coupon. (de) Yield based on 105 1/2 % coupon. (df) Yield based on 106 1/2 % coupon. (dg) Yield based on 107 1/2 % coupon. (dh) Yield based on 108 1/2 % coupon. (di) Yield based on 109 1/2 % coupon. (dj) Yield based on 110 1/2 % coupon. (dk) Yield based on 111 1/2 % coupon. (dl) Yield based on 112 1/2 % coupon. (dm) Yield based on 113 1/2 % coupon. (dn) Yield based on 114 1/2 % coupon. (do) Yield based on 115 1/2 % coupon. (dp) Yield based on 116 1/2 % coupon. (dq) Yield based on 117 1/2 % coupon. (dr) Yield based on 118 1/2 % coupon. (ds) Yield based on 119 1/2 % coupon. (dt) Yield based on 120 1/2 % coupon. (du) Yield based on 121 1/2 % coupon. (dv) Yield based on 122 1/2 % coupon. (dw) Yield based on 123 1/2 % coupon. (dx) Yield based on 124 1/2 % coupon. (dy) Yield based on 125 1/2 % coupon. (dz) Yield based on 126 1/2 % coupon. (ea) Yield based on 127 1/2 % coupon. (eb) Yield based on 128 1/2 % coupon. (ec) Yield based on 129 1/2 % coupon. (ed) Yield based on 130 1/2 % coupon. (ee) Yield based on 131 1/2 % coupon. (ef) Yield based on 132 1/2 % coupon. (eg) Yield based on 133 1/2 % coupon. (eh) Yield based on 134 1/2 % coupon. (ei) Yield based on 135 1/2 % coupon. (ej) Yield based on 136 1/2 % coupon. (ek) Yield based on 137 1/2 % coupon. (el) Yield based on 138 1/

(Continued from page 199)

Apr. 14	Apr. 15	Apr. 16	Apr. 18	Apr. 19	Apr. 20
101.4	Good Friday	105.8	103.6	100.5	99.9
High: 116.9 January 11th. Low: 83.6 March 31, 1938.					
TOTAL DEALINGS IN NEW YORK					
1938	Stock Exchange		Curb Shares		
	Shares	Bonds	Shares	Bonds	
	000's	000's	000's	000's	
Apr. 7	330	4,200	95		
" 8	830	5,360	128		
" 9*	1,410	4,530	187		
" 11	1,100	6,570	182		
" 12	600	4,820	93		
" 13	640	5,720	102		
" 14	1,010	5,930	127		
" 15		Good Friday			
" 16*	1,060	4,710	136		
" 18	860	5,530	99		
" 19	570	5,120	99		
" 20	780	5,410	116		

* Two-hour session.

New York Prices

	Close	Latest	Close	Latest
	Apr. 14, 1938	Apr. 21, 1938	Apr. 14, 1938	Apr. 21, 1938
1. Rails & Transport				
Archison	25	26	Briggs	19 1/2
Balt. & Ohio	57 1/2	59 1/2	Chrysler	45 1/2
B.M.T.	77 1/2	71 1/2	Elec. Autolite	16 1/2
Can. Pacific	6	6 1/2	Gen. Motors	33 3/4
Ches. & Ohio	27 1/2	26 1/2	Hudson Mtr	7 1/2
C.N. Ry. P.E.	15 1/2	15 1/2	Nash Kelvint	8 1/2
Illinois Cent.	7 1/2	7 1/2	Packard Mtr	4 1/4
N.Y. Central	12 1/2	12 1/2	Bendix Avtn.	11 1/2
Northern Pac	8	7 3/4	Boeing Airplan	27 1/2
Pennsylv. R.	16 1/2	16	Douglas Air.	41 1/4
Southern Pac.	11 1/4	11	United Aircr.	25 1/2
Southern Ry.	7 1/2	6 5/8	Air Reduction	45 1/4
Union Pac.	61	61 1/4	Allied Cheml.	144 1/4
Greyhound	9 7/8	9 1/2	Col. Carbon	65 64 1/4
			Dupont	105 102 1/2
			On Carbide	68 1/2
			U.S. Ind. Alc.	16 1/2
			Allis Chalmers	41 1/2
			Westhselec.	75 75
			American Can	88 1/2
			Addressograph	19 1/2
			Caterpillar	42 41 1/2
			Cont. Can.	40 38 1/2
			Ingersoll Rnd	73 1/2
			Int. Harvester	63 1/2
			Johns Manville	69 1/2
			Am. Radiator	124 124
			Corn Prods.	61 62 1/2
			J.I. Case & Co.	75 73 1/2
			Glidden	187 182
			G. Am. Trans	35 1/2
			Calumet of A.	16 14
			Ind. Rayon	18 1/2
			Colgate Palm.	87 85 1/2
			Eastm'n Kdk.	147 149
			Gillette	9 8 1/2
			Lambert Co.	11 1/2
			Loews	41 40 1/2
			20th Cen. Fox	20 19 1/2
2. Utilities and Communications				
Am. W'works	7 1/2	8 1/2		
C. & S. & S.	1 3/8	1 1/4		
Con. Edison	20	20 1/2		
Col Gas & Etc	5 1/2	6 1/4		
El Bond & Sh	6 1/4	7		
Nat Pwr & Lt	6 1/2	6 5/8		
N. American	16 1/2	17 1/2		
Pac Gas & Etc	25 1/2	25 1/2		
Pac. Lighting	35 1/2	35 1/2		
Pub Serv N.J.	24 1/2	24 1/2		
Stan Gas & El	3 1/2	3 3/8		
United Corp.	27 1/2	27 1/2		
Un. Gas Imp.	10	9 7/8		
Amer. Tel.	128 1/2	127		
Internat. Tel.	7 1/2	8 1/8		
Westn. Union	22 1/2	22 1/2		
Radio	6 1/4	6 1/2		
" B. Pref	47 1/4	45 1/4		
3. Extractive and Metal				
Am. Mol. Mill	17 1/2	17 1/2		
Beth. Steel	48 1/2	48 1/2		
Beth. Steel P	82	88		
Republic St.	14 1/2	14		
U.S. Steel	46 1/4	45 1/2		
U.S. Steel P.	102 1/4	100		
Alaska J'neau	10 1/2	10 1/2		
Am. Metal	31	31 1/2		
Am. Smelting	38 1/2	38 1/2		
Anaconda	28 1/2	29		
Bohn Alum.	20 1/2	20 1/2		
Cerro de Pas.	34 1/2	33 1/2		
Int. Nickel	47 1/2	46 1/2		
Kennecott	34 1/2	33 1/2		
Patino Mines	10	9 1/2		
Tex. Gif. Sul.	29 1/2	30 1/2		
U.S. Smelt.	56 1/2	55		
Vanadium	15 1/2	15 1/2		
Atlantic Refg.	20 1/2	21 1/2		
Phillips Petr.	34 1/2	35 1/2		
Shell Union	14 1/2	13 1/2		
Shell Un. P.	97 1/2	99 1/2		
Socony Vac.	14	13 1/2		
Stan. Oil Cal.	29 1/2	29 1/2		
Stan. Oil N.J.	47 1/2	48 1/2		
Texas Corp.	39 1/2	38 1/2		
4. Manufacture				
Briggs	19 1/2	18 1/2		
Chrysler	45 1/2	44 1/2		
Elec. Autolite	16 1/2	16 1/2		
Gen. Motors	33 3/4	32 3/4		
Hudson Mtr	7 1/2	6 3/4		
Nash Kelvint	8 1/2	8 1/2		
Packard Mtr	4 1/4	4 1/4		
Bendix Avtn.	11 1/2	11 1/2		
Boeing Airplan	27 1/2	28		
Douglas Air.	41 1/4	43 1/2		
United Aircr.	25 1/2	26 1/2		
Air Reduction	45 1/4	45		
Allied Cheml.	144 1/4	141 1/2		
Col. Carbon	65 64 1/4	64 1/4		
Dupont	105 102 1/2	102 1/2		
On Carbide	68 1/2	66 1/2		
U.S. Ind. Alc.	16 1/2	16 1/2		
Allis Chalmers	41 1/2	42		
Westhselec.	75 75	75		
American Can	88 1/2	83 1/2		
Addressograph	19 1/2	19 1/2		
Caterpillar	42 41 1/2	41 1/2		
Cont. Can.	40 38 1/2	38 1/2		
Ingersoll Rnd	73 1/2	77		
Int. Harvester	63 1/2	59 1/2		
Johns Manville	69 1/2	66 1/2		
Am. Radiator	124 124	124		
Corn Prods.	61 62 1/2	62 1/2		
J.I. Case & Co.	75 73 1/2	73 1/2		
Glidden	187 182	182		
G. Am. Trans	35 1/2	34		
Calumet of A.	16 14	14		
Ind. Rayon	18 1/2	18 1/2		
Colgate Palm.	87 85 1/2	85 1/2		
Eastm'n Kdk.	147 149	149		
Gillette	9 8 1/2	8 1/2		
Lambert Co.	11 1/2	10 1/2		
Loews	41 40 1/2	40 1/2		
20th Cen. Fox	20 19 1/2	19 1/2		
5. Retail Trade, &c.				
Mont. Ward	32 1/2	32 1/2		
J. C. Penney	62 1/2	62 1/2		
Sears Roebck	58	58 1/2		
United Drug	6	5 1/2		
Walgreen	17 1/2	16 1/2		
Woodworth	41 1/2	42 1/2		
Borden	16 1/2	16 1/2		
Gen. Foods	26	26 1/2		
Kroger Grey.	15 1/2	14 1/2		
Nat. Biscuit	19 1/2	19 1/2		
Nat. Dairy	13 1/2	13 1/2		
Stand. Brands	7 1/2	7 1/2		
Am. Tob. B.	70 1/2	69 1/2		
Lig. Myers B.	94 1/2	93 1/2		
Lorillard	157 1/2	157 1/2		
Reyn. Tob. B.	38 1/2	38 1/2		
Nat. Distillers	20 1/2	19 1/2		
Schenley Dis.	20	18 1/2		
6. Finance				
Comcl. Credit	31	32		
Atlas Corp.	7	7 1/2		
Com. Inv. Tr.	36	35 1/2		

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
April 23	£	£	£
To the Public	100,000	...	100,000
To Shareholders	100,000	...	100,000
By S. E. Introduction	408,406	...	833,987
By Permission to Deal	50,000	...	...
Sav. Certs. w/e Apr. 16...	...	...	...
Including Excluding			
Conversions Conversions			
£ £			
1938 (New Basis)	59,399,545	46,094,078	
1937 (New Basis)	167,189,463	135,702,921	
1938 (Old Basis)	38,664,074	26,608,672	
1937 (Old Basis)	80,770,084	52,125,892	

Destination (Excluding Conversions)			
Year to date	U.K.	Brit. Emp. exc. U.K.	Foreign Countries
1938 (New Basis)	36,305,763	7,359,086	2,429,229
1937 (New Basis)	97,131,565	37,418,216	1,153,140
1938 (Old Basis)	20,034,449	4,175,099	2,399,124
1937 (Old Basis)	44,262,502	7,863,390	Nil

Nature of New Borrowing (Excluding Conversions)			
Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	20,053,390	4,108,277	21,902,411
1937 (New Basis)	30,342,408	14,043,044	91,317,471
1938 (Old Basis)	14,580,122	2,260,722	9,767,828
1937 (Old Basis)	17,353,808	8,265,952	26,506,132

NOTE: "Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

STOCK EXCHANGE INTRODUCTION

Jamaica Government.—The 3 per cent. inscribed stock (a Trustee stock) now issued amounts to £340,000, of which £50,000 has been sold to the market at 98½, and the balance taken up by Crown Agents on behalf of other Colonial Governments. Secured on general revenues and assets. To be repaid at par May 1, 1949.

Sierra Leone Government.—The 3 per cent. inscribed stock (a Trustee stock) now issued amounts to £306,834, of which £50,000 has been sold to the market at 96½ and the balance taken up by Crown Agents on behalf of other Colonial Governments. Secured on general revenues and assets. To be repaid at par April 15, 1954.

PRIVATE PLACINGS

Blackburn Aircraft.—This company has issued 16,812 10s. ordinary shares ranking for dividend from April 1, 1938.

Property and Reversionary Investment Corporation.—£200,000 4½ per cent. first mortgage debenture stock has been privately placed at 101½. The new stock ranks *pari passu* with the previously existing issued £300,000 stock except that the first interest payment on August 1st will amount only to 15s. 8d. per cent., subject to tax.

BY TENDER

Tamworth Gaslight and Coke.—Tenders are invited for £16,000 4½ per cent. redeemable preference stock, at a minimum of 102.

ISSUES TO SHAREHOLDERS ONLY

Woking Electric Supply.—Debenture and shareholders are being offered at par £100,000 4½ per cent. debenture stock.

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Pay-able	Prev. Year
BANKS				
Bank of Adelaide	2 1/2	5	June 1	4 1/2
Bank of Montreal	2*	...	June 1	2*
Royal of Canada	2	...	June 1	2
Union of Scotland	...	18	...	18
INSURANCE				
Alliance Assn.	10/- pst	18/- ps	July 5	18/- ps
Guardian Assn.	6/- pst	11/- ps	May 31	10/- ps
Licenses and General	14/-	20	May 31	20
Lon. & Lancashire	10/- pst	20/- ps	May 11	20/- ps
Northern Assurance	8/- pst	15/- ps	May 18	15/- ps
N. Brn. & Mercantile	...	6 1/3 ps	...	6 1/3 ps
Scot. Un. & Nat. A	...	13/- ps	...	13/- ps
Do.	...	48/9 ps	...	48/9 ps
Yorkshire Insurance	430/-	447 1/2	...	471 1/2

Company	*Int. or Final	Total	Pay- able	Prev. Year
TEA AND RUBBER				
	%	%		%
Bukit Lentong Rub ...	5*	...	Apr. 30	5*
Bukit Panjong Rub ...	4 1/2	7 1/2	...	6
Ceylon Prop. Tea ...	6 1/2	10	May 14	7 1/2
Cons. Malay Rub.	10 1/2	15	...	10
Craighead Tea	6 1/2	9	May 3	6
Doloswella Rubber ..	5 1/2	8	...	4
Dusun Dunan Rub....	...	6	...	4
Hanipha Tea	5 1/2	7 1/2	May 20	4
Henrietta Rub.	10 1/2	15	...	7 1/2
Hewagum Rubber	...	4 1/2	...	3
Hunasagena Tea	4 1/2	6	...	Nil
Junun Rubber	...	4 1/2	May 10	4
Kombok Rubber	...	2 1/2	May 16	4
Lendu Rubber	...	3	May 6	2 1/2
Lethenty Tea	...	5	May 2	Nil
Lon. Asiatic Rubber ..	7 1/2	12 1/2	May 18	10
Lunuya Tea	8 1/2	12	...	9
Menaris (Sumatra) ..	...	5	...	3
Nagolle Rubber	3 1/2	5 1/2	...	5
Panteya Tea, etc.	...	5	...	5
Parambe Rubber	...	5	...	4
Peacock, etc., Tea ...	...	3 1/2	May 24	7 1/2
Ragalla Tea	6 1/2	10	May 5	7 1/2
Rub. Ests. of Ceylon ..	...	3 3/4	...	Nil
Scot. Ceylon Tea ...	7 1/2	15	...	12 1/2
Seafield Rubber	3 1/2	6	...	5
Sungei Batu Rubber ..	8 1/2	13	May 20	10
Thiruvannamalai Tea ..	6 1/2	10	May 22	7 1/2
United Sumatra Rub. ..	...	10	May 10	5
Windsor Rubber	...	10	May 14	7 1/2
Woodend Rubber	6 1/2	8	...	2 1/2

Bolivia and the Tin Committee.—The Bolivian tin industry is potentially the world's second largest supplier of the metal, but since 1935 it has been hampered by technical difficulties and by the aftermath of the Chaco war. As a result, the export quotas allotted to Bolivia by the International Tin Committee have not been fully used; exports in the first and last quarters of 1937 amounted to 5,750 and 7,499 long tons, compared with the 11,488 and 12,636 long tons allowed under the international control scheme. The unused quotas have been transferred to other countries and have served to sweeten the pill of the recent cuts in exports ordered by the International Tin Committee. The figures just published of the Bolivian tin output in the first quarter of 1938 show that the position has been reversed; the reduction in quotas and the recovery of Bolivian production led to an excess export of 1,202 long tons above the quota of 6,570 long tons. For the second quarter of the current year, the export quotas have been cut from 70 per cent. to 55 per cent. of the standard output, so that it is probable that Bolivia will continue to export in excess of the amounts allotted to her and will not be able to surrender part of her quota to the other tin-producing countries. This change in the situation is likely to create new problems for the International Tin Scheme in the near future.

End of Gold Coast Cocoa Boycott.—The Gold Coast cocoa boycott, which has been in operation since last October, came to an end this week, writes a correspondent. The Gold Coast Department of Agriculture has introduced an Export Ordinance to secure an orderly liquidation of the huge stocks accumulated in the Colony, which are estimated at 245,000 tons. Certain quantities of the stocks are of inferior quality, but it is believed that about 200,000 tons are marketable, to which must be added the current year's minor crop of about 20,000 tons. The origin of the farmers' selling strike was discussed in *The Economist* of February 12th, page 361; in the first six months of this season (October to March) exports of cocoa beans from the Gold Coast amounted to only 49,365 metric tons, compared with 216,097 metric tons in the corresponding period of the previous season. It is not known whether the Gold Coast Government intends to hold back part of the supply, but such a course might be wise in view of the recent fall in price. The three months' Accra quotation on the London Terminal Market is now less than 25s. per cwt., compared with 30s. per cwt. at the beginning of the boycott and over 46s. per cwt. in March of last year. Consumption is declining, and the world's requirements during the current season are unlikely to exceed 650,000 metric tons, compared with last season's figure of nearly 700,000 metric tons. The report of the Cocoa Commission, which has been appointed by the Colonial Secretary to examine the organisation of the West African cocoa trade, will probably be published in the summer.

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Restriction of Woodpulp Output.—The price of woodpulp, the raw material for paper and for artificial fibres, has fluctuated widely in recent years. Largely because of speculative buying, the price during 1936 and the first half of 1937 rose to about twice its former level, but a large volume of re-sales from America brought a relapse at the end of last year. Twelve months ago, some sections of the trade were discussing the possibility of a general woodpulp famine; at a Conference in Stockholm last week the Sulphite Pulp Suppliers' Convention decided to reintroduce a restriction of exports, after a lapse of 14 months. The Convention, concluded eight years ago, is comprised of representatives from Sweden, Finland, Norway, Lithuania, Czechoslovakia, Germany and Austria, and the restriction

WORLD OUTPUT OF WOODPULP (ALL GRADES)
(In 1,000 tons)

★ ★ ★

	1929	1932	1936
U.S.A.	4,342	3,357	5,103
Canada	3,590	2,378	4,062
Sweden	2,500	1,965	3,105
Germany	2,050	1,646	2,277
Finland	957	1,243	1,862
Norway	943	886	935
Japan	609	542	773

Total (including other countries)...	16,941	13,969	20,704
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of exports by 20 per cent. for the current year makes a reduction in the output of the members from 2.7 million tons to 2.45 million tons. Canada is the only country producing a large volume of sulphite pulp who has not taken part in the agreement ; of her production of about one million tons annually, about half is exported. The agreement covers, therefore, a large part of world exports and may succeed in lifting prices from their present low level.

Under President Roosevelt's spending programme some £60,000,000 is to be provided for the railways for the

Expansion of German Fisheries.—One of the objectives of the second German Four Years' Plan is to double the yield of the fisheries; it is hoped by this means to supplement domestic supplies of albumen and to alleviate the shortage of fats. The authorities also hope to increase the German production of industrial oils and of meal for feeding livestock and so to lessen the demand for imported products. The output of German fisheries in 1936 was estimated to be nearly 600,000 tons, compared with a British catch of more than a million tons; the *per capita* consumption is estimated at 12 kilogs. in Germany and 24 kilogs. in England, so that there should be little difficulty in stimulating home consumption. The main problem is one of increasing production; but to double the catch of fish within a year or two will not be an easy task.

Exports in March were generally lower than a year ago, the shrinkage being most obvious in textiles, iron and steel scrap and manufactures, and locomotives, but

Great hopes were placed on the resuscitation of the German whaling industry after a lapse of seventy years. Germany has imported about 200,000 tons of whale oil annually for the manufacture of margarine, but it is doubtful, in spite of official enthusiasm, if the German fleets can supply such a quantity. The first whaling venture in 1935-36 is said to have yielded about 10,000 tons of first quality whale oil, and the catch for the present season is estimated to be between 85,000 tons and 90,000 tons. During the last two seasons Germany agreed to conform to the restrictions both of time and of territorial limits which were arranged by the London Agreement, with the aim of conserving the supply of whales. As the largest importer of whale oil, Germany is vitally concerned to prevent the exhaustion of supplies, but it seems likely that her adherence to the system of international control will seriously hinder the attempt to double the output of her fisheries.

Increasing Use of Molybdenum.—Molybdenum is a metal used chiefly with steel to which it gives a high elastic ratio, strength at high temperatures and great toughness and ductility. In the past year, the high price of tungsten has led to the increasing use of molybdenum as a substitute and the rising tide of world re-armament has stimulated its output. The Climax Molybdenum Company, an American concern, which controls more than four-fifths of the world's output, produced 22 million lbs. in 1937, more than four times as much as in 1933. In the first two months of 1938 sales have been well above those in the corresponding period of 1937. Moreover, the company has planned to produce between 28 and 30 million lbs. in the current year in order to satisfy the expected demand.

INDUSTRIAL REPORTS

BOTH industrial operations and new business have been interrupted by the Easter holidays. Domestic consumption of coal continues fairly satisfactory, but export business remains small. Exports last month, at 2,960,000 tons, showed a decline of 77,000 tons on the corresponding month last year. Stocks of iron and steel remain heavy and new transactions are still scarce. The value of building plans passed by 142 local authorities last month was 12.4 per cent. smaller than a year ago. In the case of factories and workshops, the decline amounted to no less than 50 per cent. The slight rise in raw cotton prices has stimulated inquiry for cotton goods, though the volume of transactions has been small. There has been no improvement in the volume of commercial orders placed with the Dundee jute industry which is now working at less than 50 per cent. of capacity. There are no indications of any significant change in the general trend of business during the next few weeks.

Coal

Sheffield.—The stoppage over the week-end has given the coal market an easy appearance, but this will disappear next week, the inland position being very sound. There has been a slightly better demand for household coal, due to the colder weather. The railways have been taking considerable supplies of locomotive fuel, but their demand will probably decline during the next few weeks. Small coal is well taken up. The export market shows no improvement, and business is difficult to negotiate.

Newcastle-on-Tyne.—Most collieries are comfortably placed for this week. But while there is a little more inquiry from abroad, the forward position is causing some anxiety, especially among prime Northumberland steam collieries who feel the lack of home trade. The Durham section is fairly steady: coking and gas coals continue to be well absorbed, but business in second-class steams is insufficient. The market in patent oven coke is quiet, there being no inquiry from abroad, with the result that producers, whose stocks have increased, have to curtail production.

Glasgow.—The Scottish coal market remains dull. Local business is fairly satisfactory, although there is not the same pressure for supplies as formerly, but export business is not yet showing any real signs of improvement and the collieries catering for this market are all in need of new orders. Some short-time is now being experienced in various districts. Danish trade has improved a little this week. Business with London and other coast markets is tending to taper off owing to the seasonal contraction of requirements of the gas and electricity works. Prices are steadier, but are still being shaded for prompt business.

Cardiff.—The holidays have restricted business on the Cardiff coal market this week. Collieries were idle

on Monday and coal loading operations were not fully resumed until Wednesday. A number of inquiries were circulating, including one for the supply of 100,000 tons for Dublin and 30,000 tons for the Ghent Electricity Works, but hardly any new business has been transacted. Quotations are nominally unchanged. Shipments at the South Wales docks last week (five working days) totalled 329,939 tons, compared with 398,900 tons in the previous week, 455,447 tons in the corresponding week last year, and 390,772 tons in the 1937 Good Friday week. The aggregate shipments in the current year are still 100,000 tons in excess of those in the corresponding period last year.

COAL OUTPUT AND EMPLOYMENT

District	Week ended April 2, 1938		Week ended April 9, 1938	
	Output	Wage-earners	Output	Wage-earners
Northumberland	300.5	45.3	286.1	45.3
Durham	706.2	117.9	703.5	117.6
Yorkshire	910.4	144.0	915.6	143.9
Lancs, Cheshire and N. Wales	350.2	68.6	366.9	68.5
Derby, Notts & Leicester	589.4	99.0	586.9	98.8
Staffs, Worcs, Salop & Warwick	388.8	67.8	382.5	67.1
South Wales and Monmouth	796.6	137.2	791.0	137.1
Other English districts*	124.1	22.4	128.1	22.4
Scotland	635.6	91.3	609.4	91.3
Total	4,801.8	793.5	4,770.0	792.0

* Including Cumberland, Gloucester, Somerset and Kent.

Iron and Steel

Sheffield.—Owing to the holidays business has been small this week. As consumers are well stocked, a rapid revival of the demand for iron is not expected. The smaller volume of production is equal to the demand for forge and foundry iron. A slightly better inquiry is about for hematite mixed numbers, and special qualities are in steady request. The bar iron position is unchanged.

There is every indication that business in steel will be fully resumed immediately after the holidays. There is a good demand for basic billets, and there are still some arrears of delivery. Makers find little difficulty in meeting the demand for acid billets. Stainless steel sheets are a good feature, and there is substantial business in structural steel and wire rods. All prices are fully maintained. The price of high-speed steel, exceptionally, has fallen to 3s. per lb. for material with a 14 per cent. tungsten content, and to 3s. 10d. per lb. on 18 per cent. tungsten content.

There has been very little business in the iron and steel scrap market, and there is a tendency to shade uncontrolled prices.

Middlesbrough.—Owing to the holidays the Cleveland iron market was very thinly attended this week. Until foundries have absorbed the Midland and Continental iron purchased some time ago, there is no inducement for

them to come on to the market. The usual spring inquiry has not yet developed, although it is hoped that this will not be long delayed. The reduced output of hematite pig iron is sufficient for requirements. Export business is slow, although a small parcel of pig iron has been shipped to Germany recently. The reduction in the number of furnaces now in blast in this area has had the effect of reducing requirements of both blast-furnace coke and foreign ore.

Supplies of semi-finished steel are ample and consumers have adequate stocks. Finished steel departments, particularly the heavy sections, continue busy, but there is a paucity of demand for lighter sections and sheets. Heavy steel melting scrap is in good supply and demand is regular.

Glasgow.—While steelmakers have still work on hand for many months, they seem to have overtaken some of the arrears of deliveries, and users of both plates and sections are now able to obtain deliveries within a fairly reasonable period. Business is rather quiet this week owing to the Easter holidays. In Glasgow itself there was only a one-day holiday, Monday, but the effects of the holidays elsewhere are felt in most branches of the iron and steel trades. At the same time, there is much work on hand and it is anticipated that by the end of this week there will be a revival of buyers' interest.

Cardiff.—The tinplate branch of the iron and steel industry has been observing its usual holiday period output restriction, and there was no meeting of manufacturers on the Swansea Metal Exchange on Tuesday. Prices are nominally unchanged. Shipments of tinplates at Swansea last week totalled 5,304 tons, compared with 8,483 tons the previous week, and 14,632 tons (normal working week) in the corresponding period last year. Stocks have been reduced by about 1,000 tons.

Textiles

Cotton (Manchester).—Business has been interrupted by the Easter holidays. There have been hopes of a rise in raw cotton prices as a result of the change in the financial policy of President Roosevelt, but the response in Liverpool to the advance in New York at the end of last week has been disappointing. It is recognised that the Anglo-Italian Agreement is a favourable factor and should help to stabilise the political situation in Europe. Raw cotton news from the United States has been rather featureless, but advices are now being received of more favourable conditions in the belt for farm work. It seems likely that the area under cultivation will be about 28,500,000 acres, compared with 34,000,000 acres a year ago.

The offtake of ordinary counts and qualities in the yarn market has again been poor, but rather more business has been done in specialities. An improved demand has been experienced

for the Midlands and quite favourable delivery instructions have been received from the Continent, especially Germany.

A rather more cheerful feeling has prevailed in the cloth market. Without there being any important increase in the turnover, more buyers have displayed interest in prices. The improved inquiry for India has been maintained, and a fair amount of business has been done in regular styles. The news relating to the increased tariff in Egypt has been a blow for Lancashire, and strong representations are being made to the Government in London. A little more demand has been mentioned for South America and the Continent. Some moderate lines have been booked in home trade fabrics. This week and last numerous spinning and weaving mills have been closed down owing to the shortage of orders.

Jute (Dundee).—During the Easter holidays business has been very slow. Prices are more or less nominal. A further decline in prices of Calcutta goods has shaken the confidence of buyers, and there is no inclination to purchase more than sufficient to meet immediate needs. One important development has been the Government's decision to make arrangements for the continuance of the supply of sand-bags by Dundee manufacturers for an indefinite period at the rate of 1,750,000 bags per week, but a decided increase in other business is required to prevent an extension of short-time.

Exports are falling. During the first three months of this year only 19,079,000 square yards of jute manufactures were shipped from this country, compared with 34,813,000 square yards in the same period last year, while exports of jute sacks and bags amounted to 216,853 cwts., against 270,405 cwts. last year. Imports from India, however, remain heavy. The intake of piece-goods during the first quarter was 49,382,000 square yards, against 46,116,000 square yards during the same period last year. On the other hand, imports of sacks and bags from India declined from 286,517 cwts. to 198,299 cwts. during this period.

As the result of the severe competition, Dundee manufacturers are working at less than 50 per cent. of capacity, and they are anxiously awaiting the conclusion of the negotiations between the Indian Government and the Home Government for some form of protection against the heavy imports from India. Despite the huge increase in stocks of goods in India, particularly hessians, the Indian jute mills continue to produce on a scale very much in excess of the world's requirements, and there are still no signs of any agreement being reached between the Association and the "outside" mills on the question of curtailment of output.

Raw jute has wavered in sympathy with the weather conditions affecting the new crop, advancing when reports were unfavourable and declining on news of rain.

RAW COTTON delivered to Spinners (Thousand bales)

Variety	Week ended		Total Deliveries	
	Apr. 8, 1938	Apr. 14, 1938	Aug. 1, 1936-1937	Aug. 1, 1937-Apr. 14, 1938
American	24.1	17.1	872	932.1
Brazilian	2.8	3.0	261	218.9
Peruvian, etc.	2.2	1.1	109	90.1
Egyptian	9.4	2.5	300	257.3
Sudan Sakel	1.3	0.6	107	107.5
East Indian	4.3	4.5	364	251.4
Other countries	2.6	1.2	158	129.3
Total	46.7	30.0	2,171	1,986.6

THE COMMODITY MARKETS

LAST week's improvement on the commodity markets, due to the resumption of "pump-priming" in the United States and the conclusion of an Anglo-Italian agreement, has been maintained. Although buyers have shown a little more interest, there are as yet no signs of an early and extensive re-stocking movement.

Compared with Tuesday last week, the prices of copper and spelter last Wednesday showed a slight improvement. Tin remained unchanged in price, and lead registered a slight decline, partly as a result of the disappointing returns of building plans passed in this country last month. Rubber prices were marked up, but quotations for oilseeds and oils were scarcely changed on the week. Cotton was slightly dearer and wheat prices continued to advance.

The improvement in the United States is reflected in Moody's index of the prices of staple commodities (December 31, 1931=100) which rose slightly from 139.6 to 140.1 during the week ended last Wednesday. A month ago the index stood at 148.1 and a year ago at 214.5.

Metals

Copper.—Prices have shown little variation during the week, and the closing cash price at £39 18s. 9d. per ton was unchanged compared with the previous week. Nevertheless, the undertone of the market has improved considerably, owing to the better political outlook in Europe, the expectation of inflation in the United States and the

favourable copper statistics for March. Production shows little change, and although stocks in the United States showed a further increase to 342,780 short tons (of 2,000 lbs.) compared with 259,900 short tons on December 31st last, demand in that country has improved; stocks elsewhere have again fallen, and totalled on March 31st 197,470 short tons, against 211,850 short tons at the end of last year.

Tin.—There was little activity on the market during the last few days and the cash price closed at £170 per ton, showing a further fall of 15s. per ton on the week. The opposition from Malayan producers to the proposals for a buffer pool and their demand for a higher standard tonnage had a depressing effect on the market; if this request is granted, tin prices may show a renewed decline.

Lead and Spelter.—Owing to the holidays, there were few dealings in these metals. The cash price of lead closed at £15 15s. per ton, a fall of 8s. 9d. per ton during the week; the fall in the value of building plans passed last month helped to depress the market. The production of spelter in the first two months of the year is now given as 271,809 metric tons, an increase of 34,769 metric tons compared with the same months of last year, and this news, combined with the knowledge that consumption has fallen in the last twelve months, brought the spot price of the metal down by 1s. 3d. per ton to close at £13 18s. per ton.

SALES ON LONDON METAL EXCHANGE

Date	Copper	Tin	Lead	Spelter
1938	Tons	Tons	Tons	Tons
April 7	1,000	175	1,250	2,150
" 8	1,750	350	1,900	1,300
" 11	2,600	275	2,350	925
" 12	2,150	245	1,400	575
" 13	2,450	210	1,500	525
" 14	1,250	225	1,100	850
" 19	2,300	175	1,250	850
" 20	1,400	170	650	975

U.K. STOCKS

	Apr. 9, 1938	Apr. 16, 1938
Copper (Br. official warehouses):		
Refined	7,534	7,552
Rough	24,906	24,906
Tin (London and Liverpool)	4,810	4,735

Grains

The wheat market has generally been quiet and prices unchanged. The news of rain in the drought areas of Australia has offset the reports of damage by frost to the American winter wheat crop. Flour prices were slightly reduced after the Easter holidays and prices of maize and barley

(Continued on page 212)

AMERICAN WHOLESALE PRICES

	Apr. 12, 1938	Apr. 20 1938		Apr. 12, 1938	Apr. 20, 1938		Apr. 12, 1938	Apr. 20, 1938
	Cents	Cents		Cents	Cents		Cents	Cents
GRAINS (per bushel)—								
Wheat, Chicago, May	83 1/4	84	METALS (per lb.)— <i>cont.</i>	38.40	38.55	MISCELLANEOUS (per lb.)— <i>cont.</i>		
Winnipeg, May	124 3/4	125 1/2	Lead, N.Y., spot	4.50	4.50	Cotton, Am. Mid., May	8.67	8.78
Maize, Chicago, May	60 1/4	59 1/4	Spelter, East St. Louis, spot ..	4.00	4.25	Lard, Chicago, May	8.10	8.30
Oats, Chicago, May	28 1/2	29 1/2	MISCELLANEOUS (per lb.)—			Petroleum, Mid-cont. crude		
Rye, Chicago, May	59 3/8	63 1/4	Cocoa, N.Y., Accra, May	4.90	5.01	33 deg. to 33-90, at well,		
Barley, Winnipeg, May	57 1/4	56 1/2	Coffee N.Y., cash—			per barrel	116	116
METALS (per lb.)—								
Copper, N.Y., Domestic spot...	9.52 1/2	9.72 1/2	Rio, No. 7	43 1/2	45 1/2	Rubber, N.Y., smkd. sheet spot	11 1/2 1/8	12 1/4
Producers' export	9.80	10.00	Santos, No. 4	7 1/4	7 1/4	Do. do. May	11 7/8	12 1/2 1/8
			Cotton, N.Y., Am. mid., spot...	8.77	8.84	Sugar, N.Y., Cuban Cent.,		
						96 deg. spot	3.82	2.85

BRITISH WHOLESALE PRICES

	Apr. 12, 1938	Apr. 20, 1938
CEREALS AND MEAT		
GRAIN, Etc.—		
Wheat—		
No. 2, N. Man. 496 lb.	s. d. s. d.	s. d. s. d.
Eng. Gaz. av., per cwt.	53 0 52 0	53 0 52 0
Liv. May, per cental	7 7 7 7	7 7 7 7
Flour, per 280 lbs.—		
Straits, d/d London	35 0 35 0	35 0 35 0
Manitoba, ex store	36 6 36 3	36 6 36 3
Barley, Eng. Gaz. av.	11 8 11 2	11 8 11 2
Oats	8 1 8 0	8 1 8 0
Maize, La Plata, landed, 480 lb.	34 6 34 6	34 6 34 6
Rice, No. 2 Burma, per cwt.	7 9 8 1½	7 9 8 1½
MEAT—		
Beef, per 8 lbs.—		
English long sides	4 10 4 8	4 10 4 8
Argentine chilled hinds	3 11 4 4	3 11 4 4
Mutton, per 8 lbs.—		
English wethers	5 0 4 0	5 0 4 0
N.Z. frozen wethers	2 10 2 10	2 10 2 10
Lamb, per 8 lbs.—		
N.Z. frozen	4 8 4 9	4 8 4 9
Pork, English, per 8 lbs.	6 4 6 4	6 10 6 10
BACON (per cwt.)—		
English	104 0 104 0	104 0 104 0
Dutch	105 0 105 0	105 0 105 0
Irish	102 0 100 0	102 0 98 0
HAMS (per cwt.)—		
Canadian	98 0 98 0	98 0 98 0
United States	92 0 90 0	92 0 92 0
OTHER FOODS		
UTTER (per cwt.)—		
Australian	121 0 125 0	121 0 125 0
New Zealand	121 0 125 0	121 0 125 0
Danish	122 0 126 0	122 0 126 0
CHEESE (per cwt.)—		
Canadian	76 0 76 0	76 0 76 0
New Zealand	70 6 70 6	70 6 70 6
English Cheddars	102 0 102 0	102 0 102 0
Dutch	46 0 48 0	46 0 48 0
COCOA (per cwt.)—		
Accra, f.f.	30 0 28 0	30 0 28 0
Trinidad	40 0 40 0	40 0 40 0
Grenada	40 0 40 0	40 0 40 0
COFFEE (per cwt.)—		
Santos sup. c. & f.	27 6 27 6	27 6 27 6
Costa Rica, medium to good ...	50 0 50 0	50 0 50 0
Kenya, medium	43 0 43 0	43 0 43 0
EGGS (per 120)—		
English (15-15½ lb.)	10 6 10 9	10 6 10 9
Danish (15½ lb.)	9 3 9 3	9 3 9 3
FRUIT—		
Oranges, Jaffa	11 0 12 9	11 0 12 9
„ Brazilian	11 0 12 9	11 0 12 9
Lemons, Malaga	14 0 14 6	14 0 14 6
„ Sicilian	16 3 17 3	16 3 17 3
Apples, Amer. (var.) ... barrels	11 0 20 0	11 0 20 0
„ (var.) ... boxes	7 0 7 0	7 0 7 0
Grapes, Almeria	10 6 10 6	10 6 10 6
Grapefruit, Jaffa	10 0 10 6	10 0 10 6
LARD (per cwt.)—		
Irish, finest bladders	68 0 68 0	68 0 68 0
U.S.	50 0 48 6	50 0 48 6
PEPPER, per lb.—		
Black Lampung (in Bond)	0 23½ 0 23½	0 23½ 0 23½
White Muntok	0 37½ 0 37½	0 37½ 0 37½
POTATOES (per cwt.)—		
King Edward	6 0 6 0	6 0 6 0
SUGAR (per cwt.)—		
Centrifugal, 96%, prpt. shpm, c.f. U.K./Cont.	4 9 4 11½	4 9 4 11½
REFINED—London	18 3 18 3	18 3 18 3
Yellow Crystals	22 6 22 6	22 6 22 6
Cubes	23 0 23 0	23 0 23 0

* April 7 and 12 respectively.
do not include the Government tax.

	Apr. 12, 1938	Apr. 20, 1938
SUGAR (per cwt.)—cont.		
Crushed	18 7½ 18 7½	18 7½ 18 7½
Granulated	19 6 19 6	19 6 19 6
Home Grown	18 9 18 9	18 9 18 9
TEA* (Auction Average) (per lb.)—		
N. India	14-07 14-13	14-07 14-13
S. India	16-78 15-43	16-78 15-43
Ceylon	16-44 16-33	16-44 16-33
Java	14-59 ...	14-59 ...
Sumatra	11-81 ...	11-81 ...
Africa	12-82 12-95	12-82 12-95
TOBACCO (per lb.)—		
Virginia stemmed and unstemmed, common to fine ...	8 0 8 0	8 0 8 0
Rhodesian stemmed and unstemmed	0 9 0 9	0 9 0 9
Nyasaland stemmed and unstemmed	1 10 1 10	1 10 1 10
East Indian { Stemmed	0 6 0 6	0 6 0 6
{ Unstemmed	2 0 2 0	2 0 2 0
COTTON (per lb.)—		
Raw, Mid-American	4-83 4-94	4-83 4-94
Sakellaridis, F.G.F.	7-99 8-08	7-99 8-08
Giza, F.G.F.	7-04 7-13	7-04 7-13
Yarns, 32's Twist	10½ 10½	10½ 10½
„ 40's Twist (Egyptian) ...	10½ 10½	10½ 10½
Cloth, 32 in. Printers, 116 yds.	17 10 17 10	17 10 17 10
„ 16x16, 32's & 50's yds.	17 10 17 10	17 10 17 10
„ 36 in. Shirtings, 75 yds.	24 2 24 2	24 2 24 2
„ 19x19, 32's & 40's yds.	10 4 10 4	10 4 10 4
„ 38 in. ditto, 38 yds.	10 4 10 4	10 4 10 4
„ 39 in. ditto, 37½ yds.	9 4 9 4	9 4 9 4
„ 16x15, 84 lb.	9 4 9 4	9 4 9 4
FLAX (per ton)—		
Livonian ZK	67 0 67 0	67 0 67 0
Pernau HD	68 0 68 0	68 0 68 0
Slanetz Medium, 1st sort	85 0 85 0	85 0 85 0
HEMP (per ton)—		
Italian PC	71 0 71 0	71 0 71 0
Manilla, Apr.-June "J2"	26 0 26 0	26 0 26 0
JUTE (per ton)—		
Native 1st mks., c.f. H.A.R.B., Apr.-May	17/11/3 17/11/3	17/11/3 17/11/3
Daisee 2/3 c.f. Dundee, Apr.-May	16/15/0 17/0/0	16/15/0 17/0/0
SISAL (per ton)—		
African, Apr.-June	15 10 15 10	15 10 15 10
SILK (per lb.)—		
Canton	7 9 7 9	7 9 7 9
Japan	6 3 6 3	6 3 6 3
Italian, raw, fr. Milan	7 6 7 6	7 6 7 6
WOOL (per lb.)—		
English, Southdown, greasy ...	15½ 15½	15½ 15½
„ Lincoln hog, washed ...	13 13	13 13
Queensland, scd. super combg. ...	23 23	23 23
N.S.W. greasy, super combg. ...	13 13	13 13
N.Z., greasy, hatched 50-56 ...	12½ 12½	12½ 12½
„ Crossbred 40-44	11½ 11½	11½ 11½
„ Merinos 70's average	28 28½	28 28½
„ 64's	26 26½	26 26½
„ Crossbred 48's	16 16	16 16
„ 46's	15½ 15½	15½ 15½
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	19 6 19 6	19 6 19 6
Durham, best gas, f.o.b. Tyne ..	21 6 21 6	21 6 21 6
Sheffield, best house, at pits ...	22 0 22 0	22 0 22 0
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d/d	109 0 109 0	109 0 109 0
Bars, Middlesbrough	265 0 265 0	265 0 265 0
Steel rails, heavy	202 6 202 6	202 6 202 6
Tinplates	22 6 22 6	22 6 22 6
NON-FERROUS METALS (per ton)—		
Copper—		
Standard cash	39/8/9 39/18/9	39/10/0 40/1/3
Three months	39/13/9 40/5/0	39/15/0 40/6/3
Tin—		
Standard cash	170/0/0 170/0/0	170/15/0 170/15/0
Three months	170/15/0 170/15/0	171/0/0 171/0/0
Lead, soft foreign—		
Cash	16/0/0 15/15/0	16/1/3 15/16/3
English, pig	18/0/0 17/15/0	18/0/0 17/15/0
Spelter, G.O.B.—		
Spot	13/12/6 13/18/9	13/13/9 14/0/0
Aluminium, ingots and bars	102/0/0 102/0/0	102/0/0 102/0/0
„ rolling billets	180/0/0 180/0/0	180/0/0 180/0/0
Nickel, home and export	185/0/0 185/0/0	185/0/0 185/0/0
Antimony, Chinese	66/0/0 66/0/0	66/0/0 66/0/0
Wolfram, Chinese ... per unit ...	48 0 44 0	48 0 44 0
Platinum, refined ... per oz.	7/0/0 7/0/0	7/0/0 7/0/0
Quicksilver ... per 76 lbs.	64 64	64 64

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and

COMPANY MEETINGS

IMPERIAL CHEMICAL INDUSTRIES, LIMITED

PROGRESS AT HOME AND ABROAD

SUCCESS OF BOARD'S INVESTMENT POLICY

LORD MCGOWAN'S REVIEW

The eleventh annual general meeting of Imperial Chemical Industries, Ltd., was held, on the 21st instant, at Queen's Hall, London. Lord McGowan, K.B.E., D.C.L., LL.D. (chairman of the company), in the course of his speech, said: For seven years now as managing director I have borne the main responsibility for the many decisions necessary in the administration of this great business. Day by day questions crop up demanding early action. They touch affairs at home and abroad. Almost any commercial or economic event may affect our interests or our policy; nor can we in these days neglect political matters, for they are so intertwined with business relations that we have learned to regard them as the forerunner of industrial consequences. Some rest has been afforded me during the sea voyages incidental to my visits to our overseas companies—a course which my colleagues and I favour so strongly—but once at the scene of these interests, I have never found any lack of problems.

REORGANISATION OF DIRECTION

The time has come, in my mind as well as in that of my colleagues, for a step which will enable the immediate problems arising from the ever-increasing breadth of your company's business to be handled with the rapidity the future is sure to demand. The change centres round one key point. I have freed myself from the task of taking every-day decisions on current business. That responsibility has been handed to seven of our colleagues, the executive directors now entrusted with the several sections of administration, namely, commercial, financial, overseas, personnel, research, technical and the groups central committee.

With the exception of the groups central committee, each director has associated with him three of his colleagues. By this means we have formed links of responsibility and co-ordination on larger issues. This change is not so great as it may appear, for these gentlemen have now for a number of years shared in all important decisions through their co-operation with the president and myself in the general purposes committee, the functions of which I described in April, 1932. That committee has been reconstituted as a management board, over which I preside. It will meet regularly and will carry out collectively the duties I have hitherto executed as managing director. So far as they feel it proper within prescribed limits, these executive directors will act independently on their own or their committee's responsibility. Beyond those limits they will bring major problems to the management board, which will also be made aware of their individual decisions. On that board Lord Ashfield, Lord Weir and Colonel Pollitt will serve. Standing apart from the day-to-day administration, they will help us on general policy more intimately than is possible at the full board, while constituting a valuable link with the other non-executive directors.

The functions of the operating groups and the powers of the delegate boards which control their activities were also described in 1932 and remain unchanged. The board regard the new structure as a natural development of its policy of decentralisation. Under the new scheme of management both the president and I will have more time for judging the company's major policies, and I have no doubt that the scheme will be of great benefit to the company.

EXCELLENT YEAR AT HOME

Conditions in this country were good throughout the year, and the company, with its interests closely linked with the general level of trade activity, had an excellent year. Practically all plants were running at capacity, and our only anxiety was whether peak demands would over-strain our ability to supply. The Government's defence programme has affected the demand for our products, but we cannot define its measure; most of it is indirect. Only a very small percentage of our activities is concerned with armament orders.

With regard to the petrol plant at Billingham, the Government concluded that as a means of providing employment the hydrogenation and synthetic processes do not at present offer hopeful prospects in comparison with the cost involved, but recommended that

preference at the rate of 8d. a gallon should be continued for twelve years from 1938.

Every operating group continues to devote attention to research and development. The discovery of "Velan" by the Dyestuffs Group was a remarkable chemical achievement. "Velan" forms a water-repellent compound with textile fibres and can be applied to silk, cotton, rayon, wool and other materials without altering their appearance or character, except for the better. The reception given to this new fabric finish has been highly gratifying, and it has also created very great interest both on the Continent and in the United States. Active research on new products for the control of pests is proceeding, and we are working on the development of specialised pharmaceutical and medicinal products.

We shall be participating in the Empire Exhibition at Glasgow and the company will have its own pavilion. The architectural design, by Mr Basil Spence, of Edinburgh, features three pylons symbolising earth, air and water, illuminated by a central symbol of fire. Although these no longer represent the four elements, they are the chief sources of the raw materials and energy of the chemical industry. All the materials used in it, down to the electric light conduits, will have been made by the company with the exception of eight steel girders and the woodwork. Even the wood will be rendered fireproof by one of our products.

OVERSEAS ACTIVITIES

International trade during 1937 has been largely under the influence of two opposing factors. During the first quarter commodity prices continued to rise, confidence was growing and industry was making plans entailing the increased consumption of raw materials. The Government's re-armament programme gave assurance of heavy and continuous demand for basic materials for some time to come. In America also conditions appeared to justify the expectation of a period of expanding business. In spite of the subsequent partial and, I hope, temporary setback, the overseas trade of your company has made progress in many directions. Development plans in China had to be postponed indefinitely.

Japan is facing a great emergency, with the result that ordinary commercial activities are more or less suspended. Comprehensive import restrictions have been imposed and purchases from abroad are limited to bare necessities. The trade of your company in that market has inevitably suffered, but the diversion of Japanese factories from industrial to war purposes has diminished supplies available for export, so that Japanese competition throughout the world has in most of our products fallen to negligible proportions. In many important markets increased sales of our products have followed at better prices. In the Near East the industrialisation of Turkey has continued and has, on the whole, brought about a larger demand for our products. Our Empire companies—Australia, Canada and South Africa—all prospered in 1937.

INVESTMENT POLICY

After dealing with the accounts, in the course of which he said that the available sum was £6,503,849 and that they recommended a final dividend of 5½ per cent. on the ordinary stock, making 8½ per cent. for the year, the Chairman said: Some comments have been made on the company's policy of keeping its marketable investments in ordinary stocks of industrial companies at home and abroad. When I.C.I. was formed it took over large blocks of such holdings from the merging companies. The past experience of those companies and the subsequent experience of your company itself has, when regard is paid to the primary revenue test of annual yield and the secondary capital test of net profit on realisation, fully justified that policy. Nevertheless, we do not follow that course blindly but continually keep under review the current state of the investment markets and their future probabilities.

These marketable investments form a reserve source for conversion into liquid resources as may be required by our capital expenditure programmes. When the company was formed, such investments amounted to £16½ millions, against an issued capital of £58 millions. At the end of last year these investments had fallen to

£7½ millions, while the issued capital is £74 millions. In the meantime we hold them as permanent investments, not lightly subject to change and, therefore, not as speculative counters. We know that their market values are subject to fluctuation, but, as we only draw on them from time to time, we have so far been able to do so when the sale has yielded us a net capital profit. The only exception concerns the German investments and even of them we do not yet know the end.

CAPITAL PROFIT

The proof of the pudding is in the eating. Let me give you the facts. I shall speak in round figures and shall confine myself to the actual facts and exclude, for the sake of simplicity, all inter-company book-keeping transactions. When the company was formed it inherited from the merging companies marketable investments of a value at that time of £16½ millions. During the eleven years ended last December, £13 millions of these investments, taken on the same basis of valuation, have been sold and a capital profit realised of £4,300,000. At December 31st last we still held of these original acquisitions £3,500,000, again taken on the same basis of valuation, of which the market values at that date showed a depreciation on that original value of £600,000. Taken together, therefore, the result on original merger values of investments both sold and still held is a capital profit of £3,700,000. During the eleven years of the company's existence we have in addition both bought and sold gilt-edged and marketable investments. The total purchases during this period amounted to £13 millions and the total sales at cost value were £10 millions, the greater part of which related to gilt-edged, leaving in our hands at December 31st last investments of a cost value of £3 millions.

On these sales there was a capital profit of £600,000, but on the investments still held at December 31st last there was a depreciation on the cost of £700,000, so leaving in respect of the post-merger investment transactions a net loss of £100,000. Summing up the whole of these investment transactions, we have therefore a net capital profit of £3,600,000. These capital profits have on no occasion been brought into the annual profit and loss account, but have all been used for capital purposes.

RETURN ON INVESTMENTS

Turning now to the rate of return on these investments, the average yield on those which were acquired from the founding companies on the inception of the merger is 7 per cent. on the original merger values. On the post-merger marketable investments still held at December 31st last, the average yield on the cost value has been 4 per cent. This lower rate of return is largely attributable to the very low rate of return on the German investments by reason of the heavy sacrifice suffered on the conversion of dividends in marks into sterling.

On the whole I am sure that these figures will convince stockholders that the board's investment policy has not been unjustified by its results and that the suggestion that the stockholders have suffered in their dividends through losses on investments is entirely without foundation.

During recent months a new factor has been introduced by the fundamental economic changes which are taking place in the United States. The differences between labour and capital and those between business and the President seem so deep seated as to throw some doubt upon the future trend of earning capacity of American industry. Possibly these changes are so fundamental that an investment policy which was right in the past may now need revision. We have been strongly urged to hold all our investment reserves in cash and gilt-edged securities on the assumption that no loss can arise from such holdings. But cash yields a negligible return and is subject to a fall in the purchasing power of money such as was in evidence in 1937. Gilt-edged investments are not only subject to this latter influence, but also to movements in the rate of interest. Judgment of these and other factors is by no means easy and at the present time your board is giving anxious consideration to the whole position. The board's duty, as they conceive it, is not to be influenced by day-to-day movements, but to follow the widest course over a period of years. That has been their endeavour in the past, not unsuccessfully, I hope you will agree, and it will continue to be their aim in the future.

CONSOLIDATED BALANCE SHEET

You have been handed a consolidated balance sheet for Imperial Chemical Industries, Limited, and all its subsidiaries other than three small companies referred to in the notes thereon. The total assets and liabilities of 125 companies are included in that account. It was not possible this year to incorporate this statement in the

directors' annual report, but in future the meeting will be held in May in order that this can be done.

On the last page you will find an analysis on non-technical lines of the position disclosed. The total assets aggregate £110½ millions, including intangible assets of £15½ millions. The latter item represents the book value of patents, processes, mineral rights, trade marks and goodwill, being the excess of the share purchase consideration over the value of net tangible assets of the various subsidiary companies less amount written off. This sum equals just over two years' purchase of the net profits of the company for 1937. The liquid position is strong, for the current assets exceed the current liabilities by £19½ millions.

The obsolescence reserves of £5½ millions represent 12 per cent. of the book value of the freehold buildings, plant and machinery. The total amount provided last year by way of appropriation to the Central Obsolescence Fund and sums charged in the trading accounts of the subsidiary companies which are not wholly owned is £1,643,000, or 3.5 per cent. of the aggregate book value of freehold buildings, plant and machinery. Investments in associated companies in Africa, Canada and elsewhere stand at £7½ millions. In the opinion of your board both these investments and the fixed assets generally are valued on a very conservative basis.

PROSPECTS FOR 1938

After paying a tribute to the company's staff and workers throughout the world, he went on to say: The profits of the company, and indeed of British industry as a whole, have now been moving steadily upwards for five years. In almost every phase of British industrial activity the volume of production in 1937 was a record. In the nine chief manufacturing industries production in 1937 as a whole showed an increase of no less than 38 per cent. over 1930. This high figure was largely caused by abnormally active conditions in the iron, steel and non-ferrous metal industries, the Board of Trade Index for which reached the high increase of 66 per cent. over 1930. The chemical, oils, etc., industry showed a more moderate rise, namely, 24 per cent.

Yet the same year has recorded the first general interruption in the long upward movement. The initial signal of a change was given by a marked jump in the wholesale prices of industrial materials and manufactures. Until towards the close of 1936 prices of basic materials were still below 1930 levels. By the end of the year they had risen 10 per cent. above it, and in April, 1937, the increase was over 32 per cent.

It was this psychological moment that President Roosevelt chose to announce his opinion that prices were too high. A decline quickly followed, until in December last year the level was back to 7 per cent. above 1930. In this country the new impost of a National Defence Contribution was almost simultaneously proposed by the Government. But before either of these events had occurred the Stock Exchange, with an anticipation almost uncanny in its accuracy, had begun as early as November, 1936, to reflect a change in public opinion of the future prospects for industrial equities, despite still active conditions of trade and a continuous flow of excellent company reports and balance sheets. The fall in their market values has proceeded steadily ever since, and towards the close of 1937 business indices tended to show that the peak of activity had been passed. No one has fathomed the mystery of these waves of industrial and commercial activity, which bear the name of trade cycles, but if it is true that a cyclical movement extending roughly over nine years is to be expected then the general outlook for the next two or three years would not be prepossessing.

IMPORTANCE OF UNITED STATES CONDITIONS

Much of the future must depend on the United States. Despite its policy of political isolation, that country is still so important, both as an exporter of agricultural and industrial goods and as an importer of raw materials, that sound or unsound business conditions there are of major significance to the world as a whole. You will be aware of the precipitate decline of business there last autumn. It was quicker and steeper than on almost any previous occasion. Yet we remain firm believers in the resilience of the American economy and its latent power of recovery. When an upward movement does occur, it will, no doubt be reflected in world, and therefore British, trade.

Even if British industrial activity in 1938 shows some decline, it does not follow that your company will be affected in the same measure as general business. Our interests are widespread, not only by products but also by markets. Your company was never in a sounder position. As trade currents have changed, as one source of demand has shrunk and another expanded, we have adjusted our manufacturing resources and values accordingly.

The report and accounts were unanimously adopted.

EAGLE STAR INSURANCE COMPANY, LIMITED

RECORD YEAR'S OPERATIONS

The annual general meeting of the Eagle Star Insurance Company, Limited, was held, on the 13th instant, in London.

Sir Edward Mountain, Bart., J.P., in moving the adoption of the report and accounts, said they had had an excellent year in the life department. 2,792 policies were issued for sums assured of £10,680,819, of which £216,038 was reassured. Of the sums assured, only £3,000 represented business outside the United Kingdom. There was a substantial increase in all sections of their life assurance business, but especially in their group pension and group life schemes. The rapid expansion of that class of business proved that employers were realising more and more that, by taking advantage of the schemes which the company were able to offer, by which provision was made for their employees and their dependents, they were helping to secure the goodwill, contentment and greater efficiency of their staff.

The expansion in their new business was reflected by the increased premium income of the combined life funds, which now exceeded £1,000,000 per annum, notwithstanding the normal shrinkage in the closed life funds. This year, so far, they had done a larger business than for the same period last year.

The fire account showed a profit of £89,099, which constituted a record. The premium income was £819,464 against £795,917 in 1936 and, after making the customary reserve of 40 per cent. for unexpired risks, the profit of £89,099 was transferred to profit and loss account.

The premium income in the accident department showed further expansion during the year, the income being £81,258 as against £76,756 for 1936. After providing for all outstanding claims and the customary reserve of 40 per cent. of the premiums for unexpired risks, a profit of £14,221 was transferred to profit and loss account.

The premium income in the general insurance department again showed an increase, the year's income figure standing at £476,874 as against last year's figure of £461,044. Claims paid and outstanding amounted to £154,563, and after providing the usual reserve of 40 per cent. for unexpired risks, a profit of £102,072 was transferred to profit and loss account, showing a satisfactory increase.

MOTOR RISKS

The premium income in the motor department of £1,631,238 showed a small decrease of £1,993 as compared with 1936. The claims paid and outstanding amounted to £1,043,579, and after provision for expenses, they transferred from profit and loss account a sum of £43,743 to meet the loss at the end of the year and a further sum of £50,000 to strengthen their claims reserves.

Other insurance companies were having a similar experience. During recent years, as the result of legislation, they had found large additional responsibility put on their shoulders. One of the additional burdens, the full force of which had not yet been felt, was a decision given in the House of Lords in the case of "Rose v. Ford," by which they had to give compensation for what was termed "Expectation of Life."

The increased dividend of 30 per cent. amounted, with the preference and preferred ordinary dividends, to £314,087, which was more than covered by the net interest earnings. Provision for British and other taxation and expenses absorbed £163,371. Special non-recurring expenses, capital reorganisation, etc., written off, were £19,241, and reserve for National Defence Contribution was £13,500. They transferred to motor insurance account £43,743 and to additional claims reserve in the same department £50,000.

After these adjustments there remained a sum of £1,394,521, of which £100,000 was allocated to provision for pensions, bringing the total up to £300,000, and £1,007,562 to general reserve fund. They had transferred from the same account a corresponding sum in respect of past accumulations from revenue, thus leaving the general reserve at the same round figure of 2½ millions. Over and above the full reserve which they had in the various departments, they had built up this general reserve of £2,500,000 to ensure that, should any catastrophe arise, their capital of £5,406,618 would remain intact.

They now proposed to create a further fund to cover general contingencies, and for that purpose they had transferred £1,000,000 to a contingencies account. Of that amount £297,515 had been earmarked to meet the depreciation at the end of 1937 in the investments of the general fund, and the balance, with the carry forward of £294,521 in the profit and loss account, left them with nearly £1,000,000 that could be used at any time should any special contingency arise.

The report and accounts were unanimously adopted.

AGRICULTURAL MORTGAGE CORPORATION, LIMITED

IMPROVED FARMING POSITION

The ninth ordinary general meeting of this Corporation was held on the 20th instant, in London, Sir Harry Goschen, Bt., K.B.E., chairman of the Corporation, presiding.

The chairman, in the course of his speech, said: Further long-term loans of £447,809 were granted during the past year, bringing the total amount advanced up to £12,416,218, secured on 846,860 acres of land which, together with the farm-houses and buildings erected on it, has been valued on our behalf at £19,541,826. The total of loans granted under the Improvement of Land Acts has increased to £104,632, secured by rent charges of £7,412 per annum on land of an estimated rental value of £56,546 per annum.

During the year we have accepted special repayments of loans to a total of £589,995, which accounts mainly for the fall of £183,527 in the balance of loans outstanding. Payments of interest and repayments of principal continue to be promptly met, and it is satisfactory to note that 93.9 per cent. of the amount which fell due had been received within seven days of the close of our financial year. Something of the improved cash position of farmers as a whole is reflected in the fall this year of 22.4 per cent. in our outstanding arrears of interest, as compared with an increase of 9.5 per cent. for the year to March, 1937.

FARMING POSITION

The past year presented many difficulties to farmers, but a certain amount of real progress has been made and there were many features of outstanding interest. The weather of the early part of 1937 was almost disastrous, the spring season being one of the wettest since records have been regularly kept. As a result, work on heavy land farms was much delayed, and in many cases the land intended for spring corn could not be planted, so that the area under bare fallow showed an increase of some 200,000 acres. On heavy land winter wheat suffered badly, and yields down to two quarters per acre were common in many districts. Barley, too, was disappointing on heavy lands, and good-looking crops often threshed out little more than half the estimated yield.

The acreage of land under sugar beet fell appreciably from that of 1936, due partly to the unfavourable spring weather and to some extent, no doubt, to labour difficulties. This fall is to be regretted since the crop has a special value in arable farming, particularly on the medium or poorer classes of soil. The year has been fairly satisfactory for potato growers, although there has been some dissatisfaction owing to reduced prices during the past two or three months.

Grassland occupies an important place in the agriculture of Great Britain, as about two-thirds of the country is under temporary or permanent grass. In recent years the study of grassland management has made rapid strides, and this progress will be accelerated by the Government Land Fertility Scheme, under which agricultural lime and basic slag can be obtained at greatly reduced rates.

LIVE STOCK

The improved price level of live stock has benefited rearers and feeders of cattle. Fat and store sheep and lambs held their values well until the close of the year, but there has recently been a substantial fall in prices, which will bear hardly on those dependent on fattening sheep. Pigs, although deprived of the bacon scheme, were able to show a profit to those who feed with efficiency and care. The Agriculture Act of 1937, in addition to putting into effect the Government's plans for improving the fertility of the land, has introduced further measures for the control of animal diseases. The prompt steps taken by the Ministry of Agriculture to prevent any spread of the recent outbreaks of foot-and-mouth disease afford ample evidence that these problems will be tackled with energy.

The value of agricultural land, which showed an upward trend in 1936, continues steadily to improve, and there is a general feeling of increased security within the industry. Large arable holdings are somewhat difficult to dispose of, but there is a good demand for well-equipped medium-sized farms.

The balance of the profit and loss account, after bringing in £6,799 3s. 7d. from last year, is £23,541 3s., which has been carried to the balance sheet and allocated as follows: Transferred to special reserve, £2,664; written off discount on issue of £2,000,000 4½ per cent. Debenture Stock 1961-1991, £3,333 6s. 8d.; income tax and National Defence Contribution, £13,551 17s. 9d.; leaving a balance of £3,991 18s. 7d. to carry forward.

The report and accounts were unanimously adopted.

OXENDALE AND COMPANY (PROPRIETORS), LIMITED

A PROSPEROUS YEAR

The eleventh annual general meeting of Oxendale and Company (Proprietors), Limited, was held, on the 21st instant, in London.

Mr A. Stanley Smith (the Chairman) said that their main interest was centred in the accounts of the operating company, Oxendale and Company, Limited, of which they were proprietors, and the ownership of which constituted their sole asset. The cash position was favourable and in the profit and loss account they had striking evidence of a prosperous year. The trading profit and the dividend received from a subsidiary company together amounted to £53,937, being a clear £10,000 more than in the previous year. Unfortunately, the claims of their reserve funds and of taxation reduced that increase to rather less than £4,000. The directors recommended a dividend on the deferred ordinary shares of 2d. per share, or 16½ per cent. actual, less tax.

He thought it would be agreed that the past year's trading had

been eminently satisfactory. They had continued that steady progress which had been a reassuring feature of their accounts during the past five years, and they were able at last to reinstate the deferred ordinary shares, which had been without dividend since 1930, on the dividend list.

While the past year had been in the main a favourable one for business and had evidenced a state of general prosperity in the country, there had been periods of reaction which had at times rather upset their calculations. Nevertheless they had succeeded in making progress and had increased their turnover in all sections in spite of keen and increasing competition. As to the coming year, it could not be gainsaid that there had been a recession in retail trade recently. He attributed that entirely to the uncertainty of the international situation. That would pass, and indeed there were signs that it was already passing.

The business which they controlled was one of long standing. It had direct contact with its customers, numbering some hundreds of thousands and spread over the length and breadth of the country. He looked forward with confidence to a continuation of the gratifying progress which they had made in recent years.

The report was unanimously adopted.

(Continued from page 207)

have fluctuated within a narrow range; the small shipments of maize in recent weeks and the few stocks held in Europe have given near futures a premium.

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 Quarters)

	Week ended		Season to	
	Apr. 9, 1938	Apr. 16, 1938	Apr. 15, 1937	Apr. 16, 1938
From—				
N. America.....	182	311	20,254	16,862
Argentina and Uruguay.....	129	236	17,069	6,095
Australia.....	565	752	9,098	10,542
Russia.....	180	92	11	4,789
Danube and dist. .	108	106	7,335	5,682
India.....	13	...	1,062	1,108
Other Countries ..	28	18	1,307	648
Total.....	1,205	1,515	56,136	45,726
To—				
U.K.....	228	370	13,177	11,355
"Orders.....	103	363	15,690	9,443
France.....	7	10	1,017	658
Belgium.....	100	51	3,569	3,803
Holland.....	37	20	1,365	2,437
Italy.....	20	18	4,240	804
Greece.....	49	36	1,524	1,651
Scandinavia.....	9	17	1,543	1,230
Austria, etc.....	49	31	1,462	1,592
Other European Countries.....	229	123	1,060	3,959
Ex-European Countries.....	374	476	11,479	8,794
Total.....	1,205	1,515	56,136	45,726

SALES OF BRITISH CEREALS

	Week ended	
	Apr. 9, 1938	Apr. 16, 1938
Wheat..... cwt.	125,189	108,290
Barley..... cwt.	15,243	7,046
Oats..... cwt.	24,818	12,234

Other Foods

Provisions and Meat.—The bacon market has been quiet and the official prices show little change. English and Danish prices at the end of week were 104s. and 105s. per cwt.; Dutch and Irish bacon were some 2s. a cwt. cheaper at 100s. and 98s. respectively. Hams were in good demand, but prices were unchanged during the week. Butter prices showed a further rise of about 4s. per cwt.; at the end of the week Danish was sold at 126s. to 128s. per cwt. and New Zealand (salted) at 125s. per cwt. Cheese prices have altered little and the market has been steady. The seasonal fall in egg prices has been checked; English (15-15½ lb.) ended the week at 10s. 9d. to 11s. per 120, some 3d. per 120 higher than in

the previous week. The meat markets have been quiet; prices for English beef have fallen slightly, while those for Argentine chilled hinds have advanced. English mutton fell in price towards the end of the week and New Zealand lamb was slightly dearer.

Colonial Produce.—Prices of raw sugar showed little change during the week, and the markets have been quiet. Coffee prices were unchanged. The price of Accra cocoa fell slightly to 28s. to 31s. per cwt. with larger arrivals.

Fruit.—Sales of all kinds were brisk before the Easter holidays, but have slackened since the markets re-

opened. The price of oranges, however, was well maintained, as was that of pears. English forced strawberries arrived in increasing quantities and were sold at 4s. to 8s. per lb.

Vegetables.—All salads were in keen demand before Easter, according to *The Fruitgrower*, but the cold weather after the holidays brought a fall in prices. The supplies of cauliflowers and savoy were light and prices were firm; the shortage caused better demand for spring greens and carrots. New potatoes sold steadily, but the market for the old crop was slow, with the exception of good quality King Edwards. Forced rhubarb sold well, as supplies of the outdoor product were small.

Miscellaneous Commodities

Oilseeds and Oils.—After the rally in prices recorded at the end of last week, the markets have generally been unchanged. Supplies of linseed from India have somewhat slackened and shipments from River Plate ports amounted to 23,000 tons; allowing for arrivals, the quantity afloat for Europe is estimated at 103,500 tons, compared with 147,800 tons a year ago. Prices have been maintained. The market for cottonseed is unchanged.

Linseed oil is in fair demand and the reaction in prices has been checked; prices are still below those ruling at the beginning of the month, but some 20s. a ton above the lowest figures. Business in cottonseed is slow and prices are unchanged; Egyptian refined ex Hull is sold at £20 per ton. The drought which has hindered the spring growth of grass has strengthened the demand for oilcakes.

Rubber.—The market in rubber was a little more cheerful, and prices advanced on the publication of President Roosevelt's recovery programme.

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ended	
	Apr. 9, 1938	Apr. 16, 1938
Landed..... tons	1,877	2,775
Delivered..... tons	1,199	1,296
Stocks, end of week..... tons	77,266	78,745

* Weeks ended Apr. 7 and 12 respectively.

CURRENT STATISTICS

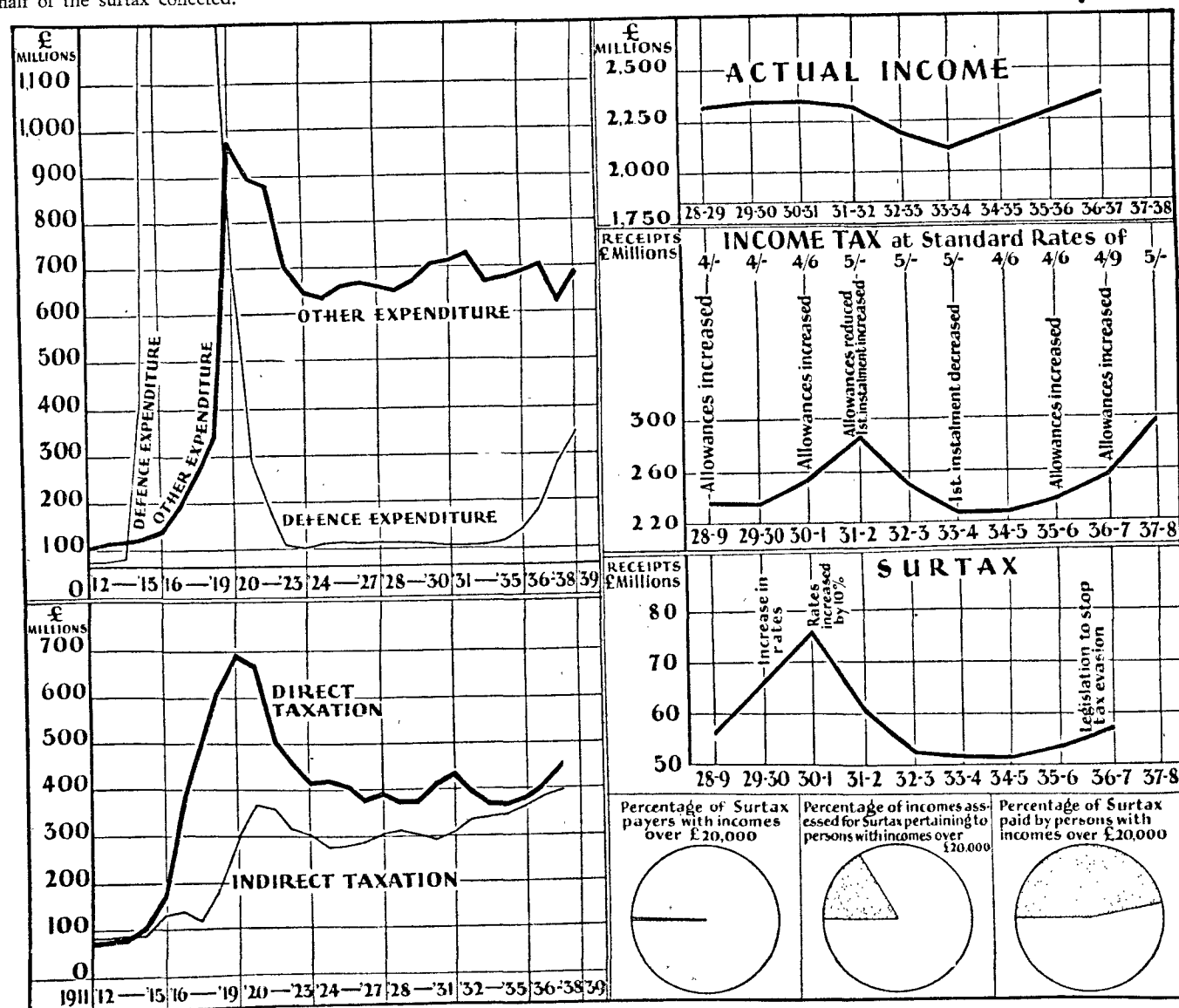
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

National Income and Expenditure

The following charts illustrate the background of the fiscal problem, for which the annual solution, in the shape of the Budget, will be presented by the Chancellor of the Exchequer on Tuesday. The left-hand side of the diagram shows the course since 1912 of revenue and expenditure under the main heads. It is particularly noticeable that direct and indirect taxation have now reassumed their pre-war relationship. The right-hand side of the diagram presents some data on the taxation of incomes. The top curve shows the changes from year to year in the total of incomes assessed to tax. The next two curves show the actual yield of the income tax and the surtax. The failure of the year in the total of incomes assessed to tax. The final group of figures illustrates the graduation of surtax. The people with incomes of over £20,000 are a very small fraction even of surtax payers. But they have about one-sixth of the total incomes and pay nearly half of the surtax collected.



Finance

GOVERNMENT RETURNS

For the week ended April 16, 1938, total ordinary revenue was £9,736,000, against ordinary expenditure of £15,291,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £13,607,000, against a deficit of £5,995,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1, 1937, to April 17, 1937	April 1, 1938, to April 17, 1938	Week ended April 17, 1937	Week ended April 17, 1938
ORDINARY REVENUE	8,164	7,244	1,205	853
Income Tax	2,050	2,470	720	610
Sur-tax	4,110	3,390	1,430	1,520
Estate, etc., duties	570	330	460	330
Stamps	40	40	10	10
N.D.C.	...	...	...	...
Other Inland Rev.	14,934	13,774	3,825	3,403
Total I. Revenue	11,123	9,274	4,473	3,774
Excise	6,300	2,100	4,700	900
Total Customs and Excise	17,423	11,374	9,173	4,674
Motor duties	2,535	2,559	1,161	1,109
P.O. (net receipt)	1,950	400	1,100	300
Receipts from Sun. Loans	55	58	...	...
Misc. receipts	283	342	250	250
Total Ordinary Rev.	37,180	28,507	15,509	9,736
SELF-BAL. REVENUE	1,500	2,300	500	900
Post Office and Broadcasting	38,680	30,807	16,009	10,636

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1, 1937, to April 17, 1937	April 1, 1938, to April 17, 1938	Week ended April 17, 1937	Week ended April 17, 1938
ORDINARY EXPENDITURE	22,766	22,137	4,745	4,091
Int. & Man. of Nat. Debt	259	277	...	...
Other Con. Fund Services	23,025	22,414	4,745	4,091
Total	20,150	19,700	5,900	11,200
Total Ord. Expend.	43,175	42,114	10,645	15,291
New Sinking Fund	295	235	65	...
SELF-BALANCING EXPENDITURE	1,500	2,300	500	900
Post Office and Broadcasting	44,970	44,649	11,210	16,191

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting.

After raising Exchequer balances by £102,703 to £2,625,789, the other operations for the week (as shown in the next column), raised the gross National Debt by £5,657,000 to about £8,160 millions.

WEEK'S CHANGES IN DEBT

NET INCR. IN DEBT (£ thousands)		NET REPAYMENTS, ETC.	
Treasury Bills	11,932	Bank of Eng. Adv.	3,500
Nat. Sav. Certs.	50	Pub. Debt Adv.	1,975
		P.O. and Telegr.	350
		(Money) Act	350
		N. Atlantic Ship.	500
	11,982		6,325

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to April 16, 1938, are shown below:—

£ (thousands)		Ordinary Rev.	
Ordinary Exp.	42,114	28,507	
Inc. in bles.	262	Gross borr. 14,104	
		Less	
		New S.F.	235
		Net borrowing	13,869
	42,376		42,376

FLOATING DEBT

£ (millions)		Treasury Bills	
Date		Tender	Tap
1937			
Mar. 31	674.6*	23.5	...
Apr. 17	505.0	175.7*	27.2
Dec. 31	889.7	39.4	55.7
1938			
Jan. 22	597.0	301.0	28.1
Feb. 5	572.0	281.7	31.6
Feb. 12	572.0	276.9	31.9
Feb. 19	542.0	275.5	31.3
Mar. 5	522.0	273.1	39.2
Mar. 12	517.0	283.8	38.9
Mar. 19	512.0	288.5	35.6
Mar. 31	838.7*	13.1	...
Apr. 9	512.0	304.9	30.6
Apr. 16	522.0	306.8	28.6

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS

£ (millions)		Amount	
Date of Tender		Offered	Applied for
1937			
Apr. 16	40.0	83.3	40.0
Dec. 24	50.0	68.4	50.0
1938			
Jan. 28	30.0	86.5	30.0
Feb. 4	30.0	88.4	30.0
Feb. 11	30.0	87.7	30.0
Feb. 18	35.0	86.6	35.0
Mar. 4	45.0	92.0	40.0
Mar. 11	45.0	97.8	45.0
Mar. 18	50.0	82.3	50.0
Mar. 25	50.0	84.6	50.0
Apr. 1	50.0	87.2	50.0
Apr. 8	50.0	85.2	50.0
Apr. 15	45.0	75.6	45.0

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On April 14th, applications at £99 17s. 5d. per cent. for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of the following week were accepted as to about 41 per cent. of the amount applied for. Applications at higher prices were accepted in full. £45.0 millions of Treasury bills are being offered on April 22nd.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number	
13 weeks to:			
Apr. 3, 1937†	9,265,229	6,948,922	
Apr. 2, 1938	9,057,665	6,793,243	
Apr. 3, 1937	617,940	463,455	
Mar. 26, 1938	600,811	450,608	
Apr. 2, 1938	659,551	494,663	

† After adjustments to March 27th. N.B.—Net Exchequer receipts, 12 days to March 31, 1938, Dr. £90,000.

BANK OF ENGLAND RETURNS

APRIL 20, 1938

ISSUE DEPARTMENT

£		Govt. Debt	
Notes Issued:		11,015,100	
In Circuln.	495,777,068	Other Govt.	
In Bnkg. Department	29,158,685	Securities...	188,602,945
		Other Secs...	373,168
		Silver Coin...	8,787
	30,830,092		
		Amt. of Fiduciary Issue	200,000,000
		Gold Coin & Bullion	326,407,160
			526,407,160

BANKING DEPARTMENT

£		Govt. Secs...	
Props. Capital	14,553,000	117,616,164	
Rest	3,150,079	Other Secs...	8,231,983
Public Depts.*	18,026,566	Securities...	20,823,006
Other Depts.	106,481,146		
Bankers	36,125,308	Notes	29,055,594
Other	142,586,454	Gold & Silver Coin	814,249
			178,316,099

* Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.
N.B.—The return of April 13, 1938, may be found on page 215.

THE WEEK'S CHANGES

£ (thousands)		Both Departments	
		Amt. Apr. 20, 1938	Compared with Last Week Last Year
COMBINED LIABILITIES			
Note circulation		495,577	- 1,671 + 31,553
Deposits: Public		18,027	+ 295 - 7,559
Bankers'		106,461	+ 2,510 + 15,280
Others		36,125	+ 130 - 2,743
Total outside liabilities		656,190	+ 1,263 + 36,531
Capital and rest		17,703	+ 17 - 3
COMBINED ASSETS			
Govt. debt and securities		317,234	+ 1,260 + 26,258
Discounts and advances		8,232	+ 1,366 - 3,638
Other securities		21,197	+ 1,399 - 5,898
Silver coin in issue dept.		9	+ 3 - 2
Gold coin and bullion		327,221	+ 10 + 12,528
Reserves			
Res. of notes & coin in banking department		31,644	+ 1,662 - 19,025
Proportion of reserve to outside liabilities—			
(a) Bank dept. only ("proportion")		19.7%	+ 0.7% - 12.9%
(b) Gold stocks to deposits and notes ("reserve ratio")		49.9%	- 0.1% - 0.9%

COMPARATIVE ANALYSIS

£ (millions)		1937	
		Apr. 21	Mar. 31
Issue Dept.:			
Notes in circ.		464.0	485.4
Notes in banking dept.		49.6	41.0
Govt. debt and securities		196.9	199.2
Other secs.		3.1	0.8
Gold		313.7	326.4
Deposits:			
Public		25.6	17.8
Bankers'		91.2	108.1
Others		38.9	37.4
Total		155.7	163.3
Bkg. Dept. Secs.:			
Government		94.1	110.8
Discounts, etc.		4.6	8.7
Other		21.0	20.2
Total		122.7	139.7
Banking dept. reserve		50.7	41.8
"Proportion"		32.6	25.6
Reserve ratio†		50.8	50.5

1938		1937	
		Apr. 21	Mar. 31
Issue Dept.:			
Notes in circ.		464.0	485.4
Notes in banking dept.		49.6	41.0
Govt. debt and securities		196.9	199.2
Other secs.		3.1	0.8
Gold		313.7	326.4
Deposits:			
Public		25.6	17.8
Bankers'		91.2	108.1
Others		38.9	37.4
Total		155.7	163.3
Bkg. Dept. Secs.:			
Government		94.1	110.8
Discounts, etc.		4.6	8.7
Other		21.0	20.2
Total		122.7	139.7
Banking dept. reserve		50.7	41.8
"Proportion"		32.6	25.6
Reserve ratio†		50.8	50.5

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £8,788; capital, £14,553,000; rest, £3,150,079.

BANK OF ENGLAND RETURNS

APRIL 13, 1938

ISSUE DEPARTMENT

£		Govt. Debt	
Notes Issued:		11,015,100	
In Circuln.	497,248,475	Other Govt.	
In Bnkg. Department	29,158,685	Securities...	188,822,945
		Other Secs...	150,043
		Silver Coin...	11,912
		Amt. of Fiduciary Issue	200,000,000
		Gold Coin & Bullion	326,407,160
			526,407,160

BANKING DEPARTMENT

£		Govt. Secs...	
Props. Capital	14,553,000	116,136,164	
Rest	3,133,400	Other Secs...	8,558,404
Public Depts.*	17,731,488	Securities...	19,647,762
Other Depts.	103,931,338		
Bankers	35,995,652	Notes	29,216,166
Other	139,946,990	Gold & Silver Coin	823,863
			175,364,878

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

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Banks of Danzig and Lithuania appeared in The Economist of March 26th; of Egypt, Estonia and Yugoslavia, of April 2nd; of International Settlements, Australia and India, of April 9th; Federal Reserve Reporting Members, Argentina, Czechoslovakia, Denmark, Finland, Java, Norway, Poland and Sweden, of April 16th.

U.S. FEDERAL RESERVE BANKS

Million \$s		Apr. 22, 1937	
		Mar. 24, 1937	Apr. 21, 1938
12 U.S.F.R. BANKS			
Gold certifs. on hand and due from Treas.		8,844	9,197
Total reserves		9,136	9,685
Total cash reserves		282	478
Total bills discounted		3	13
Bills in open mkt.		11	10
Total bills on hand		23	17
Industrial advances		2,487	2,564
Total U.S. Govt. secs.		2,521	2,591
Total bills and secs.		12,464	12,915
Total resources		12,464	12,915
LIABILITIES			
F.R. notes in actual circulation		4,184	4,120
Aggregate of excess mkt. bank res. over reqts.		1,590	1,560
Deposits — Member bank reserve account		6,877	7,333
Govt. deposits		119	270
Total deposits		7,240	7,915
Cap. paid in and surplus		306	309
Total liabilities		12,464	12,915

CLEARING BANKS

LONDON

(£ thousands)

	Month of March			Week ended Wednesday		Aggregate from January 1 to	
	1937	1938	Change	Apr. 21, 1937	Apr. 20, 1938	Apr. 21, 1937	Apr. 20, 1938
Number of wks. days:	25	27	%	6	4	93	92
Town (a)	3,297,810	2,915,224	-18.2	668,893	445,958	11,964,524	10,313,343
Metropolitan (b) ..	183,265	183,063	-7.5	41,849	28,675	688,548	665,704
Country (c)	308,423	321,918	+3.2	71,556	49,938	1,189,673	1,170,059
Total (d)	3,789,498	3,420,205	-16.5	782,298	524,571	13,841,745	12,149,106

Clearings in the week to April 13, 1938, were: (a) £635,403,000; (b) £40,169,000; (c) £68,766,000; (d) £744,338,000.
 † Based on average working day.

PROVINCIAL

(£ thousands)

	Month of March			Week ended Saturday		Aggregate from January 1 to	
	1937	1938	Change	Apr. 17, 1937	Apr. 16, 1938	Apr. 17, 1937	Apr. 16, 1938
No. of working days:	25	27	%	6	5	90	90
BIRMINGHAM	11,321	10,583	-13.5	2,454	1,928	44,033	38,666
BRADFORD	4,579	3,593	-27.4	832	634	17,107	13,136
BRISTOL	5,474	5,913	+7.8	1,505	1,062	20,139	19,791
HULL	4,017	3,977	-1.0	966	687	14,722	13,988
LEEDS	4,840	4,341	-16.9	1,036	760	17,295	16,398
LEICESTER	3,325	3,309	-0.5	809	658	12,277	11,467
LIVERPOOL	35,602	24,799	-35.9	7,540	4,406	117,496	84,800
MANCHESTER	50,681	43,958	-19.6	11,256	8,065	176,666	154,559
NEWCASTLE	6,296	6,865	+9.0	1,334	1,297	22,378	24,902
NOTTINGHAM	2,291	2,323	+1.4	503	430	8,439	8,381
SHEFFIELD	4,960	4,857	-2.0	1,023	873	17,855	18,724
Total: 11 Towns ..	133,586	114,518	-20.5	29,258	20,800	468,412	401,815
DUBLIN	...	...	...	5,698	5,551	94,546†	97,597†

† Based on average working day. ‡ 16 calendar weeks.

MONEY RATES

LONDON

	Apr. 12, 1938	Apr. 13, 1938	Apr. 14, 1938	Apr. 16, 1938	Apr. 19, 1938	Apr. 20, 1938	Apr. 21, 1938
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount:							
60 days' bills	17½	17½	17½	17½	17½	17½	17½
3 months' do.	17½	17½	17½	17½	17½	17½	17½
4 months' do.	17½	17½	17½	17½	17½	17½	17½
6 months' do.	17½	17½	17½	17½	17½	17½	17½
Discount Treasury Bills:							
2 months'	12-17½	12-17½	12-17½	12-17½	12-17½	12-17½	12-17½
3 months'	12-17½	12-17½	12-17½	12-17½	12-17½	12-17½	12-17½
Loans—Day-to-day ..	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Short	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Deposit allwncs.: Bk.	12	12	12	12	12	12	12
Discount houses at call	12	12	12	12	12	12	12
At notice	12	12	12	12	12	12	12

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938	17½	17½	17½	17½	17½	17½
Mar. 24	17½	17½	17½	17½	17½	17½
Mar. 31	17½	17½	17½	17½	17½	17½
Apr. 7	17½	17½	17½	17½	17½	17½
Apr. 13	17½	17½	17½	17½	17½	17½
Apr. 21	17½	17½	17½	17½	17½	17½

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Apr. 21, 1937	Mar. 23, 1938	Mar. 30, 1938	Apr. 6, 1938	Apr. 12, 1938	Apr. 20, 1938
Call money	1	1	1	1	1	1
Time money (90 days' mixed coll.)	1	1	1	1	1	1
Bank acceptances:						
Members—eligible 90 days ..	114	114	114	114	114	114
Non-mem.—eligible 90 days ..	114	114	114	114	114	114
Commercial accept., 90 days ..	1	1	1	1	1	1

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Apr. 13, 1938	Apr. 14, 1938	Apr. 16, 1938	Apr. 19, 1938	Apr. 20, 1938	Apr. 21, 1938
New York, \$...	4.862½	4.973½	4.98	4.99	5.00½	4.98½	4.98½
Montreal, \$...	4.862½	5.004½	5.004½	5.01½	5.02-03	5.01	5.01-02
Paris, Fr.	124.21	157½	157½	158-8¼	158½	158½	158½
Brussels, Bel. ...	35.00a	29.52-57	29.56-61	29.60	29.61-64	29.57-63	29.57-60
Milan, L.	92.46	94.60	94.65	94.90	95.18	95.15	95.15
Zurich, Fr. ...	25.22½	21.63-66	21.64½	21.66-68	21.66½	21.67½	21.67-70
Athens, Dr. ...	375	540-55	540-55	540-55	540-55	540-55	540-55
Amst'dm, Fl. ...	12.107	8.9-5¼	8.96-97	8.96½-7¼	8.96½-7¼	8.96½-7¼	8.96½-7¼
Berlin, Mk. ...	20.43	12.37-40	12.38	12.39-42	12.39-42	12.39-42	12.39-42
Registered Marks:							
Br. India Rup. ...	118d.	48½-53½	49-54	48½-53½	48-53	48-53	48-53
Hong Kong, \$...	†	18.18½	18.18½	18.18½	18.18½	18.18½	18.18½
Shanghai, \$...	†	12½-15	12½-15	12½-15	12½-15	12½-15	12½-15
Rio, Mil.	†5.899d.	13½(L)	13½(L)	13½(L)	13½(L)	13½(L)	13½(L)
B. Aires, \$...	11.45	19.40	19.38	19.38	19.20	18.90	18.95
Valparaiso, \$...	40	16.12½	16.12½	16.12½	16.12½	16.12½	16.12½
Mexico, Pes. ...	9.76	21½(L)	21½(L)	21½(L)	21½(L)	21½(L)	21½(L)
Manila, Pes. ...	†24.66d.	23½(L)	23½(L)	23½(L)	23½(L)	23½(L)	23½(L)
Moscow, Rbls. ...	...	26.36½	26.41½	26.41½	26.50½	26.48	26.43½

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8.25½ since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (c) Per cent. discount. (e) Latest "export" rate. (g) Official rate is \$15 sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (j) Nominal. (m) Official.

(b) Other Exchanges

London on	Par of Exch. per £	Apr. 14, 1938	Apr. 20, 1938	Apr. 21, 1938
Heisingfors, M.	193.23	225½-6½	225½-6½	225½-6½
Madrid, Pt.	25.22½	80-140(L)	80-140(L)	80-140(L)
Lisbon, Esc.	110	110-110½	110-110½	110-110½
Vienna, Sch.	34.58½	Nominal	Nominal	Nominal
Budapest, Pen.	27.82	24½-53½	24½-53½	24½-53½
Prague, Kcs.	8.164½	142½-3¼	143-3¼	143-3¼
Danzig, Gul.	25.00	26½-58	26½-58	26½-58
Warsaw, Zl.	48.38	26½-58	26½-58	26½-58
Riga, Lat.	25.22½	24½-53½	24½-53½	24½-53½
Bucharest, Lei ...	813.8	665-90	665-90	665-90
Constantinople, Pst. ...	110	620*	620*	620*
Belgrade, Din.	276.32	212-22	212-22	212-22
Kovno, Lit.	48.66	29-30	29-30	29-30
Sofia, Lev.	673.66	390-420	390-420	390-420
Tallinn, E. Kr.	18.159	173½-183½	173½-183½	173½-183½
Oslo, Kr.	18.159	19.85-95	19.85-95	19.85-95
Stockholm, Kr.	18.159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr.	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst.	97½	97½-58	97½-58	97½-58
Kobe, Yen.	†24.58d.	13½-14½	13½-14½	13½-14½
Singapore, \$...	†28d.	27½-28½	27½-28½	27½-28½
Batavia, F.	12.1-1	8.93½-6½	8.93½-6½	8.93½-6½
Bangkok, Baht ...	†21.82d.	22-22¼	22-22¼	22-22¼

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

LONDON—FORWARD

(Closing quotations)

London on	Apr. 13, 1938	Apr. 14, 1938	Apr. 16, 1938	Apr. 19, 1938	Apr. 20, 1938	Apr. 21, 1938
New York, cent. ...	(p)	(p)	(p)	(p)	(p)	(p)
Paris, francs ...	(d)	(d)	(d)	(d)	(d)	(d)
Amsterdam, cent. ...	(p)	(p)	(p)	(p)	(p)	(p)
Brussels, cent. ...	(p)	(p)	(p)	(p)	(p)	(p)
Geneva, cent. ...	(p)	(p)	(p)	(p)	(p)	(p)

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	Apr. 13, 1938	Apr. 14, 1938	Apr. 16, 1938	Apr. 18, 1938	Apr. 19, 1938	Apr. 20, 1938
London:—*							
60 days ...	4.8666	4.9725½	4.9827½	5.003½	5.003½	4.983½	4.987½
Cables ...	4.8666	4.985½	4.993½	5.009½	5.014	4.99½	4.98½
Demand ...	8.2397	4.985½	4.991½	5.001½	5.01½	4.99½	4.98½
Paris, Fr.	6.63	3.15½	3.16½	3.16½	3.16½	3.14½	3.14½
Brussels, Bel. ...	23.54	16.86	16.87	16.90½	16.92	16.87½	16.87
Switz'd Fr.	32.67	23.01	23.04½	23.10½	23.13	23.04½	23.01
Italy, Lira.	8.91	5.26¼	5.26¼	5.26¼	5.26¼	5.26¼	5.26¼
Berlin, Mk.	40.33	40.18	40.22½	40.35½	40.37½	40.31½	40.25
Madrid, Pt.	32.67	55.56½	55.56½	55.56½	55.56½	55.56	55.56
Amst'dm, Gld. ...	68.06	22.25	22.30	22.35	22.37½	22.30	22.27½
Cop'h'gn, Kr. ...	145.374	25.05	25.10	25.15	25.20	25.10	25.05
Oslo, Kr.	25.70	25.75	25.80	25.85	25.85	25.75	25.70
Stockh., Kr. ...	1.291½	0.913½	0.913½	0.913½	0.913½	0.913½	0.913½
M'ntal, Can. \$...	169.31	99.430	99.560	99.615	99.605	99.500	99.500
Y'o'hama, Yen ...	84.40	29.04	29.09	29.20	29.21	29.12	29.09
Shanghai, \$...	...	27.00	27.31	27.50	27.37	27.62	27.75
B. Aires, Peso ...	...	30.91	30.97	31.05	31.09	30.98	30.93
Rio, Ms. t.	11.96	5.90	5.90	5.90	5.90	5.90	5.90

Usance: T.T. * Dollars per £. † Official.

MONETARY GOLD RESERVES OF THE WORLD

The figures below have been extracted from the April issue of the League's *Monthly Bulletin of Statistics*. They show changes in the monetary gold reserves since 1933 (in terms of pre-devaluation U.S.A. dollars) of all countries whose stocks in December, 1937, exceeded \$50 millions.

Country	December				
	1933	1934	1935	1936	1937
Union of South Africa	83	108	125	120	112
Canada	127	129	114	112	109
U.S.A.	4,012	4,865	5,980	6,649	7,536
Argentina	238	238	262	296	277
British India	162	162	162	162	162
Japan	212	232	251	273	254
Belgium	380	348	346	373	353
France	3,015	3,218	2,598	1,769	1,516
Italy	373	306	159	123	123
Holland	371	338	259	549	549
Roumania	59	62	65	67	71
United Kingdom	933	938	977	1,529	1,592
Sweden	99	94	109	142	144
Switzerland	386	368	268	387	3

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Apr. 17					Aggregate Gross Receipts, 15 weeks				
	Passenger	Merchandise	Coal & Coke	Total Goods	Total	Passenger	Merchandise	Coal & Coke	Total Goods	Total
L. M. & S.—										
1937	432	549	283	832	1,264	6,147	7,294	4,270	11,564	17,711
1938	696	415	219	634	1,330	6,294	7,266	4,320	11,586	17,880
L. & N. E. (G)—										
1937	284	376	280	656	940	4,070	5,013	3,900	8,913	12,983
1938	415	275	194	469	884	4,119	5,077	4,013	9,090	13,209
Great Western—										
1937	179	216	122	338	517	2,586	2,889	1,749	4,638	7,224
1938	289	160	101	261	550	2,626	2,934	1,821	4,773	7,401
Southern—										
1937	278	69	34	103	381	4,000	892	522	1,414	5,414
1938	431	52	23	75	506	4,106	897	526	1,423	5,529
Total—										
1937	1173	1210	719	1292	3,102	16,803	16,088	10,441	26,529	43,332
1938	1831	902	537	1439	3,270	17,145	16,194	10,680	26,874	44,019

(a) Week ended April 16.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+ 1,329	+ 1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross increase, first half 1938, over first half 1937	+ 169	+ 226	+ 177	+ 115
Weekly Figures				
Av. weekly increase, 1st half 1938	+ 11.27	+ 15.07	+ 11.80	+ 7.67
Latest week compared with 1937	+ 66	+ 56	+ 33	+ 125
Latest week compared with average 1927-30	+ 85	+ 139	+ 34	+ 106

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended April 15			Aggregate Gross Receipts 15 weeks		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	1.7	0.6	2.3	26.1	7.4	33.5
1938	1.8	0.5	2.3	25.5	6.7	32.2
Great Northern—						
1937	8.0	11.2	19.2	125.4	140.7	266.1
1938	10.7	8.9	19.6	132.1	125.2	257.3
Great Southern—						
1937	29.1	44.2	73.3	426.2	639.5	1065.7
1938	34.7	38.5	73.2	427.6	599.5	1027.1

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending April 16, 1938, before pooling	£54,700	+ 21.100
Total, 42 weeks to date	23,593,500	+ 89,900
L.P.T.B. receipts, 52 weeks to June 26, 1937	28,732,000	+ 255,000
L.P.T.B. receipts, year to June, 1937, after pooling	30,247,378	+ 522,653
London Transport Pool receipts, year to June 30, 1937	41,377,929	+ 771,590

OVERSEAS WEEKLY TRAFFIC RECEIPTS

INDIAN

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1938	+ or -	1938	+ or -
Bengal & N. Western	26 Mar. 31	Rs. 12,47,001	- 15,101	Rs. 1,90,31,148	- 12,04,318
Bombay, Bar. & C.I.	1 Apr. 10	Rs. 12,22,000	+ 26,986	Rs. 9,46,27,679	+ 10,71,3998
Madras & S. Mah.	52 Mar. 31	Rs. 26,73,000	+ 2,78,961	Rs. 7,46,07,781	+ 8,27,989
S. Indian	52 Mar. 31	Rs. 16,88,776	- 1,38,775	Rs. 5,58,56,822	- 20,94,696

† 10 days. † 11 days.

CANADIAN

	1938	1937	1936	1935	1934
Canadian National ..	15 Apr. 14	\$ 3,294,543	\$ 587,728	\$ 47,698,341	\$ 5,123,562
Canadian Pacific.....	15 Apr. 14	\$ 2,559,000	\$ 155,000	\$ 35,106,000	\$ 1,994,000

SOUTH & CENTRAL AMERICAN

	1938	1937	1936	1935	1934
Anglo-Arg. Trans.	15 Apr. 15	\$635,790	- 37,776	\$ 9,723,752	+ 232,995
Antofagasta	15 Apr. 15	\$13,130	- 10,640	\$ 258,980	- 16,300
Argentine N.E.	41 Mar. 16	\$137,400	+ 6,800	\$ 6,090,500	+ 32,200
B.A. and Pacific.....	41 Mar. 16	\$1,603,000	- 401,000	\$ 59,692,000	- 4,938,300
B.A. Central	40 Mar. 16	\$80,600	- 39,200	\$ 4,714,300	- 936,200
B.A. Gt. Southern....	41 Mar. 16	\$143,797	- 27,295	\$ 6,341,252	- 7,898
B.A. Western	41 Mar. 16	\$688,000	- 372,000	\$ 30,684,000	- 3,603,000
Central Argentine....	41 Mar. 16	\$1,740,400	- 102,600	\$ 82,508,700	- 245,709,00
Central Uruguayan ..	40 Mar. 16	\$1,107,965	- 63,437	\$ 5,118,406	- 1,340,951
Leopoldina	15 Mar. 16	\$1,151,800	- 150,000	\$ 25,520,000	- 2,099,000
Mexican Railway	15 Mar. 16	\$17,331	- 4,006	\$ 290,334	- 55,344
Nitrate	41 Mar. 16	\$314,600	+ 6,600	\$ 4,687,700	- 32,400
United of Havana ...	41 Mar. 16	\$1,634,444	- 12,506	\$ 1,058,104	- 65,864

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

SUEZ CANAL RECEIPTS

	1938	1937	1936	1935	1934
Transit Receipts† ...	14 Apr. 10	£ 276,900	- 77,000	£ 2,805,900	- 608,100

† 10 days.

MONTHLY TRANSPORT & POWER RETURNS

Company	Months Ending	Receipts for Month		Aggregate Receipts	
		1938	+ or -	1938	+ or -
Br. Columbia Power	9 Mar. 31	Gross \$1,269,358	- 2,811	\$11,413,038	+ 171,778
		Net \$345,168	+ 4,934	\$ 3,426,581	- 48,853
Manchester Ship Canal	3 Mar. 31	Gross £111,300	+ 190	£ 300,596	+ 587
Mexican Light and Power	1 Jan. 31	Gross \$805,194	+ 54,938	\$ 242,973	...
		Net \$242,973	+ 10,235	...	...
Rhodesia Rls.	5 Feb. 28	Gross £391,093	+ 56,372	£ 2,101,534	+ 401,559

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation			Corresponding Period Last Year	
					Dividend		Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit
					Prefce. Amount	Ordinary Amount Rate			
Banks									
Netherlands of South Africa	Sept. 30	£ 1,833	£ 112,604	£ 114,437	...	£ 37,979	6	£ 74,847	£ 1,611
Ever Ready Trust	Mar. 31	2,281	29,638	31,919	27,500	24,000	8	5,164	2,755
Ideal Building and Land ...	Dec. 31	3,347	118,836	122,183	...	60,625	5	9,058	60,747
Gas									
Bombay Gas	Dec. 31	45,764	29,712	75,476	...	24,000	8	5,112	46,364
United Kingdom Gas	Dec. 31	9,773	110,188	119,961	62,987	33,748	5	10,000	13,226
Iron, Coal and Steel	Dec. 31	16,159	254,551	270,710	...	190,000	10	50,460	30,250
Amal. Collieries of S. Africa	Jan. 31	Dr. 64,521	31,786	Dr. 32,735	...	...	...	...	(a)
Edinburgh Collieries	Dec. 31	69,120	105,758	174,878	16,532	52,421	15	25,000	80,925
Newton Chambers and Co.	Dec. 31	34,776	146,549	181,325	8,032	62,175	12½	55,000	56,118
Motor, Cycle & Aviation	Dec. 31	...	...	...	...	...	...	...	122,392
Albion Motors	Dec. 31	...	...	...	...	...	...	...	15

THE WEEK'S COMPANY RESULTS—continued

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation				Corresponding Period Last Year		
					Dividend			Carried to Reserve, Deprecia- tion, etc.	Balance Forward	Net Profit	Dividend
					Prefce. Amount	Ordinary Amount	Rate				
Rubber											
Alor Pongsu	Dec. 31	£ 4,003	£ 23,482	£ 27,485	1,903	£ 17,871	10	£ 3,500	£ 4,211	£ 16,933	
Anglo-Malay	Dec. 31	26,710	24,646	51,356	...	16,500	4	6,876	27,980	17,936	
Badenoch	Dec. 31		(c) 33,546	33,546	...	18,000	6	12,500	3,046	(a)	
Bandjarsarie (Java)	Dec. 31	1,013	9,336	10,349	...	7,033	15	2,200	1,116	5,637	
Bikam	Dec. 31	33,886	78,894	112,780	...	54,480	10	23,973	34,327	39,779	
Bukit Jjak (Selangor)	Dec. 31	Dr. 3,233	7,503	10,736	...	7,392	10	...	3,344	6,022	
Bukit Tupah	Dec. 31	Dr. 871	18,319	17,448	...	8,250	6½	6,500	2,698	10,121	
Ceylon Para	Dec. 31	8,252	23,347	31,599	...	13,500	15	15,678	2,421	14,060	
Changkat Salak	Dec. 31	7,936	29,252	37,188	13,470	9,143	14	6,500	8,075	17,397	
Chersonese (F.M.S.)	Dec. 31	14,309	38,125	52,434	...	15,625	10½	17,000	19,809	18,140	
Djember	Dec. 31	2,422	20,429	22,851	...	16,449	10	...	6,402	10,636	
F.M.S. Planters	Dec. 31	14,602	32,818	47,420	...	24,500	10	8,234	14,686	28,110	
Golconda Malay	Dec. 31	1,350	12,972	14,322	...	10,170	9	2,500	1,652	7,103	
Grand Central (Ceylon) ...	Dec. 31	33,724	99,779	133,503	...	92,379	7	...	41,124	49,929	
Harpden (Selangor)	Dec. 31	2,853	14,501	17,354	88,400	...	...	3,500	5,454	3,203	
Hevea (Burma)	Dec. 31	1,504	4,115	5,619	479	2,314	6½	978	1,848	(a)	
Kasintoe	Dec. 31	5,432	10,521	15,953	...	9,600	8	1,250	5,103	6,211	
Pataling	Dec. 31	23,418	66,739	90,157	...	45,772	15	19,639	24,746	38,456	
St. George	Dec. 31	2,439	12,195	14,634	...	8,750	12½	2,000	3,884	6,553	
Selangor River	Dec. 31	1,813	21,407	23,220	...	19,923	7	1,750	1,547	12,599	
Stagbrook	Dec. 31	650	6,923	7,573	...	5,293	6½	1,500	780	6,032	
Sungei Siput	Dec. 31	8,683	25,480	34,163	...	16,099	17½	6,450	11,614	8,030	
Sungei Telor (Malaya)	Dec. 31	2,602	5,270	7,872	1,321	1,805	4	1,918	2,828	3,628	
Sunnygama	Dec. 31	5,129	16,907	22,036	900	9,375	12½	9,060	2,701	9,999	
Tempeh (Java)	Dec. 31	4,235	9,007	13,242	...	5,008	10	...	8,234	4,459	
Shipping											
Cunard Steam Ship	Dec. 31	153,330	57,841	211,171	...	...	...	33,324	177,847	56,662	
Cunard White Star	Dec. 31	76,800	1,271,830	1,348,630	...	...	...	1,125,478	223,152	559,873	
Indo-China Steam	Dec. 31	Dr. 12,368	247,669	235,301	...	...	...	225,733	9,568	44,056	
Jacobs (John I.) and Co. ...	Dec. 31	12,304	196,209	208,513	5,353	31,500	17½	147,546	24,114	64,469	
Shops and Stores											
Austin Reed	Feb. 20	38,845	85,562	124,407	34,001	25,250	10	26,000	39,156	84,584	
Baker (Charles)	Jan. 31	Dr. 76,450	Dr. 1,222	Dr. 77,672	...	...	...	3,243	Dr. 80,915	5,744	
Kennards, Ltd.	Feb. 10	27,396	45,859	73,255	13,875	21,875	12½	7,000	30,505	56,395	
Lilley and Skinner	Jan. 22	23,312	68,076	91,388	15,727	24,844	10	25,000	25,817	67,075	
Tea											
Ceylon Tea Plantations ...	Dec. 31	46,903	93,945	140,848	10,578	47,000	12½	38,000	45,270	58,444	
Eastern Produce & Estates	Dec. 31	25,555	85,035	110,590	3,600	58,275	17½	15,000	33,715	46,908	
Kandapolla	Dec. 31	3,758	9,085	12,843	1,878	4,312	7	3,072	3,581	8,468	
Lindoola	Dec. 31	843	2,839	3,682	661	1,103	10	1,000	918	1,434	
South Wananajah	Dec. 31	1,687	9,499	11,186	780	6,116	10	3,000	1,290	2,629	
Vellikellie of Ceylon	Dec. 31	910	4,441	5,351	245	3,028	10	1,250	828	3,365	
Telegraphs, etc.											
Oriental Telephone, etc. ...	Dec. 31	53,773	142,433	196,206	13,216	68,424	12½	57,305	57,261	130,803	
Textiles											
United Turkey Red	Dec. 31	3,265	Dr. 88,558	Dr. 85,293	...	...	...	Dr. 86,821	1,528	Dr. 48,775	
Trusts											
African City Prop. Trust ...	Dec. 31	34,615	86,066	120,681	7,500	46,750	17	30,000	36,431	69,132	
Lon. & S. American Inv....	Mar. 31	32,583	33,874	66,457	18,750	...	...	10,355	37,352	28,582	
London Trust	Mar. 31	55,482	81,087	136,569	21,197	50,400	14	5,000	59,972	78,018	
Waterworks											
Province of Buenos Ayres	Dec. 31	27,578	11,330	38,908	9,375	...	...	...	29,533	3,293	
Other Companies											
Achille Serre	Dec. 31	Dr. 100,269	Dr. 9,227	Dr. 109,496	...	...	...	...	Dr. 109,496	Dr. 7,576	
Alexander, Fergusson, etc....	Dec. 31	15,148	22,212	37,360	2,625	14,000	20½	5,000	15,735	20,809	
Associated Automatic	Mar. 31	576	15,060	15,636	...	14,250	5	...	1,386	12,984	
Associated Fisheries	Feb. 28	4,810	64,205	69,015	15,312	28,962	12	20,000	4,741	49,745	
British Drug Houses	Dec. 31	11,066	71,385	82,451	17,188	24,000	6	29,745	11,518	69,725	
Bryant and May	Mar. 31	138,123	612,168	750,291	67,200	392,139	25½	150,000	140,952	636,699	
Compton (S.) Sons & Webb	Dec. 31	5,072	81,275	86,347	14,000	56,980	15-416	10,000	5,367	67,726	
Derbyshire Stone	Dec. 31	9,177	53,500	62,677	11,715	21,300	10	15,172	14,490	56,726	
Eastwood's Humber Cement	Dec. 31	...	Dr. 643	Dr. 643	...	...	...	...	Dr. 643	(a)	
Gieves, Ltd.	Feb. 28	23,106	51,732	74,838	5,755	30,138	15	16,000	22,945	52,375	
Griew (I.) and Co.	Dec. 31	6,554	(f) 8,573	15,127	2,722	4,200	8	1,562	6,643	(a)	
Henley's (W. T.) Telegraph	Dec. 31	425,908	443,714	869,622	9,000	260,000	20	170,602	430,020	391,923	
Hoover, Ltd.	Dec. 31	...	297,807	297,807	18,054	150,000	25	109,119	20,634	(a)	
Mallinson (George)	Feb. 19	1,730	50,816	52,546	6,569	28,125	25	...	17,852	(a)	
Paquin, Ltd.	Dec. 31	12,846	20,024	32,870	16,875	...	...	...	15,995	3,793	
Pollard (E.) and Co.	Dec. 31	6,958	54,522	61,480	18,820	22,974	7½	...	19,686	46,084	
Scammell Lorries	Dec. 31	3,416	44,487	47,903	...	...	...	31,000	16,903	21,323	
Suvretta, Ltd.	Dec. 31	972	Dr. 276	696	...	...	...	...	696	(a)	
Thompson (John) Eng. ...	Dec. 31	13,113	137,380	150,493	17,005	59,265	17½	29,250	44,973	(a)	
Walsall Conduits	Dec. 31	4,373	112,084	116,457	7,505	61,875	55	20,000	27,077	(a)	
Wickhams (C. Barker) ...	Jan. 31	5,369	21,666	27,035	6,000	10,500	10	4,500	6,035	21,065	
Total Profits, 1938, in £,000's:											
To April 16	766	33,838	118,769	152,607	20,771	61,965	...	33,555	36,316	106,014	
To April 23	830	35,238	123,939	159,177	21,253	63,865	...	35,979	38,080	109,586	

Special Statistics

OVERSEAS TRADE RETURNS

IMPORTS (Value C.I.F.)

	Month ended March 31		Three Months ended March 31	
	1937	1938	1937	1938
I.—Food, Drink and Tobacco—				
A. Grain and Flour	8,147,449	6,950,975	22,069,744	20,517,532
B. Feeding-stuffs for Animals	1,040,954	1,087,070	2,836,066	3,046,277
C. Animals, Living, for Food	620,047	605,701	1,530,745	1,676,767
D. Meat	6,770,766	8,244,530	19,780,664	22,538,098
E. Dairy Produce	5,453,536	6,560,584	15,145,152	19,250,298
F. Fresh Fruit and Vegetables	3,321,502	3,954,810	8,982,629	9,717,397
G. Beverages and Cocoa Pre- parations	4,338,065	3,234,655	12,263,772	10,679,715
H. Other Food	4,582,129	4,247,833	12,044,203	12,367,390
I. Tobacco	1,057,825	2,223,257	3,130,218	6,391,681
Total, Class I	35,332,273	37,109,415	97,783,193	106,185,315
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	1,514	1,612	5,782	4,407
B. Other Non-Metalliferous Mining and Quarry Products and the like	374,812	408,499	1,018,885	1,191,091
C. Iron Ore and Scrap	725,859	1,586,929	1,826,767	5,077,048
D. Non-Ferrous Metalliferous Ores and Scrap	1,095,471	1,434,505	3,296,142	4,523,435
E. Wood and Timber	2,340,744	2,180,766	7,582,098	7,625,479
F. Raw Cotton and Cotton Waste	5,666,916	3,097,813	14,452,699	9,975,793
G. Wool, Raw and Waste, and Wooten Rags	5,154,674	4,593,928	15,991,400	12,689,279
H. Silk, Raw, Knobs and Nolls	202,970	275,021	500,301	783,856
I. Other Textile Materials, Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	1,371,541	1,177,472	4,709,894	3,992,664
K. Hides and Skins, Un- dressed	3,422,922	3,496,450	9,342,025	8,908,446
L. Paper-making Materials	1,920,203	2,200,369	6,748,241	6,238,719
M. Rubber	1,010,562	1,360,358	2,907,682	4,669,032
N. Miscellaneous Raw Ma- terials and Articles mainly Unmanufactured	749,975	1,220,971	1,721,678	3,828,886
Total, Class II	24,983,533	24,014,469	72,840,758	72,207,706
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	20,460	285	59,008	1,612
B. Pottery, Glass, Abrasives, etc.	647,499	679,898	1,771,290	1,845,852
C. Iron and Steel and Manu- factures thereof	951,427	2,718,347	2,538,245	7,665,345
D. Non-Ferrous Metals and Manufactures thereof	4,390,025	3,256,284	11,028,169	9,807,924
E. Cutlery, Hardware, Imple- ments and Instruments	587,287	660,222	1,710,060	1,793,305
F. Electrical Goods and Apparatus	330,450	266,604	934,753	776,482
G. Machinery	1,915,670	2,228,344	5,431,764	6,114,119
H. Manufactures of Wood and Timber	581,381	539,246	1,700,131	1,726,109
I. Cotton Yarns and Manu- factures	283,531	312,092	758,910	855,465
J. Woollen and Worsted Yarns and Manufactures	452,435	350,066	1,146,974	966,993
K. Silk Yarns and Manu- factures	271,827	214,658	682,910	626,577
L. Manufactures of other Textile Materials	732,965	713,291	2,056,679	1,931,255
M. Apparel	915,080	1,015,231	2,192,083	2,433,449
N. Footwear	273,635	333,042	594,452	785,435
O. Chemicals, Drugs, Dyes and Colours	1,119,313	1,169,295	3,191,801	3,153,457
P. Oils, Fats and Resins, Manufactured	3,879,547	4,144,243	9,461,052	11,944,317
Q. Leather and Manufactures thereof	932,217	619,671	2,432,152	1,637,311
R. Paper, Cardboard, etc.	1,242,904	1,376,171	3,455,278	4,119,784
S. Vehicles (including Loco- motives, Ships and Air- craft)	697,473	589,448	1,760,990	1,681,433
T. Rubber Manufactures	79,396	78,925	193,553	200,432
U. Miscellaneous Articles wholly or mainly Manu- factured	1,789,887	1,893,169	5,033,637	5,097,715
Total, Class III	22,094,409	23,158,532	58,133,891	65,194,371
IV.—Animals, not for Food	275,419	247,492	478,485	690,941
V.—Parcel Post	223,829	345,540	706,266	940,480
Total	82,909,463	84,875,448	229,942,593	245,218,813

EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM (Value F.O.B.)

	Month ended March 31		Three Months ended March 31	
	1937	1938	1937	1938
I.—Food, Drink and Tobacco—				
A. Grain and Flour	151,344	164,074	445,964	435,056
B. Feeding-stuffs for Animals	87,075	83,165	199,819	178,988
C. Animals, Living, for Food	442	403	1,320	654
D. Meat	89,334	96,313	261,615	271,668
E. Dairy Produce	68,236	86,644	244,435	224,091
F. Fresh Fruit and Vegetables	59,562	10,585	184,470	61,543
G. Beverages and Cocoa Pre- parations	1,081,881	930,579	3,709,868	3,441,745
H. Other Food	965,977	979,555	2,800,866	2,726,622
I. Tobacco	403,030	436,611	1,168,487	1,248,096
Total, Class I	2,907,881	2,787,929	9,016,844	8,588,465
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	2,651,709	3,102,426	7,462,290	8,831,784
B. Other Non-Metalliferous Mining and Quarry Products and the like	107,667	93,090	298,087	243,256
C. Iron Ore and Scrap	115,343	20,837	298,350	54,789
D. Non-Ferrous Metalliferous Ores and Scrap	300,417	223,120	751,938	629,339
E. Wood and Timber	8,000	9,985	23,620	20,567
F. Raw Cotton and Cotton Waste	91,469	45,953	270,458	122,855
G. Wool, Raw and Waste, and Wooten Rags	928,853	541,748	3,050,730	1,495,283
H. Silk, Raw, Knobs and Nolls	379	216	1,392	871
I. Other Textile Materials, Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	52,098	55,709	141,763	138,718
K. Hides and Skins, Un- dressed	325,034	302,795	990,662	813,386
L. Paper-making Materials	186,616	113,737	595,844	386,004
M. Rubber	149,683	105,962	421,889	312,279
N. Miscellaneous Raw Ma- terials and Articles mainly Unmanufactured	29,681	20,257	82,999	63,004
Total, Class II	5,263,669	4,928,124	15,254,110	13,853,826
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	324,800	236,648	917,862	978,543
B. Pottery, Glass, Abrasives, etc.	806,137	784,183	2,206,608	2,277,067
C. Iron and Steel and Manu- factures thereof	3,852,922	3,924,998	10,576,843	11,559,119
D. Non-Ferrous Metals and Manufactures thereof	1,655,289	1,059,800	3,744,423	3,086,419
E. Cutlery, Hardware, Imple- ments and Instruments	745,641	773,030	2,090,006	2,265,581
F. Electrical Goods and Apparatus	979,816	1,196,279	2,632,382	3,559,441
G. Machinery	3,886,691	5,362,699	10,865,452	14,699,405
H. Manufactures of Wood and Timber	116,492	110,313	303,935	283,621
I. Cotton Yarns and Manu- factures	6,016,920	4,891,535	16,700,022	14,142,569
J. Woollen and Worsted Yarns and Manufactures	3,088,572	2,509,822	9,355,773	7,989,990
K. Silk Yarns and Manu- factures	112,185	115,924	322,633	353,428
L. Manufactures of other Textile Materials	1,746,129	1,425,230	4,872,204	4,083,398
M. Apparel	1,018,563	841,865	2,719,613	2,459,844
N. Footwear	196,347	198,636	517,780	536,114
O. Chemicals, Drugs, Dyes and Colours	2,124,144	1,969,366	5,972,289	5,571,978
P. Oils, Fats and Resins, Manufactured	571,719	432,067	1,469,313	1,410,017
Q. Leather and Manufactures thereof	435,885	324,624	1,259,431	919,193
R. Paper, Cardboard, etc.	595,827	621,251	1,710,325	1,838,392
S. Vehicles (including Loco- motives, Ships and Air- craft)	3,159,581	4,096,166	8,677,261	10,539,635
T. Rubber Manufactures	151,423	145,659	410,671	374,089
U. Miscellaneous Articles wholly or mainly Manu- factured	2,572,851	2,516,271	6,434,330	6,926,761
Total, Class III	34,157,934	33,536,416	93,759,156	95,844,604
IV.—Animals, not for Food	77,275	49,410	168,641	141,116
V.—Parcel Post	1,062,864	853,494	2,921,865	2,441,928
Total	43,469,623	42,155,373	121,120,616	120,869,939

RIO TINTO COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that the Sixty-Fifth Ordinary General Meeting of the Shareholders will be held at Southern House (formerly Cannon Street Hotel), Cannon Street, in the City of London, E.C., on Friday, the 29th April, 1938, at Eleven o'clock in the forenoon, for the purpose of receiving the Directors' Report and Statement of Accounts, for the Declaration of a Dividend, for the election of Directors and for other purposes.

Holders of Share Warrants to bearer who desire to attend can receive a Ticket of admission, on depositing their Warrants in accordance

with the Articles of Association at least three days prior to the Meeting, at the Company's Offices in London.

The retiring Auditors are Messrs Turquand, Youngs, McAuliffe and Co., who, being eligible for re-appointment, offer themselves accordingly.

The Transfer Books will be closed from Saturday, the 30th April, to Saturday, the 14th May, both days inclusive.

By order of the Board,

R. H. BECHER, Secretary.

Offices of the Company,
11 Old Jewry, London, E.C.2.
21st April, 1938.

THE ECONOMIST

Vol. CXXXI

APRIL 30, 1938

No. 4940

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A Grim Budget

SIR JOHN SIMON has confounded the prophets. Attempting last week to outline the alternative possibilities with which the Chancellor of the Exchequer would be faced in presenting his Budget, we noted the very general expectation that he would find ways and means of closing the gap without imposing heavy new taxes, and in particular without raising the standard rate of income tax; and we gave reasons for believing that such a course would be practicable if the Chancellor chose to follow it.

He has chosen, however, the strait and narrow path of increased taxation. Even as large a prospective deficit as the £30 millions which emerged from the estimates of revenue and expenditure could probably have been covered without increased taxation by non-recurrent expedients, such as demanding three-quarters of the year's tax on the divided schedules in January or taking into the Exchequer the profit which, as the House of Commons was once more assured, has accrued on the Exchange Equalisation Account. But the Chancellor has rejected all such ideas; and though he has taken the surprising course, he has also unquestionably taken the right course.

He posed the question, it is true, as a blunt alternative between taxing and borrowing, and did not discuss the compromise course of balancing his accounts by expedients of accountancy. The strongest argument—indeed, the only argument—for such a policy is that it would avoid the

imposition of fresh burdens, and, in particular, the psychological shock of raising income tax above 5s. in the £, at a time when the hesitancy of business makes confidence doubly necessary and doubly hard to come by. But if we are to judge by the Chancellor's estimates of revenue—especially the yield expected from income tax, stamps and death duties—he does not anticipate any further decline in activity or in the level of markets. He is clearly of the opinion that the state of trade is strong enough to stand the shock. And in any case, the present Budget cannot be considered in isolation from its successors. The use of non-recurrent expedients is permissible only when they are used to surmount an emergency that is itself non-recurrent. But the present enormous total expenditure, so far from being non-recurrent, will certainly be exceeded next year. The resort to items—such as the profit of the Exchange Fund or calling for an earlier payment of income tax—which can only be used once should be reserved for the peak year. The balance of arguments is thus strongly against the policy of expedients. There was a striking consensus of informed opinion that this was, nevertheless, the policy that Sir John Simon would most probably adopt. The more honour to him for putting it aside.

conclusive. The Exchequer is already proposing to borrow £90 millions in the course of this year for defence purposes, and the acceleration of the defence programme will greatly increase this figure before the year is out. To have added a further £30 millions to the total of borrowing would have been to admit that our State finances were already out of control, with the peak of expenditure still one, and most probably two, years distant. After all the efforts that have been made by the British people in the past seven years to keep their finances on a sound footing, after all the hopes that have been built upon the demonstration that, if peace can be had by taxation, Britain can out-tax her rivals—to have weakened at this early stage would have been a surrender.

So far as can be told from such indications as the behaviour of the markets and the comments of the Press, the nation has accepted, though with very natural regret, the Chancellor's determination to balance his Budget at the taxpayer's expense. The public has also concurred in his decision to raise the greater part of the sum needed by direct taxation, a smaller part by one of those indirect taxes whose burden is widely spread, and the remainder from the oil duty, which, though nominally indirect, has no regressive incidence on the incomes of the poorest. So far the agreement is general. The first point at which criticism has been levelled—and may justly be levelled—is at the particular choice of taxes that the Chancellor has made within the direct and indirect categories.

To place an additional sixpence on the standard rate of income tax was by far the simplest measure both for the Chancellor to adopt and for the public to apprehend. It also has the merit of bringing home to the taxpayer in a very direct manner the difficult position into which the country is moving—though that is almost exactly the same thing as saying that it administers the largest shock to business confidence. But the objection that can be raised to an increase in the standard rate is that it diminishes the progressive character of our direct taxes. The blow was softened to the smallest incomes by the decision to leave unaltered the rate of tax on the first £135 of taxable income. From the point at which the standard rate comes into play up to the surtax limit of £2,000, the increase is just short of 10 per cent. of tax payable. But from £2,000 upwards, since the surtax rates have not been raised, the proportionate increase in tax payable falls away. This is, of course, an objection that can be brought against any increase in the standard rate that is not accompanied by proportionate increases in the rates of surtax. But it gains additional point this year from the fact that, while the standard rate is now higher than in the crisis Budget of 1931, the surtax rates—and the rates of death duties—are not. It is possible that the rates on the highest incomes, which reach 68½ per cent. of income at the top of the scale, could not be further increased without destroying the incentive to produce the incomes on which the tax is levied;

but no such objection could be brought against the proposal to lower the level of incomes at which surtax begins to be payable. Without sketching a precise scheme, it may be said that some combination of increases in the standard rate of income tax with increases in the other direct taxes could have been devised to bring in the same revenue with more equity and probably less disturbance to industry.

The tea duty, selected by Sir John Simon to represent the indirect taxes in his list of increases, can also be criticised as a poor choice. The tea duty has the peculiar characteristic that an increase in its amount affects the family budgets of the very poorest, not only in the largest proportion to their income, but also in the highest ratio to their consumption of tea, since those who buy any grades of tea but the lowest can escape by taking a slightly inferior blend. To have laid the burden on some other duty—tobacco would seem to be the most obvious candidate—would have caused less hardship and yet have carried the consciousness of the nation's financial needs into very nearly as many households.

Sir John Simon's first Budget is thus open to criticism on the details of his proposals. But in its main outline it should command the respect of all who realise the necessity for limiting to the smallest practicable degree the departure from sound principles of finance that has been forced upon us by circumstances. The Budget is not fertile in imagination; nor was any attempt made to present it in a manner designed to appeal to the patriotism or emotions of the people. The recounting of its grim figures was not even illumined by reference to the problem of harmonising very heavy taxation with the need of continued expansion of national economic activity, by any survey of the prospects of trade or of the ultimate taxable resources of the country. The Budget's outstanding merit is that it makes no attempt to conceal the stark prospect before us—coupled with the fact that by grappling with the problem now it will ease the task of coping with what we may hope will be the maximum demand to be made on our resources in the next two years. The prospect is grim indeed. We are back in war finance without a war. Indeed, it is not only the preparations for war that are straining our resources, for, as was demonstrated in *The Economist's* Budget Supplement three weeks ago, the purely civil expenditure of the State has increased to a very high level. There is the fullest justification for the proposal made by Sir Archibald Sinclair on Wednesday to revive the war-time measure of a Parliamentary committee of private members charged with keeping a close and continuous watch on expenditure. But no radical change in the proportion of the national income that is spent on government and on the social services in the widest sense is possible; there is no prospect—at a moment when the Government is borrowing for current expenditure—of reducing the cost of the National Debt, which is certainly at a minimum for the present at all events. There remains only Defence which can be reduced if—but only if—the world returns to sanity. We have therefore to reconcile ourselves to a series of budgets in the region of £1,000 millions, and the problem of financing them without prejudice to economic progress will require all our ingenuity and skill.

Meanwhile, the Budget has had a good and respectful reception abroad. If the Stock Exchange after a moment of hesitation refrained from hastily putting down prices, it was no doubt influenced by the consideration that the shouldering of these heavy burdens is not only a sign of our national determination but also a testimony to British credit. It has given the world food for thought; and may conceivably help to promote mutual restraint and accommodation between the nations. If so, the occasion should be eagerly seized, for though our financial standing is outstanding in a world nearly all of which is arming on credit, the mad race might at any moment precipitate a crash from the effects of which none could hope to escape.

THE BUDGET

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Peace with Eire

ON Monday last, April 25th, the son of Joseph Chamberlain, that great champion of Unionism, on the one hand, and the only surviving leader of the Dublin Easter rebellion, on the other, signed in the name of their respective Governments a far-reaching agreement between the United Kingdom and her Irish partner in the British Commonwealth, now known as Eire. The warm approval with which the agreement has been greeted, both in London and in Dublin, by all save extremist circles, is a tribute alike to the wisdom of its articles and to the futility of the Anglo-Irish quarrel.

The agreements (a detailed summary of which appears on page 226) have three main features. First, the defence of the three Irish ports over which Great Britain held a strategic lien under the treaty of 1921 is to be handed over entirely to Eire. Secondly, the disputed land annuities and other payments claimed to be due from the former Free State to the British Exchequer are finally compounded for a lump sum of £10 millions, in addition to the continued payment of £250,000 a year by Eire under an agreement of 1925 relating to damage to property during the "troubles." Thirdly, the so-called economic war between the two countries is ended, and a Trade Pact is signed similar in general content to the Ottawa agreements.

These three items are not formally connected with one another, and are contained in separate documents, but in fact they are closely inter-related. From the Irish point of view, at least, the financial settlement must be examined in conjunction with the Defence Pact. On the face of it, the payment of £10 millions in composition for annuities amounting to some £4 millions per annum is an excellent bargain for Eire; but it must be remembered that Mr de Valera has consistently denied both the legality and the justice of the British claims. He could hardly have appeased either his own conscience or his extremist supporters had he not brought back some extraneous trophy to show for Eire's money. The trophy is the complete rendition of the three ports to Irish sovereignty, an aim which has ranked second only to the ending of partition in the Irish political catalogue. Moreover, the Admiralty is handing over, lock, stock and barrel, the shore defences of the ports, including stocks of munitions. From the British point of view, also, it is natural to regard the sum of £10 millions as containing a payment for this valuable material. At the same time, of course, the British Exchequer is relieved from future responsibility for maintaining those shore defences. Every help will be given to the small but efficient Irish Army in discharging its new duties, and the signature of the agreement is itself sufficient proof of the Imperial Defence Committee's belief that the task will be well performed. The rendition, however, is justified by a much wider and more important strategic consideration. In time of war, the security of the Irish naval anchorages—which is vital to the whole scheme of British defence by sea—would be dearly bought in face of a hostile Ireland. Irish friendship is strategically far more valuable than the paper rights of occupation which the 1921 Treaty assured.

The ending of the financial dispute is even more closely connected with the trade pact. To the Irish Government's refusal to pay the land annuities were directly traceable both the failure to conclude an Ottawa agreement with the Free State (with the consequent application of the general tariff to Irish goods), and the imposition of special British duties on certain exports from Eire and of retaliatory duties on the other side. The liquidation of this quarrel on terms which might be represented by either party as a reasonable compromise was therefore a condition precedent to a commercial agreement. The British special duties and the Irish retaliatory duties are abolished altogether. Irish

goods will now enjoy the full measure of imperial preference guaranteed to the overseas Dominions at Ottawa; on eggs, poultry and game, butter and cheese and other milk products, minimum margins of preference are guaranteed until August, 1940, when similar pledges to other Dominions expire. Ireland agrees to co-operate with British policy in maintaining the prices of agricultural products (particularly eggs and poultry) by the regulation of supply. Both parties reserve the right to impose anti-dumping duties. The Irish export subsidies—part of the response to Britain's special duties—will be withdrawn.

The concessions granted by Ireland in exchange are more complicated. They include reductions in import duties on twenty-five specified classes of British manufactures, subject to modifications in her quota system; the admission of certain products duty free, with certain quota provisos; the maintenance and extension of preferences; and the free entry of British coal, coupled with a minimum duty of 3s. a ton on foreign coal. In addition, Ireland undertakes, in words similar to those of the Ottawa agreements with Canada, Australia and New Zealand, that her protective duties shall not exceed such a level as will give United Kingdom producers full opportunity of reasonable competition, while affording local industries adequate protection, having regard to the relative cost of economical and efficient production, subject to special allowance for infant industries. The necessary review of the tariff will be performed by the Prices Commission, before which British producers will have the right of audience.

The exchange of concessions may be regarded as a very reasonable one, if national protective policies are taken for granted. The two countries are naturally complementary markets; the gist of the agreement is that Ireland will buy as high a proportion as possible of her imports from the United Kingdom, in return for liberal entry for her exports into what is virtually their only market. It was not to be expected that Ireland would go back on her policy of nursing home industries, which dates from long before Mr de Valera's regime, though it has since been intensified. The limitations to that policy will in the end be set, not by the exertion of the United Kingdom's bargaining power, but by the success or failure of the policy itself in a country which has relatively little aptitude, either in size of the home market or in resources or in skilled labour, for the development of manufacture, while it has every prospect of profitable agricultural production, so long as the United Kingdom market remains open.

Thus by a bare mercantilist criterion the trade pact is unlikely to bring in a net gain to Great Britain, though its advantage in restoring a natural flow of mutually profitable trade, and in expanding a near-by source of supply of foodstuffs for an emergency, will be great indeed. A similar judgment may be made of the other two sections of the pact, and of the agreement as a whole. On the narrower view, Great Britain is heavily the loser by selling her claims on £4,000,000 per annum of potential revenue for £10 millions cash down, and by making a free gift to Eire of important strategic footholds with all the equipment that goes with them. On the broader view, however, both countries gain immeasurably by the cementing of good relations, by the removal of old causes of bitterness, and by the demonstration, in the face of a world hypnotised by the doctrine of force, that peaceful negotiation and common sense still have their victories. Not the least valuable result of the Anglo-Irish agreement is the assurance it will convey to Europe and America that the British people desire to act in accordance with the fundamental principles of civilisation.

The Budget Accounts

BUDGET speeches, as Sir John Simon pointed out, follow a regular three-act pattern. The crisis is reserved for the third act, not merely for the sake of dramatic suspense, but also for the more practical reason that announcements of changes in taxation are best made after the markets, and the bonded warehouses, have closed for the day. The Chancellor consequently spends the first sixty or eighty minutes of his speech in reviewing the past year and in drawing up a purely hypothetical balance sheet of the coming year, as it would appear if there were no changes in taxation. We may conveniently follow this example in the present article, and present first the details of expenditure and revenue as they stood before the Chancellor's recommendations for increased taxes.

The figures of expenditure are given in Table 1. The totals for last year and the estimates for the Supply Services, which take three-quarters of the total, were, of course, known before the Budget speech. The Chancellor decided, however, to add to them a provision of £10 millions for eventual Supplementary Estimates, to cover the cost of the purchases of wheat, sugar and whale oil, which were revealed for the first time in his speech, and also to cover other increased expenditures that can be foreseen. He also increased the fixed debt charge, which has stood at £224 millions for the past five years, to £230 millions. This is a necessary precaution if the sum is to meet the statutory

sinking funds as well as interest and management. These items required £226.8 millions last year, and may well require slightly more this year. These additions brought the total of expenditure to be met out of revenue up to the enormous total of £944,398,000. Even this total includes neither the self-balancing items of the Post Office and broadcasting nor the amount to be borrowed for defence expenditure. This last item is put at £90 millions, but the Chancellor issued a warning that there might be heavy additional borrowings later in the year to finance the acceleration in the defence programme that was decided upon after the Estimates were published. But if this factor is left aside and only the known expenses are totalled, the figure comes to no less than £1,114,840,000.

The task of raising such a gigantic sum, even when £90 millions is allocated to borrowing and £80 millions is of the self-balancing type, is clearly one to strain the resources of any country. Table 2 gives the Chancellor's estimates of the yield of revenue on the existing basis of taxation. The figures do not give the impression that the Chancellor is estimating with excessive caution. The estimated increase in income tax and surtax together, for example, is put at £25,954,000 (including £1,200,000 to come from the measures to be taken against evasion, which are discussed on page 230), compared with a similar estimate last year of £22,223,000. Both stamps and

TABLE 1
EXPENDITURE (£'000s omitted)

	Budget Estimate 1937-38 (1)	Actual Issues 1937-38 (2)	Budget Estimate 1938-39 (3)	Col. (3) compared with Col. (2)
Consol. Fund Services : Int. and Management of Nat. Debt	224,000	216,233	230,000	+ 13,767
Payments to N. Ireland	8,000	8,887	8,900	+ 13
Other Cons. Fd.....	3,200	3,115	3,200	+ 85
Post Office Fund.....	300	...	...	...
Total	235,500	228,235	242,100	+ 13,865
Supply Services : Army (inc. Ordnance)	63,703	63,010	86,041	+ 23,031
Navy	78,065	77,950	93,707	+ 15,757
Air	56,500	56,290	73,500	+ 17,210
Total Defence...	198,268*	197,250*	253,248*	+ 55,998
Civil Votes (exc. Broadcasting)	405,184	394,073	424,766	+ 30,693
Margin for Supplementary Estimates	10,000	...	10,000	+ 10,000
Revenue Depts. (exc. P.O.)	13,896	13,692	14,284	+ 592
Total Supply Services	627,348*	605,015*	702,298*	+ 97,283
Total Ordinary Expenditure	862,848*	833,250*	944,398*	+ 111,148
Sinking Fund	...	10,544	...	- 10,544
Self-Balancing : Post Office	72,328	72,850	76,802	+ 3,952
Broadcasting	2,870	3,230	3,640	+ 410
Total	75,198	76,080	80,442	+ 4,362
Grand Total	938,046*	919,874*	1,024,840*	+ 104,966

* Exclusive of sums spent out of loans under the Defence Loans Act, as follows : 1937-38, £80 millions (Budget Estimate), £64,867,000 actual ; 1938-39, £90 millions (Budget Estimate).

TABLE 2
REVENUE (£'000s omitted)

	Budget Estimate 1937-38 (1)	Actual Receipts 1937-38 (2)	Estimate for 1938-39 on basis of existing taxation (3)	Col. (3) compared with Col. (2)
Inland Revenue : Income Tax	288,150	297,986	319,000	+ 21,014
Sur-tax	58,000	57,060	62,000	+ 4,940
Estate Duties	89,000	88,980	88,000	- 980
Stamps	29,000	24,170	24,000	- 170
National Defence Contribution	2,000	1,420	20,000	+ 18,580
Other	1,500	1,730	1,250	- 480
Total	467,650	471,346	514,250	+ 42,904
Customs and Excise : Customs	219,850	221,561	220,200	- 1,361
Excise	113,150	113,700	115,800	+ 2,100
Total	333,000	335,261	336,000	+ 739
Motor Vehicle Duties ...	34,000	34,608	36,000	+ 1,392
Total Receipts from Taxes	834,650	841,215	886,250	+ 45,035
Post Office net receipt ...	11,800	10,470	8,670	- 1,800
Post Office Fund	...	825	2,400	+ 1,575
Crown Lands	1,350	1,330	1,330	...
Sundry Loans	4,300	5,230	5,250	+ 20
Miscellaneous	11,000	13,510	10,500	- 3,010
Total Ordinary Receipts	863,100	872,580	914,400	+ 41,820
Self-Balancing Revenue : Post Office and Broadcasting	75,198	76,080	80,442	+ 4,362
Total Revenue	938,298	948,660	994,842	+ 46,182

TABLE 3

ORDINARY REVENUE AND EXPENDITURE, 1938-39

ESTIMATED REVENUE £ Mn.	ESTIMATED EXPENDITURE £ Mn.
Inland Revenue— Income Tax 341.2 Sur-tax 62.0 Estate Duties 88.0 Stamps 24.0 National Defence Contribution 20.0 Other Inland Revenue Duties 1.2 Total Inland Revenue 536.5	Interest and Management of National Debt 230.0 Payments to Northern Ireland Exchequer (including net share of reserved taxes) ... 8.9 Miscellaneous Consolidated Fund Services 3.2 Post Office Fund Total 242.1
Customs and Excise— Customs 227.9 Excise 116.1 Total Customs and Excise 344.1	Supply Services— Defence — Excluding Pensions— Army £ 77.3 Navy 83.8 Air 72.9 *234.1
Motor Vehicle Duties ... 36.0 Total Receipts from Taxes 916.6	Pensions— Army 8.6 Navy 9.8 Air 0.5 19.0
Post Office net receipt... 8.6 Post Office Fund 2.4 Crown Lands 1.3 Receipt from Sundry Loans due to British Government..... 5.2 Miscellaneous 10.5	Civil— I. Central Government and Finance 2.5 II. Foreign and Imperial ... 10.2 III. Home Department, Law and Justice 28.0 IV. Education (excluding Broadcasting) 61.8 V. Health, Labour, Insurance (including Old Age and Widows Pensions) 172.3 VI. Trade, Industry and Transport 40.6 VII. Works, Stationery, etc... 11.6 VIII. War Pensions and Civil Pensions 43.0 IX. Exchequer Contributions to Local Revenues 54.2 424.7
TOTAL REVENUE 944.7	Margin for Civil Supplementary Estimates 10.0 Tax Collection— Customs and Excise and Inland Revenue Votes (including Pensions, £1.2) 14.2 702.2
	TOTAL EXPENDITURE... 944.3 Surplus 0.3 GRAND TOTAL 944.7

* Exclusive of amounts, estimated at £90,000,000, to be met out of loans under the Defence Loans Act, 1937.

death duties are expected to bring in almost as much as last year, although the level of Stock Exchange prices, which affects both, is likely to be considerably lower on the average for the year. The estimate for customs, it was explained, allows for the loss of £4,000,000 revenue from the special duties on Irish produce which have been abolished by the Anglo-Irish Agreement. The £10 millions that is to be paid by Eire on or before November 30th, however, has apparently not been brought into account, since the expected receipts from sundry loans and miscellaneous are £3,000,000 less than in 1937-38.

These estimates left the Chancellor with a prospective deficit of £29,998,000, which he proposed to cover by increases in the income tax, in the duty on hydrocarbon oil and in the tea duty. The increase of 6d. in the standard rate of income tax would bring in £28 millions this year, but this sum is reduced by £2,500,000 by the increase in the allowed deduction for wear and tear; by £1,250,000 by the concession made on the first £135 of taxable income (which is to continue to be taxed at 1s. 8d. in the £, or one-third of last year's standard rate); and by £2,000,000 through the permission given to tenants to defer by three months part of their Schedule "A" liability. The net gain from the income tax changes is therefore £22,250,000 this year and £26,500,000 in a full year. The increase of 1d. per gallon in the duty on hydrocarbon oils (petrol and fuel oil) will bring in £5,000,000 this year and £5,300,000 in a full year, while the duty on power alcohol (the only brand-new tax in the Budget) is expected to provide £350,000 this year and £375,000 next year. Finally, the increase in the tea duty from 6d. to 8d. per lb. (with a preferential margin of 2d. in each case on Empire teas) will bring in £2,750,000 this year and £3,250,000 in a full year.

The prospective deficit was thus covered in the following manner:—

Income Tax	£ 22,250,000
Hydrocarbon oils and power alcohol	5,350,000
Tea	2,750,000
.....	30,350,000

This sum was sufficient for the Chancellor to balance his accounts with a minute prospective surplus. The final figures are shown in Table 3. To have reached a balance at all with such astronomical figures is a very considerable achievement, in which the Chancellor and the taxpayer can take rueful pride. But there can be little real satisfaction for either in a Budget which provides only a scant £10 or £12 millions for debt redemption, while at least £90 millions is to be spent out of borrowed money.

Millions from Smoke

TO most of us, the ideal tax is the one that falls on the next man, and one can readily imagine the satisfaction brought by this week's Budget to a coffee-drinking, tobacco-smoking railway stockholder with an income below the taxable limit. Among the industries to which the same consideration of negative gratification applies, pride of place may be given to tobacco, for the convincing reason that, of all commodities subject to indirect taxation, tobacco already makes the largest contribution to national revenue. In the financial year 1937-38, the tobacco duties were estimated to produce £79,750,000. Actually, their yield was £82,837,000, and for 1938-39 their estimated receipts have been put at £83,700,000. Even the oil duties, after this year's increase, are expected to yield no more than £57,550,000, and the tea duty only £10,050,000; while beer (ousted by tobacco from its premier position some years ago) is expected to bring in £67,000,000, and spirits (which "drooped" last year) some £35,000,000.

Both the Treasury and the investor, indeed, owe much

to the prevalence, among all classes, of the smoking habit, which has survived all the social and economic changes of the last hundred years. How far-reaching these changes have been may be appreciated by comparing the present status of tobacco with the position a century ago. At that time, the sign of the "Black Boy" still commemorated the rôle of a slave-manned tobacco cultivating industry in the prosperity of Virginia; for nearly a quarter of a century was to elapse before the outbreak of the American Civil War, which brought emancipation to the negro of the South. In London, tobacco smoking had earned recognition *de facto*, but scarcely *de jure*. On the new railways it was anathema; in the home it was scarcely a habit for mixed company. London tobacconists had parlours for regular customers whose womenfolk objected to domestic smoking; and the more enterprising carried on a profitable trade, as a side-line, in perfumes for smokers who were unable to change their clothes before returning home. In more advanced households, smokers donned a special

jacket and cap, lest the reek of tobacco should cling to their cloak or hair. Pipe-smoking was the rule, cigar-smoking a luxury and cigarette-smoking unknown.

The latter-day prosperity of the tobacco industry, indeed, owes much to two developments: the popularity of the cigarette, and the growth of the smoking habit among women. The latter development, which is much the more recent, has been, in part, a consequence of the former, which owed much, in turn, to the association of the British soldier with the cigarette-smoking Turk in the Crimean War. In 1913-14, before the outbreak of another war (when the total yield of the tobacco duty was £18,284,000), there were 396 tobacco manufacturers and 399,000 retailers in the United Kingdom. By 1937, amalgamations and combinations had reduced the number of manufacturers to 199, but the number of licenses issued to tobacco dealers had increased to 533,000, of which some 101,000 were retailers of intoxicating liquors. It is estimated by the trade, indeed, that there are only 25,000 tobacconists in the country who sell tobacco alone, for the majority combine the business with confectionery or newspaper selling. Nevertheless, it is true to say that there exists, to-day, one shop where tobacco is purchasable for approximately every eighty members of the population.

The trend of consumption has been rising in recent years of industrial recovery. The amount of tobacco retained for home consumption in the last three years is shown in the following table:—

	(Thousand lbs.)		
	1935	1936	1937
Preferential category	35,391	38,758	44,079
Non-preferential category ...	129,215	136,201	139,011
Total	164,606	174,959	183,090

The principal Empire sources of supply are British North Borneo, Canada, India, Nyasaland and Rhodesia. The clearances of Empire tobacco have increased steadily under the stimulus of Imperial preference. The preference on Empire tobacco was stabilised, under the Finance Act of 1926, at 2s. 0½d. per lb. on the main rate of duty for ten years from July 1, 1926. Under the Ottawa Agreements Act, 1932, the stabilisation period was extended until August, 1942.

Even to-day, however, less than one-fourth of the total tobacco consumed in Great Britain is of Imperial origin. America remains the most important source of supply, and over four-fifths of America's total exports of

tobacco to European countries go to Great Britain. In 1936, our imports of American tobacco were valued at £14 millions. Thus the United States Government has every incentive to press for the maintenance of America's share of the total market, in any trade treaty which may be concluded with the United Kingdom.

Meanwhile, the industry in Great Britain maintains a high standard of prosperity. *The Economist's* analyses of industrial profits show that 12 tobacco companies whose figures were issued during the nine months to March 31st reported an increase of 3.8 per cent. in net profits in their latest financial year, and paid average dividends on their ordinary shares of 20.8 per cent. The industry may congratulate itself on its immunity, for another year at least, from increased taxation, coupled with the reflection that, in any case, consumption has been well maintained in spite of increased taxation in the past. The profits of the tobacco companies have attained their present level despite the fact that, according to Lord Dulverton, the chairman of Imperial Tobacco, nearly three-fifths of the sixpence paid by the consumer for a packet of ten cigarettes is handed over to the tax-gatherer.

The chief difficulties of the industry, at the present time, are in the domain of distribution rather than of production. The manufacturers, naturally, are interested in the maintenance of every practicable outlet for their products, while the retail tobacconists are equally desirous of limiting the competition of the automatic machine in places such as canteens, clubs and non-tobacconist shops. Another problem hinges on the establishment of more uniform wages and hours conditions in the retail tobacco trade—a consummation, whose attainment is rendered more difficult by the fact that many confectionery-cum-tobacco shops claim to do the best part of their business in the evenings or during week-ends.

Meanwhile, though these problems are formidable, and as yet unsolved, the outlook for the tobacco trade as a whole remains satisfactory. Cigars with the well-to-do and cigarettes with the less wealthy are firmly established as "conventional necessities." Pipe-smoking is increasing, but cigarette-smoking is advancing more rapidly, partly because of the convenience of the "packet" as contrasted with the bulging pipe and pouch. Unlike the brewing industry, the tobacco trade has not been called on, as yet, to face the implications of a declining long-term trend in total consumption.

Anglo-Irish Agreement

Summaries of the three Agreements signed on April 25th between the Government of the United Kingdom and the Government of Eire. (Significant phrases are in italics.)

Defence Agreement

The Government of the United Kingdom agree to transfer to the Government of Eire, not later than December 21, 1938, the *Admiralty property and rights at Berehaven, and the harbour defences at Berehaven, Queenstown and Lough Swilly.*

Financial Agreement

1. The Government of Eire agree to pay to the Government of the United Kingdom, on or before November 30, 1938, £10 millions sterling, in final settlement of all financial claims except (a) liabilities incurred in respect of agency services or inter-governmental services, (b) the payment by the Government of Eire of £250,000 a year for damage to property under the Agreement of 1925, and (c) any payments in respect of unredeemed bank notes, withdrawals of United Kingdom silver coin from Eire, Trustee Savings Banks and double taxation. (*Articles 1, 2, 3.*)

2. The Government of the United Kingdom undertake to abolish the customs dues imposed on goods from Eire under the *Irish Free State (Special Duties) Act, 1932*; and the Government of Eire to abolish duties on United Kingdom goods known as *Customs (Emergency) Duties* (Tariff list ref. Nos. 280, 281 and 288). (*Articles 3 and 4.*)

Trade Agreement

Article One: Goods grown, produced or manufactured in Eire, now liable to duty only under the Import Duties Act, 1932, or Section One of the Ottawa Agreement Act, 1932, shall enter the United Kingdom free of duty.

Article Two: Minimum preferences, set out in *Schedule One*, are guaranteed by the United Kingdom Government to the produce and manufactures of Eire enumerated in that Schedule (including butter, cheese, eggs in shell, condensed milk, cream, live poultry and game, dead guinea fowl and game birds).

Article Three: The Government of Eire declare their readiness to co-operate in the United Kingdom Government's policy of orderly marketing of agricultural products (including fish and fishery products). The United Kingdom

Government will not regulate the quantity of imports from Eire of agricultural products unless necessary, and, if necessary, only with regard to Eire's past position in the trade or to any special conditions affecting Eire's exports to the United Kingdom.

Article Four: The Government of Eire will consult with the United Kingdom Government to control egg and poultry exports to the United Kingdom. If such imports from Eire endanger the stability of the United Kingdom egg and poultry market, the United Kingdom Government will have the power, after consultation, to regulate those imports quantitatively or to impose such duties as may be necessary.

Article Five: The Government of Eire undertake to admit free of duty (a) United Kingdom goods, enumerated in *Schedule Two, Part I*, not liable now to duties other than Customs (Emergency) Duties (Tariff ref. Nos. 280, 281 and 288) or quantitative regulation, and (b) United Kingdom goods of the classes or kinds set out in *Schedule Two, Part II*. [The goods cited in *Schedule Two* include a wide range of iron and steel manufactures, other metal manufactures, tools, hardware, machinery and chemicals.]

Article Six: The Government of Eire undertake to reduce the minimum charge of customs duty from 2s. 6d. to 1s.; to repeal the Stamp Duty in respect of customs entries for United Kingdom goods not charged with customs duty; to abolish the *Post Office delivery charge* of 6d. per parcel for United Kingdom goods not liable to duty; to reduce *Package Duty* on United Kingdom goods to not more than one penny per pound or per pint; and to remove *Package Duty* from goods imported for personal use and gifts imported for use or enjoyment of consignee.

Article Seven: Where licences are issued to admit dutiable goods into Eire free of duty or at a reduced duty, United Kingdom goods shall be free and, normally, goods from non-Empire countries shall be liable to a 10 per cent. *ad valorem* duty (or specific equivalent).

Article Eight: The Government of Eire undertake to review existing protective duties and other import restrictions and replace them with duties calculated to afford United Kingdom producers full opportunity of reasonable competition and give adequate protection to Eire industries.

Article Nine: The Government of Eire undertake to admit free of duty United Kingdom goods set out in *Schedule IV* (including pigs, bacon and hams, fish, seed oats and wheat, grain, malting barley, feeding stuffs, fruit, trees and flowers), but the United Kingdom Government recognise their right, after consultation, to regulate the imports of certain agricultural products by quantitative restriction, or even by agreed rates of duty.

Article Ten: The duties charged on United Kingdom goods enumerated in *Schedule V, Parts I and II* (including jams, biscuits, confectionery, linen goods, shirt, various wearing apparel, blankets, paper bags, boxes, stationery, woollen tissues, boots and shoes, soap and candles), imported into Eire, shall not exceed the rates there set out unless

control of such imports by quantitative restriction is abolished. If any such imports should increase, because of these reductions in duty, so as to endanger the production of such goods in Eire, quantitative restrictions may be imposed after consultation between the two Governments.

Article Eleven: The Government of Eire undertake (a) not to reduce existing preferences on United Kingdom goods, (b) not to charge non-Empire goods of the kind set out in *Schedule VI* (including silk and artificial silk woven piece-goods) at rates less than those specified, and (c) not to reduce the difference between the full and preferential rates, in the case of new or adjusted duties, to less than one-third of the rate on non-Empire goods or 10 per cent. *ad valorem* (or its equivalent), whichever is the greater.

Article Twelve: The review of duties under Article Eight will be held first on the goods requested by the United Kingdom Government.

Article Thirteen: United Kingdom producers will be entitled to full hearing before the Prices Commission considering the review of duties.

Article Fourteen: The Government of either country may, after consultation, impose special duties or restrictions on goods from the other country which are being imported and sold at less than their comparable home price.

Article Fifteen: The Government of Eire undertake to withdraw export bounties or subsidies on goods exported to the United Kingdom, except where they are necessary to maintain economic production in Eire or the orderly marketing of agricultural products.

Article Sixteen: The Government of Eire intend that United Kingdom coal, coke and manufactured fuel shall continue to be imported at not less than their proportion of total Eire imports in 1937; and undertake to abolish control by licence of coal imports, and to admit United Kingdom coal, coke and manufactured fuel free of duty, and to charge a duty of not less than 3s. per ton on coal, coke and manufactured fuel of other origin.

Article Seventeen: The Government of Eire undertake that complete or substantially complete parts for motor vehicles, motor vehicle bodies or motor vehicle chassis, manufactured in the United Kingdom, shall not be subject, on importation, to quantitative restriction (not including completely assembled motor cars, motor cycles, chassis, bodies and shells, tyres and tubes, and sparking plugs, set out in *Schedule III*).

Article Eighteen: Should either Government conclude that the objects of the Agreement are not being attained or that circumstances require its variation, the other Government will immediately consult with the first to find an equitable solution.

Article Nineteen: The Agreement shall come into force on a date to be mutually agreed, and shall remain in force for three years.

Topics of the Week

Anglo-French Discussions.—MM. Daladier and Bonnet flew to Croydon from Paris on Wednesday afternoon for two or more days. They are on an official visit, mainly to elaborate a common Anglo-French policy in European affairs; and the French Prime Minister and Foreign Minister have been warmly welcomed on that account. The conviction is rapidly spreading, in this country as among all the smaller countries of Europe, that a clear, firm and detailed assimilation of the British and French Government's foreign and defence policies is the best augury for Europe, as well as for the security of the two Western democracies and their Imperial possessions. On concerted defence by air, sea and land agreement has apparently been reached. The talks have ranged from the situation in Central Europe—greatly aggravated by the Sudeten German leader's, Herr Henlein's, extreme demands upon the Czechoslovak Government last week-end—to the recognition of Italy's Abyssinian conquest, North Africa, the Levant, the German penetration of the insurgents' territory in

Spain, an assurance that Switzerland would not be used by any Power as a corridor for invasion, co-ordination of British and French air defences, as also of the two countries' purchases of American aircraft, the possibilities of commercial support to Hungary and other Central and South-Eastern European States whose national economies are now threatened by the German "closed" trading system, and various financial and currency questions. The talks will be followed with the keenest attention, here and abroad.

* * *

Czechoslovakia and the Germans.—On April 24th, in Carlsbad, Herr Konrad Henlein, leader of the Sudeten German Party of Czechoslovakia, violently tore the Czechoslovak mask off the face of his party in making, *inter alia*, three extreme Nazi demands upon the Czechoslovak Government at Prague. Speaking as the leader of a minority in the State—but, be it remembered, only of

five-sixths of that minority, since the Sudeten German Social Democrats have not joined Henlein—he openly acknowledged *Reichsdeutschum* as the goal of his party, by recognising the identity of his party's outlook with that of Nazidom, by proclaiming Nazi race-policy as one of its tenets, and—most extreme demand of all for a self-confessed minority in the State—by serving notice on Prague that no negotiations with Prague could even be undertaken unless Czechoslovakia's entire foreign policy were changed, i.e. unless the French, Little Entente, and Russian pacts were denounced. It thus becomes clear that Herr Henlein and his party do not want to put forward what Mr Neville Chamberlain in his speech in the Commons on March 24th described as "the reasonable wishes of the German minority." No one who is not himself a National Socialist could contend that Herr Henlein's demand for a full-blooded autonomous Nazi State, complete with race-laws and totalitarian administration, would constitutionally (or even unconstitutionally) exist for more than a day or two as a federated partner inside the democratic constitution of the Czechoslovak State.

What we are in fact now facing in Henlein's demands is not "reasonable wishes"—viz. that greater percentages of Germans should go into the civil service, that more public money should go to public works in the Sudetenland, that German should be an official language, or that the Sudeten German Party should go into a coalition government. All these could constitutionally be met. But how can any kind of constitutional and democratic government at Prague allow its foreign policy to be dictated by a minority; allow Czech, Jewish and German Social Democrat minorities in an "autonomous" Sudetenland under Herr Henlein's totalitarian rule to be robbed of their constitutional rights and liberties as citizens; or allow the Czechoslovak Cabinet and State, still a democracy, to be overruled from within by the "Trojan horse" policy which overruled even the authoritarian regime of Schuschnigg's Austria? This realisation has since last week-end been forced on even those Czech Agrarians who had hoped to do a deal with Henlein and his party (*à la Hugenberg* in the last days of Germany's Von Papen Cabinet) and to rule at Prague by their help. Herr Henlein would not have gone so far, we may be sure, if Berlin had not so instructed him; such is, at least, the evidence of the chorus of denunciation which has been whipped up in the German newspapers since last Saturday. Thus, if neither Berlin nor the Sudetenland want a compromise with Prague, but secession from, and perhaps decimation of, the Czechoslovak State, President Benes and Prime Minister Hodza will be helpless, for the demands upon them are being made "unreasonable," even on Mr Chamberlain's definition. They have to work under, and preserve, the State and its constitution. They are now told, in effect, either to abandon both altogether, or to make them conform to external models and to alter their entire domestic and foreign policies. This is a more immediately dangerous position in Central Europe than many had believed possible. It is a good thing that the Prime Ministers and Ministers of Foreign Affairs of Britain and France have discussed the possibilities inherent in this issue during the last two days.

Mexico Stands Pat.—Too late for comment in last week's issue the British Minister in Mexico City on April 21st presented to the Mexican Government a new protest on the expropriation of oilfields by that Government. In this second Note the British Government "maintains integrally" the opinions adopted in its first Note; denies once again that its representations have been made at the request of the Mexican Eagle Company; affirms that they are actuated by the interests of "the very large majority of shareholders who are of British nationality"; and, continuing to show a firmer attitude than that of the United States Government, reiterates its demand for the return of the properties to the Mexican Eagle Company. The Note also pointed out that the Mexican Government itself had virtually deprived shareholders of any recourse

to Mexican law or the process of equity by its immediate confiscation of the properties and the effective termination of the company's existence in Mexico. The Note finally promised further and better particulars in reply to the Mexican Government's first Note rejecting the British Government's protest. On April 28th the text of the Mexican Government's second Note, rejecting the second British protest, was published. The Mexican Government take their stand on the nature of alien ordinary shareholders' rights under Mexican law in companies exploiting subsoil resources, which, they say, expressly commits such shareholders to a waiver of their right to invoke their Governments' aid. They also aver that such ordinary shares confer no right, in law or equity, to any assessable property of the company until the company is liquidated—which, as yet, the Mexican Eagle Company is not. Finally, the Mexican Government point out that no "manifest denial of justice" can be justifiably said to have occurred until the Mexican Eagle Company has exhausted every legal means of redress under Mexican law, and, accepting the Mexican Government's invitation, proceeds to negotiate for compensation with the Ministry of Finance and Public Credit. Three things at least are clear. First, a major conflict of laws has broken out over the Mexican Government's pretension that alien shareholders can be legislated by a Mexican Government out of their own Government's protection. Secondly, the British Government has rapidly become as involved in the intricacies of Mexican expropriatory policies as the United States. Thirdly, if the company does negotiate for compensation, its assets will have vanished long before any compensation is received—if, indeed, to go by precedents in Mexico's dealings with foreign landowners in Mexico, it is paid at all. Meanwhile, as if to point the unwisdom of President Cárdenas's administration in pushing Britain and the United States into a common antagonism to Mexico, economic affairs in that country, as we predicted in our article in the issue of April 2nd, are steadily going from bad to worse.

Eire and the Agreements.—The agreements between the British and Irish Governments (whose details and broad implications are examined on earlier pages) are a hopeful augury of improved relations between the two countries. So far as Eire herself is concerned, the principal benefit will be the reopening of the agricultural export trade. Both the balance of payments and the Budget will benefit, while the cost of living will be to some extent reduced by the relaxation of the protective programme. Our Dublin correspondent declares that the raising of the £10 millions to be paid to Great Britain will present no difficulty in view of the country's financial strength, and the transfer problem will be avoided if, as is thought likely, a large part of the sum is expended in Eire for purposes of imperial defence. The agreements, however, will not in themselves solve all the economic problems of Eire, many of whose difficulties are internal. The expansion of expenditure on housing and other public works has caused a disequilibrium between costs and prices that is being reflected in chronic labour trouble, and at the same time public expenditure and indebtedness are growing annually. The most useful service rendered by the trade agreement, next to its assistance to the agricultural exporter, is its suggestion that the policy of self-sufficiency is no longer considered sacrosanct by the Government. In view of the willingness of the two leading parties to sink their differences in the choice of Dr Douglas Hyde as the first President under the new Constitution, it is not too much to hope that they may come together again to try to agree on an economic policy based on realities rather than on shibboleths. The acceptance by Mr de Valera of a pair of field glasses, with historical associations, as a gift from Mr Chamberlain may perhaps symbolise his willingness to take the long view.

Rates of Income Tax.—The income tax is not merely the largest single item on the revenue side of the Budget; to the great majority of taxpayers—even to those who do not pay it—it is the tax *par excellence*. This was true even

in the pre-war days when its incidence was, by our post-war standards, laughably low. Budgets tend to be remembered by the standard rate of income tax which they impose. Actually, the standard rate is, at best, an imperfect guide to the real weight of the tax. To the great range of middle incomes, especially those accruing to the fathers of families, the level of the personal allowances, children's allowances, earned income allowances and the rest are of much greater importance in determining the proportion of income which is taken in tax than the standard rate itself. The allowances, however, are complicated, and the changes in them defy simple tabulation. This year, the only change in the allowances is, by an Irishism, the decision to leave unchanged the tax on the first £135 of taxable income. For the past three years tax has been levied on this initial amount at one-third the standard rate; but it is to remain at 1s. 8d. in the £ this year. The Chancellor also made a concession on the deductions from taxable income that can be made by business concerns for the wear and tear of plant and machinery. Complex schedules have been in existence for years to determine the permissible rate of depreciation of different varieties of fixed assets. These schedules were increased by a uniform 10 per cent. in the "crisis" Budget of 1931, and they are now to be increased by a further 10 per cent. The benefit of this concession varies, of course, from business to business according to the amount of fixed capital employed, but it represents a substantial concession to the heavy industries to set against the increase of 6d. in the standard rate. (The effect of this change is discussed in more detail in our Investment section on page 249.) The following table shows the changes that have been made since 1914 in the standard rate of income tax:—

Year ended March	s. d.	Year ended March	s. d.
1914	1 2	1926-30	4 0
1915	1 8	1931	4 6
1916	3 0	1932-34	5 0
1917-18	5 0	1935-36	4 6
1919-22	6 0	1937	4 9
1923	5 0	1938	5 0
1924-25	4 6	1939	5 6

The new rate, it will be seen, is the highest ever charged except in the last few months of the war and in the immediately following post-war years. The post-war minimum was the rate of 4s. charged in the Budgets of 1926 to 1930.

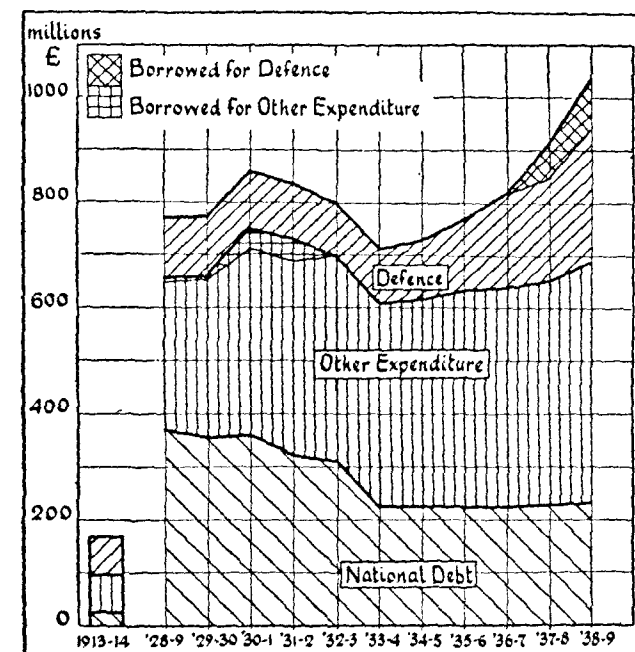
The combination of allowances with the standard rate of tax makes it a matter of some skill to calculate the exact proportionate rate of tax applicable to any income. The following table gives, for a few selected incomes, the percentage of total income that is taken in income tax and surtax combined.

Income	Single Person	Married Couple with One Child	Married Couple with three Children
	All Income Earned	All Income Earned	All Income Earned
£150	1-04	2-71	Nil
£250	3-33	6-25	Nil
£500	11-25	16-88	3-54
£1,000	16-67	22-08	12-92
£2,000	20-63	24-79	18-75
£5,000	31-46	33-13	30-83
£10,000	41-25	42-08	41-04
£50,000	59-17	59-38	59-16
£100,000	63-96	63-96	63-96

The highest rate of surtax is applied to all income in excess of £50,000, so that the graduation above that figure arises out of the steadily larger proportion of income that is charged at the highest rate, which for income tax and surtax combined amounts to 13s. 9d. in the £ or 68½ per cent. It will be noticed that the effect not merely of the family allowances but also of the distinction between earned and unearned income is very small except in the lower ranges of income.

Composition of British Budgetary Expenditure.—The appended chart shows how British budgetary expenditure was distributed, in 1913-14, and in each financial year from 1928-29 to the current year, as between national defence, interest and management of the national debt

(inclusive of sinking funds as realised at the end of each year), and all other expenditure. The borrowing shown in all other expenditure between 1928-29 and 1931-32 was by the Unemployment Fund; and that in defence expenditure in 1937-38 and 1938-39 is under the Defence Loans Act of 1937:—



The first outstanding feature is the decline until 1933-34 in expenditure for national debt and sinking funds. After that year, allocations for the American debt and for sinking fund were suspended, though nominal sinking funds emerged at the close of each year's accounts as the cost of interest on the national debt required less than the £224 millions allocated each year. Secondly, defence expenditure remained virtually constant from 1928-29 until 1931-32, after which—despite the fall of a Labour Government—it was reduced in 1932-33 to its lowest point and then began to swell visibly to its present peak. Thirdly, however, the reduction of £136 millions in debt and sinking fund services between 1928-29 and 1933-34 enabled the National Government first to cut down total expenditure until 1933-34; and then, secondly, almost to cover the £145 millions increase in budgetary expenditure on defence between 1933-34 and 1938-39. Nevertheless, finally, many readers may be surprised to note that after the 1933-34 low point for all budgetary expenditure, "other expenditure" has also steadily increased from £382 millions to £461 millions, i.e. by £79 millions, of which £36 millions comes between last year and this. Allocations for education, old age pensions, Air Raid Precautions, Unemployment Assistance, roads, central government and Home Office, Special Areas, broadcasting, subsidies for beet sugar, livestock and oats and barley, and

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other subsidies to particular industries, all share in this estimated increase of £36 millions. Thus, it is not justifiable to conclude that all of the steady increase in "other expenditure" during the last five years is for social services, though some of it is.

Purchases for Food Storage.—The chief surprise in the Budget that was not of a strictly fiscal character was the Chancellor's announcement that the Government have been engaged in the secret purchase of stocks of wheat, sugar and whale oil sufficient "to ensure that the stocks in this country shall be maintained at a level sufficient for the needs of the civil population during the early months of an emergency." The reason for making this announcement in the Budget speech was that the purchases had been made without statutory authority, and that both legislation and a Supplementary Estimate would have to be voted. This announcement has naturally excited considerable interest, as the Chancellor gave only the vaguest details of the time and amount of the purchases. As for time, he said only that the decision was made "early this year," but that the announcement that the purchases had been made could not be given before the House adjourned on April 14th. The only clue to the amount is in the words quoted above. When they are examined closely, it will be seen that they do not state that stocks sufficient for a few months have been bought, but merely enough to guarantee no depletion of stocks for a few months, which may be a different thing. The Government may be assuming that, in the event of war, imports will not be entirely cut off. If they were reduced to, say, half the previous level, and the Government had six weeks' supply in special storage, then this would be enough to guarantee no depletion of the normal working stocks for three months. It would therefore seem to be premature to leap to the conclusion that anything of the order of three months' supply of these commodities has been purchased.

This conclusion is supported by consideration of the other known data. The average imports of these commodities during the last three years have been as follows:—

	Volume (tons)	Value £
Wheat	4,981,364	39,419,509
Sugar, refined	42,077	328,003
Sugar, unrefined	2,115,396	15,677,957
Whale oil, unrefined	139,464	2,328,416

Three months' imports of the three commodities (excluding refined sugar) would therefore weigh about 1,800,000 tons and cost something of the order of £14 millions. It is safe to say that, if purchases of this magnitude have been made, which is very doubtful, they have certainly not yet been imported into the country in addition to the normal supplies. In fact, the various markets concerned doubt whether quantities of anything like this magnitude have been bought. The only buying of wheat that can be traced to Government account is the purchase of about 200,000 tons on April 8th, though there have doubtless been other small purchases. No abnormal buying of sugar has been noticed, and it is not believed that the Government's purchases can exceed 500,000 tons at the most, though it is thought possible that arrangements have been made to take over the domestic production this year. The whale oil market has had a strong tendency for some months past, and the market thinks it possible that the Government has bought about 30,000 tons. There is also the factor of cost to be borne in mind. Sir John Simon allowed only £10 millions for Supplementarys, to cover these purchases and a variety of other contingencies, of which the Air Raid Precautions alone may require a substantial sum, although it must be remembered that there will be savings on other estimates that will be available. Taking the evidence as a whole, it does not appear likely that the Government have yet bought the large quantities of these foodstuffs that have been mentioned in the Press. They have certainly not bought the stocks, equivalent in shipping space to one year's supply of wheat (i.e. about 5 million tons), which Sir Arthur Salter has made the basis of his proposals (*The Economist*, October 2, 1937). Their action, therefore, deserves the provisional blessing appropriate to a good beginning.

Tea and Oil Duties.—Both the duty on tea and that on hydrocarbon oils have had a checkered history. Both were in existence before the war, both were entirely removed in the post-war period of diminishing burdens, and both have subsequently been re-imposed. The tea duty was abolished by Mr Churchill in his Budget of 1929, re-imposed by Mr Chamberlain in 1932 and increased in 1936. The excise duty on motor spirit was removed in 1919 and the customs duty on January 1, 1921. It was revived, as a duty on hydrocarbon oils, by Mr Winston Churchill in 1928 as part of the finance of the de-rating scheme, and was twice increased by Mr Snowden in 1931. The actual changes in rates (excluding preferential rates) have been as follows:—

	Tea Duty d. per lb.	Motor Spirit Duty d. per gallon
Outbreak of war, 1914	5	3
End of war, 1918	12	6
Budget of 1920-21	12	Abolished
1922-23	8	...
1924-27	4	...
Hydrocarbon Oil Duty		
	Light	Heavy (Road Fuel)
1928	4	4
1929-30	4	4
1931—First Budget	6	6
Second Budget	8	8
1932	4	8
1933-34	4	8
1935	4	8
1936-37	6	8
1938	8	9

This year's Budget also includes a new tax of 9d. per gallon on power methylated spirits. The tea duty is now at the second highest level ever reached. The petrol duty is higher than ever before. Moreover, road transport users now have the heavy motor licence duties to pay, which were not in existence when the petrol duty stood at only 6d. per gallon immediately after the war.

Tax Evasion.—In his campaign against the tax evaders, the Chancellor, in his Budget speech this week, announced an advance on six fronts. He will attack them on revocable trusts, on transfer of assets abroad, and at four other less important points, including the strange trick of turning income into capital by keeping open a deceased estate. A fairly big yield will come from the abolition of revocable trusts and a still bigger yield from the stopping of the foreign company device. Revocable trusts were dealt with first in the Finance Act of 1922, and were thereafter thought to be dead. But they revived when an ingenious mind thought of a trust revocable by some one other than the settlor, and so started a fashion which spread as quickly as the football pools. In 1936, a move was made against this new expedient, but by an absurd anomaly a parent (forbidden to use the trust in connection with a schoolchild, costing him in education a large annual sum) was allowed to continue it for an adult child who was self-supporting. Similarly a revocable trust was permissible in an illicit love affair. The change which is now to be made was clearly inevitable sooner or later. The Chancellor's proposed action against the transfer of assets abroad relates to the practice of starting a company or a chain of companies overseas, which receive a rich man's income and hand it back to him by way of non-interest bearing loans. These companies were dealt with in the 1936 Act. Section 18 of that Act however, imputed the question of motive, and where some motive other than tax-evasion could be shown the device could not be stopped. Evasion by way of deceased estates resulted from a court judgment, and dividends accruing to deceased estates before the grant of probate, were not income and consequently were not liable to sur-tax. The Chancellor has given an earnest of the Treasury's zealous intention to close all loopholes, as and when they are discovered, without questioning the rights of free British subjects to devise new schemes affording the tax evader anything up to a year's "for his—or the State's—money. Whether the

authorities will ever catch up fully, however, with the ingenuity of the pioneers of new expedients is doubtful, so long as the inducement offered by high rates of taxation is substantial. The Treasury's task, nevertheless, might well be simplified if income tax and surtax were ultimately to be amalgamated.

Trade Fluctuations.—The trade cycle is back in the news, in less comforting guise than in the piping days of last year's prosperity. The latest returns of unemployment for April show that the usual spring upturn in employment is not yet visible and, together with the latest drop of 1½ points in *The Economist's* index of business activity between March and April, suggest that industry and trade are still pursuing the downward course which began last autumn. The continued absence of more optimistic news about the volume of new orders in important industries makes our monthly Trade Supplement, published with this issue, uneasy reading. No sudden or deep drop in industrial activity is suggested, and building operations have been substantially maintained; but the existence of a measurable recession is clearly indicated, and discussions of trade cycle policy take on a new importance. It may well be that last year saw a peak in employment, not likely to be repeated for some time to come. The features of 1937, recorded in the Annual Report of the Ministry of Labour, just published, were an expansion of the numbers of insured persons in industry to the record level of 13,400,000, and the attainment of a new high watermark in the numbers employed in industry of 11,672,000 in August (or, under the revised method of counting the unemployed, of 11,706,000 in September). On April 4th this year 11,390,000 insured persons (exclusive of agriculture) were in employment, or 130,000 fewer than on April 19, 1937. This is the first occasion, since recession began, on which the numbers actually employed have been lower than they were a year earlier. To a limited extent, the re-armament programme in its accelerated form will serve instead of the slump works proposed in vain to the Government from many quarters, but, over-riding fiscal obstacles apart, further steps to fill the gap left by the diminution in private activity may be desirable in the near future. Experience of Government efforts in the United States is not, perhaps, encouraging; and it may be, as a series of contributors to our correspondence columns in recent weeks have pointed out, that we do not yet understand the nature of industrial fluctuations. It may even be, as Dr E. C. Snow stated to the Royal Statistical Society on Tuesday, that the term "trade cycle" is a misnomer, since academic economists' examinations of the incomplete employment data of pre-war years have revealed nothing like a really regular periodicity in the statistical swings of industry and trade. Nevertheless, trade does patently move up and down at intervals; and whatever nomenclature be applied to its vicissitudes, their social and economic consequences are sufficiently serious to warrant preventive measures, if possible.

Outlook in the Air.—There can be no question that secrecy about the details of progress in national armament can commonly be justified on grounds of policy. It can hardly be denied, however, that the doubts widely expressed about the Government's air programme detract unfortunately from general confidence in the nation's security. The visit of an exploratory mission to the United States, to investigate the purchase of aircraft or frames, has furnished an occasion for an outburst of criticism and questioning. Whatever arrangements may be made in the United States, they cannot appreciably alter the need to bring home manufacture to the highest pitch of production and co-ordination. The American industry could, of course, be expanded over a period of years to meet large demands from Europe; but, at the moment, its capacity is probably not so much greater than that of its British counterpart. In Canada, on the other hand, the mission may formulate proposals within the considered scope of the newly-evolved decentralised pattern of Imperial defence. In the main, however, the air problem

is, and must be, domestic. Lord Winterton's recent announcement in the Commons that it was the Government's intention to press all factories capable of aircraft manufacture into the service of the accelerated and expanded programme was reassuring. The most frequent criticism, however, is that the complementary output of engines, frames and accessories has fallen out of step; and that, in consequence, the total programme is lagging behind its objectives and not keeping pace with, say, the Reich's rate of production. Exaggeration is rife, in the not unnatural absence of specific figures. But even the aircraft industry hardly seems satisfied; and the Debate on the air programme projected for next week should at least reveal the extent to which manufacture has been hampered by lack of planning, undue red tape, shortage of tools and instruments, lack of labour or other considerations.

Aircraft production, however, is only one part of air defence. Equally important (to use Commander King-Hall's phrases) are "moral re-armament," in the shape of a general determination to press on successfully with air-raid precautions, and "passive defence," through the organisation of safety schemes, the provision of shelters, the ensuring of food supplies, and even the decentralisation of urban populations and administrative services. To these civilian considerations the Home Secretary turned on Monday, when he met representatives of 1,700 local authorities to discuss A.R.P. He laid stress upon the fact that progress so far had been patchy; and on the need to secure speedily the 1,000,000 volunteers needed and to complete adequate plans for all areas. In particular, dealing with a point which had exercised the minds of many observers since A.R.P. began, he announced that precautions were perhaps too much weighted towards safeguards against gas attacks, while, in fact, high-explosive and incendiary bombs were probably the more immediate dangers. The recruitment and training of auxiliary firemen were therefore urgent requirements, as were the surveying of available accommodation for shelters and the provision of safety trenches in the open spaces of big cities. In general terms, Sir Samuel expressed his faith in the dispersal of urban populations in the face of attack from the air. It may well be that more specific proposals in this direction may eventually emerge as part of a considered policy.

Films: A Budget Concession.—What is described as a "concession to the film trade" in Sir John Simon's Budget is, perhaps, small beer to the trade as a whole, though it is of some importance to the very limited interests affected by it. The Chancellor's explanation of his concession may not have been wholly clear—indeed, he himself seemed hardly to have understood the implications of his concession. Briefly, the art of "dubbing"—as the substitution of one language for another in a "talkie" film is called—has been developed to a higher pitch of perfection in France than in any other country. Moreover, in France the law insists that the "dubbing" of French on any imported picture shall be recorded in that country. In the case of ordinary black-and-white films the foreign picture negative is imported into France, and the processes of "dubbing" and the subsequent printing of any required copies are completed there. But in the case of colour films, the necessary facilities for printing positives do not exist in France, and the process of incorporating the new French sound-track into the prints from the original negatives can be completed only in London or Hollywood. The importa-

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tion of the French negative, however, has hitherto been charged with an import duty of fivepence per foot, and of the three separate colour-negatives from America three times as much. By permitting the whole of this processing to be done in bond, a comparatively large charge is saved in the case of prints of foreign colour subjects for export to France or other Continental countries. It is hoped therefore, that this concession to an industry "struggling to be free" of hampering Customs duties may divert some work from Hollywood to London, and to that extent prove advantageous to the colour companies established here.

* * *

Labour Day Topics.—Last year the wages of all workers in Britain were increased by some £50 millions—an increase greater than in any year since 1920. In the first quarter of this year the rise has continued at a reduced rate equivalent to about £11 millions a year. Among the workers who will celebrate Labour Day next Sunday, however, there will undoubtedly be numerous complainants. In general, there will be demonstrations against the Government's policy of non-intervention in the Spanish war. In particular, the dissident voices of engineers and cinema operators will be heard. On Monday, the Executive of the Amalgamated Engineering Union met without discussing the proposed meeting with the employers to expedite the Government's re-armament programme. Exaggerated rumours about the breakdown of aircraft production have not increased the engineers' willingness to commit themselves. It is increasingly alleged in labour circles that the Government's approach to the engineering industry was not so well conceived as their approach a year ago to the building trades, which resulted in the setting up of an effective joint body representing trade unions, employers and Government departments. Meanwhile, the A.E.U. have filed a claim, affecting 20,000 skilled men in Government shops, for an increase of 8s. in weekly wages and 14 days' holiday with pay.

* * *

The London film projectionists of the Electrical Trades Union are now less recalcitrant than when their strike began at Easter. The stoppage has had little noticeable effect, and the strikers are now willing, on the advice of the secretary of the London Trades Council, to confer with the exhibitors and the chairman of the Joint Conciliation Board, on which the E.T.U. are not represented, provided that the exhibitors withdraw their demand for a minimum 60-hour week and recognise that the projectionists' objective is a 48-hour week. On the whole, none of the industrial grievances noised abroad on Sunday can conceal the wide sense of comparative satisfaction which outside of politics still characterises the labour world. The Chancellor's new tea duty will not inspire the workers' gratitude; but the Home Secretary's reported intention of dealing forthwith with the scandalously long hours worked by young persons will evoke general congratulation; and the Amulree Committee have approved a general week's holiday with pay.

* * *

Another Crisis in Egypt.—The trouble between the present Prime Minister of Egypt and the Palace may be a more serious symptom than the foregoing breach between young King Farouk and the late Prime Minister, Nahas Pasha. The responsibility for that previous crisis might reasonably be placed at Nahas Pasha's door, at least in very large part. The Wafd, of which he succeeded the founder, Zaghlul Pasha, in the leadership, was intransigent in principle; it was spoilt by success; and the very attainment of the Anglo-Egyptian settlement which was the Party's *raison d'être* had quickly resulted in a split in the Party's hitherto tightly closed ranks. Thus, while the King's dismissal of Nahas Pasha might be criticised for its unnecessary brusqueness, it did not in itself amount to evidence that the King had set his face against the whole system of responsible parliamentary government. The difficulties which Nahas Pasha's successor, Mahmud Pasha, is now having with the Palace are another story, for neither the personality nor the policy of Mahmud Pasha is such

as to make him impossible for the Crown to work with. After all, this is not the first time that Mahmud Pasha has stepped into the breach when the Crown and the Wafd have been at loggerheads. The invitation to form a Ministry in succession to Nahas Pasha, which Mahmud Pasha has accepted at King Farouk's hands this year, was accepted by him on a previous occasion, at King Fuad's hands, in 1928, and at that time he went a long way to meet the Crown in ruling Egypt on the lines that the Crown desired. In 1930, however, after he had been compelled to give place once more to the Wafd, Mahmud Pasha showed that there were definite limits to his complacency. For example, when King Fuad arbitrarily replaced the advanced constitution of 1923 with his own reactionary constitution of 1930, Mahmud Pasha went into opposition, side by side with the Wafd, instead of taking the opportunity to come back into office as a colleague of the King's friend, Sidki Pasha. Mahmud Pasha appears to have carried his point against the Palace, for his new Cabinet list includes an increased proportion of members of his party, the Liberal Constitutionalists, whose demand for larger representation was the occasion of the disagreement.

* * *

Taxes and Trusteeship in Northern Rhodesia.—The report of Sir Alan Pim's Commission on the economic and financial position of Northern Rhodesia, coming so soon after the disturbing inquiry into the Trinidad riots, will cause misgiving about the way in which our colonial duties are being discharged. The gist of the report is that social services for the native population are grievously backward, and that finance must be found to bring them up to a proper standard, partly through administrative economies, partly through heavier taxation of the mining industry, partly, if need be, through grants-in-aid from the British Treasury. Among the points made are that the recently instituted native treasuries are starved, that native housing in urban areas is unsatisfactory, that the mines make inadequate provision for the welfare of their native workers, that native education is backward and cannot progress without advances in health and nutrition, and that the standard of health is low and the hospitals poor. The main fiscal burden of improvement must needs fall on the mines, which furnish 95 per cent. of the colony's exports and pay 78 per cent. of the income tax, the main source of revenue. The mines are, in fact, the only really valuable economic asset of the colony. Land is plentiful but poor, and is deteriorating in many areas, while the Zambesi forests are also in need of State protection. So long as the price of copper remains relatively high, however, the immediate financial prospect is regarded as good. The report can hardly make satisfactory reading for copper shareholders, but it is equally disquieting to those who believed that the principle of native trusteeship was being generously carried out in the British colonial empire.

* * *

Australian Public Finance.—The latest meeting of the Australian Loan Council followed familiar lines by providing a three-cornered contest between the Commonwealth, the States and the Commonwealth Bank, but on this occasion a new issue of the greatest importance dominated the discussions. Given the Bank's rigid refusal to endorse more than limited borrowings, how was the available loan money to be apportioned between re-armament expenditure by the Commonwealth and unemployment works expenditure by the States? The Commonwealth actually claimed that its defence works also helped to relieve unemployment; to which the States replied that while the Commonwealth was in a relatively satisfactory position, their own circumstances were straitened and their needs increasing. The decision taken represented a compromise. An internal loan of £10,250,000 is to be raised in June, of which £4,000,000 will be for defence and the remainder for public works and adjustment of farmers' debts. The defence loan is additional to money raised in London to pay for sterling purchases. The loan programme for the year from July, 1938, to June, 1939, has been fixed at £14,000,000, excluding defence works, the cost of which cannot yet be estimated. This means a cut of £2,000,000 in the States' projected borrowing next year.

Overseas Correspondence

From Our Special Correspondents

United States

The Government Steps In

NEW YORK, April 19.—In his "fireside chat" on the eve of Good Friday, the President reminded his audience that, in his Message last November, at the opening of Congress, he had stated "that if private enterprise did not provide jobs this spring, the Government would take up the slack." The spring came, and brought no evidence of business recovery. A revival of Federal activity was to be expected. Rumours preceded its announcement, and its statement to Congress came before its formal exposition to the public over the radio. In March, the stock market gave up its hopes of the "natural forces of recovery" asserting themselves decisively in the visible future; and, in April, Washington reached the same conclusion.

While the spending programme had been anticipated for some time, the method of financing it had raised questions. During March, the market in Government securities became decidedly heavy, and was supported by the Reserve Banks, and probably by Treasury funds. The announcement that the programme would be financed in large part by the use of the Inactive Gold Fund, and that additional borrowing would be relatively small, relieved these apprehensions.

The President, in his radio address, said:—"The net effect on the debt of the Government is this: between now and July 1, 1939—fifteen months away—the Treasury will have to raise less than \$1,500 millions of new money." In the past 12 months, sales of "baby bonds" have amounted to about \$500 millions, and the implication is that the market will only be called upon for about \$1,000 millions—a figure far smaller than the vague sums mentioned in March and early April.

Monetising Inactive Gold

The net effect of monetising the gold in the Inactive Fund is exactly the same as the effect of monetising the gold in the British Equalisation Fund to cover part of the British armament programme would be. The Inactive Fund on April 13, 1938, was reported to be \$1,183 millions—exclusive of gold in excess of \$1,800 millions held in the Stabilisation Fund (representing the "gold profit" of 1934). The gold in the Inactive Fund, mostly accumulated in the first eight months of 1937, was bought by the issue of Government securities, and, from the fiscal standpoint, the effect was that we borrowed in 1937 sums which will cover a deficit to be incurred in 1938.

From the monetary standpoint, the \$1,183 millions of gold released by the Inactive Fund are to be added to the member banks' excess reserves, which on April 13, 1938, amounted to \$1,730 millions. This will raise the reserves to a figure just under that of August 15, 1936, when the programme of reducing excess reserves by increasing required reserves was inaugurated. In addition, the Reserve Board has reduced required reserves by 12½ per cent.—a factor which, it is estimated, increases excess reserves by about \$750 millions.

Required Reserves Reduced

The reduction in required reserves has already become effective; but the method or rapidity of releasing the gold in the Inactive Fund is not yet indicated. The reserve position may be summarised as follows. In August, 1936, excess reserves were above \$3,000 millions; in August, 1937, at their lowest point, they had fallen to about \$750 millions; and on April 13, 1938, they had been raised to \$1,730 millions. The 12½ per cent. reduction in required reserves will immediately raise them to about \$2,500 millions; and the prospective release of the Inactive Fund would increase them to about \$3,700 millions.

As the member banks were virtually free of debt to the Reserve banks (only \$13 millions on April 13th), the increase in excess reserves resulting from the reduction of require-

ments will have little or no visible effect on the statements of the member banks or the Reserve banks. The release of the Inactive Fund will increase the item of "gold certificates" held by the Reserve banks, and (initially) the Treasury deposits at the Reserve banks. As the Treasury balances are spent, the cash and deposits of the member banks will, of course, increase.

Deficit Financing Again

The quantitative effects of the spending programme are roughly measurable. In the calendar year, 1937, the Government debt publicly offered increased by an amount only a little greater than the requirements of the Inactive Gold Fund. Under the present programme, the current deficit expenditure could run as high as \$300 millions or \$400 millions a month; and, actually, in the current quarter (before the programme gets under way) it may be running at \$300 millions a month.

The transition from the relatively nearly-balanced Budget of 1937 to a deficit expenditure of close on \$1,000 millions a quarter in 1938 obviously introduces a substantial factor into our economy. Looking back at the pre-1937 deficits as pump-priming, it appears that they enjoyed a measure of success up to the critical period—the change-over from deficit expenditure to normal private expenditure.

By early 1937, our economy was apparently at a prosperity level, and it was judged feasible to reduce deficit financing practically to the limits of the Inactive Gold Fund. But private financing failed to "take up the slack" or, to change the metaphor, when the Government stopped priming the pump, the pump stopped flowing. To all appearances the well was empty.

Taxation and Investment

Yet there is a considerable amount of statistical evidence that the well of private capital is not empty. The formation of capital in our economy since 1930 has been relatively small, but the amount that has flowed back into enterprise has been still smaller. The basic question of our economy is: what has stopped the flow of capital into private enterprise?

The theory of the Senate Tax Bill is that certain forms of taxation have been largely responsible for this stoppage or diversion of the capital flow. Persons holding this view put more emphasis on tax reform than on spending to promote revival. Actually, at the moment, there is some evidence of capital going into building, both residential and commercial, and the building statistics are the only series that yet suggests any upturn.

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France

The Keys to Confidence

PARIS, April 28.—M. Daladier's Radical Cabinet is the latest attempt to persuade capital to collaborate in bringing about financial recovery. If it fails to achieve its objectives, the parties of the Left will launch a great campaign for the use of the compulsory methods which M. Blum proposed and the Senate condemned. If M. Daladier should be checked by the Stock Exchange after M. Blum has been overthrown by the Senate, what would be the upshot? This possibility explains the nervousness of the markets during the last days. It may be that the Left extremists are relying on this check taking place, while, at the same time, affording "chivalrous" support to the Cabinet. Meanwhile, M. Daladier is taking the greatest care in drafting the various measures to define the legal status of strikes and to stimulate business.

There are two keys to the restoration of confidence: one domestic and the other external. At home, production must be revived, within the framework of monetary prudence and the Tripartite Agreement. The headings of the Three Year Plan drawn up by the Minister of Finance, M. Marchandeau, include: the balancing of the Budget by a mild increase in taxes and customs duties; the expansion of credit; the lengthening of working hours where necessary; public works; development of the tourist industry; exploitation of colonial resources; and the protection of foreign trade. The coal industry especially must increase its yield, which is just 76 per cent. of the British; and in metallurgy only 107 of out 211 furnaces are in use.

Paris and London

The necessity of expanding revenue by increasing fiscal receipts and of securing a successful loan for military expenditure is the keynote of M. Daladier's recovery plan, as it was of M. Blum's plan. In each case expansion of credit was the chief feature; and modification of the 40-hour week the main obstacle. The unknown factor is still the possibility of collaboration between capital and labour. The first decrees to implement the new plan will be issued in the *Journal Officiel* on May 3rd, after the return of MM. Daladier and Bonnet from their visit to London.

These Franco-British talks, which will principally concern the negotiations with Rome, raise the second problem affecting public confidence, namely, foreign policy. Will the Left extremists be ready to support a policy, with regard to Spain and Czechoslovakia, in line with that of Mr Chamberlain? If financial aid from Great Britain is obtained to guarantee the progress of the economic plans of M. Daladier, it is still to be feared that any countervailing concessions on foreign policy will meet with difficulties. The new German threat to Prague comes, by a strange "coincidence," just between the French visit to London and Herr Hitler's trip to Rome.

Decline in Coal Consumption

The import quota of foreign coal has been just reduced from 95 to 80 per cent. as from May 1st. This is a consequence of the decline in consumption by 1,933,000 tons, or 10 per cent., compared with the first quarter of 1937, and by 2,500,000 tons compared with the last quarter of 1937.

Coal production in the first quarter of 1938 was 11,854,000 tons, or 150,000 tons more than in the same period of 1937, with 65.4 working days against 66.5. Stocks, which declined by 154,800 tons between January 1 and April 1, 1937, have increased during the same period of 1938 by 280,000 tons.

Coal imports, which were 7,846,000 tons in the first three months of 1937, were 6,193,000 tons, a decline of 21 per cent., in the first three months of 1938. The lowering of the import quota is thus a direct consequence of the new situation created in the French coal market by economic recession.

Germany

Crisis in Czechoslovakia

BERLIN, April 27.—The Sudeten-German question is at present obscuring all others. That it would become more acute after the annexation of Austria everyone foresaw. That it would also become more urgent and threatening was not expected, for it seemed that the enlarged Reich would for many months have its hands full, and might desire a respite from foreign criticism and suspicion.

Formally, of course, it is the Sudeten-Germans who have brought things to the critical stage. But it is inevitable that their policy should be pursued in accord with the Reich. The

Reich Press treats the Sudeten-German question as critical, giving it front-page prominence and imposing headlines; and emphasising the allegedly unnatural, because unnatural, composition of the whole Czech Republic, and the "revolt of the peoples," not merely of the Sudeten Germans, against Prague. Newspaper treatment ominously resembles that applied to Herr Schuschnigg's Austria on the two days preceding the German invasion.

While it is difficult to predict developments, Herr Henlein's demands, whether intrinsically reasonable or unreasonable, are inconsistent with his view that they would provide a basis for harmony within the present frontiers. The outlook is very uncertain.

An instance is his claim that Czechoslovak foreign policy should be diverted from present allies and associates, which inevitably means that it should be conducted in the Reich's interests. Obviously this is impossible, and, indeed, unreasonable, because if the Sudeten-Germans were to become loyal and satisfied citizens of the Republic, as Herr Henlein professes to hope, they could not simultaneously demand a foreign policy that would make the Republic a German dependency.

This item of the programme recalls Herr Schuschnigg's concession of a "German" policy in July, 1936. It seems that the Sudeten-Germans will not get all the concessions demanded, and certain that, were they to get them, the quarrel would continue. Behind the quarrel is not the Sudeten-German grievance, but a National, Irredentist problem of a familiar kind not to be satisfactorily solved by bargaining.

Course of the Anschluss

The Gauleiter Herr Bürckel, already in Austria as re-organiser of the Nazi Party and plebiscite agent, has been appointed "Reich Commissar for the Reunion with Austria" for one year, to be responsible to Herr Hitler and independent of intermediaries. General Göring declares that Berlin desires no centralisation of Austrian business and that Austria will achieve her own recovery.

In connection with the currency settlement, the Reich Bureau of Statistics compares Austrian and Reich prices. On the basis of the new exchange rate (Sch. 1.5 = Rm. 1) some Austrian prices are lower and some higher than German, those for most cereals being about the same, and for other agricultural products lower. In Austria, the cost of living varies locally much more than in Germany; and the Austrian index of rents (1914 = 100) is only 33, against 120 in Germany. At the old exchange, therefore, practically everything in Austria was cheaper.

Schilling bank-notes ceased to be legal tender on April 25th, but will be accepted by public treasuries until May 15th and will be exchangeable by the Reichsbank or Austrian National Bank until the end of the year. The National Bank's power to issue notes has been withdrawn. Small Austrian token coins remain in circulation for the present, but have become Reich coins.

The Austrian National Bank

Shareholders in the Austrian National Bank will be compensated at the rate of Rm. 125 in Reich Treasury certificates for nominal Sch. 100 shares. These certificates will bear the customary Reich 4½ per cent. interest, the dividend rate of the bank. Allowing for certain adjustments, this settlement constitutes compensation at about par. An article by Dr Schacht implies that Austrian business will get considerable credits. All exchange restrictions between Reich and Austria will ultimately be removed.

Austrian National Bank Clearing accounts have been taken over by the Reich Clearing institution (Deutsche Verrechnungskasse), and will be administered by it without change pending further regulation. The Clearing rights and obligations of the National Bank have been abolished; and payments by debtors must be made to the German institution. So far, an agreement to cover Austrian Clearing accounts has been concluded only with Greece.

The new Reichsbank office at Vienna will buy gold at the German price of Rm. 2,784 per kilogramme fine. Although the Reichsbank's return for April 23rd shows a substantial repayment of March-end credits, it continues to show also a very large circulation—a consequence in the main of the *Anschluss*.

Industry Active

Industry is active. Coal production in the first quarter of the year was 47,793,000 tons, compared with 44,238,000 tons in the same quarter of 1937. The question of the resumption of dividend payment by shipping companies has been under discussion, and, on the Bourse, shares of the Hamburg-

America and North-German Lloyd companies have been firm. The finances of shipping in general have materially improved; but the largest companies have still questions of indebtedness and reconstruction financing. Their advantage is very low capitalisation, since the scaling-down after the depression.

The Germanische Lloyd returns the commercial fleet at 4,158,933 gross tons at the end of 1937, against a depression lowest of 3,718,909 tons in 1935 and 4,299,919 tons in 1931. Germany's share of world tonnage is put at 6.25 per cent., and has risen slightly. Of the increase of 325,000 tons in 1937, some 108,900 tons was derived from purchases from abroad. Construction orders at the end of 1937 were 929,854 tons, of which no less than 753,942 tons were motor vessels.

Export Surplus Again

After two months of import surpluses, foreign trade in March yielded an export surplus of Rm. 16 millions, against Rm. 54 millions in March 1937. The figures were as follows:

	Feb.	March	Jan.-Mar.
Imports	Millions of Marks		
I. Foodstuffs	170.7	172.0	522.1
(a) Livestock	11.0	9.7	29.6
(b) Animal foodstuffs ...	41.8	40.2	131.6
(c) Vegetable foodstuffs...	88.7	93.2	273.0
II. Industrial goods	278.3	285.6	864.3
(a) Raw materials	166.2	158.9	503.4
(b) Semi-manufactured...	78.4	89.3	256.1
(c) Manufactured	33.7	37.4	104.8
Total	453.2	461.8	1,398.7
Exports			
I. Foodstuffs	5.4	6.0	18.0
(a) Livestocks	0.1	0.1	0.5
(b) Animal foodstuffs ...	0.6	0.6	1.8
(c) Vegetable foodstuffs...	2.6	3.4	9.0
II. Industrial goods	430.7	471.4	1,341.3
(a) Raw materials	43.1	48.3	135.1
(b) Semi-manufactured...	37.0	34.8	111.8
(c) Manufactured	350.6	388.3	1,094.4
Total	436.2	477.7	1,359.8

Gold imports and exports were small and practically equal.

Belgium

Financial Proposals

LOUVAIN, April 19.—The Janson Government seems fairly stable, and the Opposition is not very active. It is said sometimes that the head of the Government is not sufficiently attentive to economic questions; but so far he has adhered to the principles laid down by the van Zeeland Government. M. de Man, Minister of Finance, was compelled to resign his office in conditions which did not increase his prestige. True, he was ill, but it is plausibly argued that he waited too long before taking the necessary measures to put the finances in order. Last year he made the mistake of approving expenditure which the Budget could not cover. Nevertheless, M. de Man is a sociologist of the first rank and a very independent spirit.

M. Soudan, the new Minister of Finance, is a distinguished jurist belonging to the Socialist Party. His financial knowledge is not great, and he has been fortunate to find a collaborator of the competence of M. Frère, who was prominent in the drafting of the van Zeeland Report.

Up to the end of 1937, the financial situation was undoubtedly sound. The ordinary Budgets of 1935, 1936 and 1937 left a slight surplus. In 1937 extraordinary expenditure on armaments and public works reached 1,700 million francs, while repayment of public debt absorbed 600 million francs. The financial year 1938 has begun in less favourable conditions. The first forecast of the new Minister foreshadowed a probable deficit of 1,900 million francs on the ordinary Budget. Half the deficit is due to the diminution of receipts, as a consequence of the economic depression, and the rest must be ascribed to the increase in expenditure, mainly on unemployment. These estimates are probably too pessimistic in the present economic situation. Nevertheless, drastic financial reforms could not be avoided much longer. The Minister of Finance is aware of this, and has planned to increase taxation and reduce expenditure.

The new taxation measures deal mainly with direct taxes. First, the late Crisis Tax, abolished in July, 1937, will be restored. The tax on dividends will thus be increased, for dividends will also bear the Crisis Tax; thus the tax charge

will be raised from about 24 to 29 per cent. Finally, estate duty and super tax will also be increased.

The new plan also provides for the establishment of a progressive tax on men who escape military service, and for an increase in the duties on beer, tobacco and motor spirit. These indirect taxes are designed to yield (as they stand before Parliamentary amendment) some 300 million francs.

These proposals, which have not yet been made law, will probably be altered by Parliament. The tax on those who have not fulfilled their military obligations will probably be abandoned. In all, the financial proposals were estimated to bring in about 1,350 million francs in new taxes. Parliament will probably cut the extra taxes to yield 1,200 millions.

Politics, Currency and Banking

The depreciation of the French franc caused some fear that the belga would also fall. These feelings were more current abroad than in Belgium, where the difference between the economic situation of France and that of Belgium is more specifically realised. Belgium would suffer much more from even a slight fall in the sterling rate than it has from the decline of the French franc. The French depreciation has led to some increase of competition only in certain textile products.

The annexation of Austria by Germany was much more alarming news. It has been estimated that 2,000 million francs were exported after the *Anschluss*, but the withdrawals took place mainly for the account of foreigners.

The way in which the Belgian banking system weathered the crisis is worth mentioning. The gold bullion standard operated perfectly. The banks were able to carry out these large withdrawals by using their liquid deposits at the National Bank. They were not compelled to rediscount any of their portfolio or to ask for collateral loans—which the Central Bank would have been able to grant very easily.

The National Bank has published the exact amount of the gold reserve which was previously hidden, in part, under the general item "Portfolio." It is now shown on the balance sheet, and is composed entirely of gold bullion except a few millions. The latest statement shows that the National Bank has 15,700 million francs under the heading "Gold reserve" and 5,650 millions of "Gold values," or about 21,350 millions in all.

In addition, the Belgian Government holds, in bullion over 1,000 million francs derived from the re-evaluation of the gold reserves of the Central Bank in 1935. Altogether, the gold reserves of Belgium, available for payments abroad over and above exports visible and invisible, amount to more than 22,000 million francs, or £150 millions.

Spain

(From a Correspondent, returned from Barcelona)

Dr Negrin's Tasks

FRANCE, April 13.—The new Negrin Government has full powers in waging the war and defending the Republican form of government. But Dr Negrin is not quite a dictator, for constitutional formulæ are preserved. He has the fullest support of the parties represented in the new National Government. The presence of the

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labour unions in the administration is having the effect of solidifying labour behind the Government.

One of Dr Negrin's principal tasks is to suppress a wide system of espionage. Insurgent sympathisers are being arrested in large numbers. They constitute the boasted "Fifth Column" of Franco, and derive their name from the fact that, when four Franco columns were marching on Madrid in November, 1936, Insurgent radio stations boasted that a "Fifth Column" was waiting in Madrid to help Franco at the opportune moment.

Dr Negrin must also find ways of securing arms and munitions. The Republican army is fighting with very little war material by comparison with the vast supplies sent the insurgents by Italy and Germany. One everywhere hears the refrain that, if Republican Spain had only one-half the war material of the enemy, it would yet win.

The food supply is low and is being rationed. The poor are the worst sufferers. One sees nothing to suggest starvation, but there is undoubted hunger. The Insurgent advance in the East has aggravated the situation for a double reason. It has sent thousands of refugees to Barcelona and other congested centres, and that means more mouths to feed. But these same refugees, coming from country towns, had in the past sent food to friends and relatives in Barcelona. Now they must rely for food on those very friends whom they helped to feed. In addition, there is profiteering, as there always is in such situations. Courts against profiteering function daily and impose fines and sometimes prison sentences. The food rationed by the Government is distributed at the legal prices, which are low.

Catalan Loyalty

The disaffection among the Catalans, frequently reported in the Press, is not evident. There is a great bourgeois population in Catalonia of shopkeepers and business men. Although basically Liberal, they have never been strong Catalan Nationalists, when Nationalism was found to conflict with their material interests. They accepted and collaborated with the anti-Catalan dictatorship of Primo de Rivera, and would accept and collaborate with Franco, if they felt their material interests would be served. That is not the same, however, as saying they are Franco sympathisers. Fundamentally, they are not.

The great majority of Catalans, however, are staunch Republican supporters. They realise that the Republic gave them that self-government always denied them by the Monarchy. In 1933, when the country was swinging toward the Right, Catalonia returned a heavy majority for the Left Republican wing. They believe that the Franco regime is the enemy of all that is liberal and Catalan.

On the other hand, many Catalans feel that the recent entrance of the Central Government into Catalonia has been somewhat too high-handed and that the horde of Government functionaries and employees have been riding roughshod over Catalan feelings. That such functionaries should receive favoured treatment in food and housing has proved irksome and has aroused resentment. Many Catalans have wondered whether Catalonia would not do best to save itself; and there was an ill-considered movement to seek the protection of France. But Dr Negrin now seems to realise the necessity of cultivating Catalan goodwill.

British Interests

The most considerable British interest in Barcelona is the Light and Power Company, known as "Riegos y Fuerzas del Ebro," which supplies light and power to all Catalonia, including Barcelona. In the beginning, this industry was seized in a rather high-handed way by the syndicates. The personnel were invited to depart, and did so. One cannot help but contrast their attitude with that of the American personnel of the American-owned telephone company, who refused to depart and maintained staffs at Barcelona, Valencia and Madrid, notwithstanding that the syndicates had in similar manner seized the telephone company.

The Government is now, however, fully cognisant of the fact that the seizure of the Light and Power Company and its funds was high-handed. True, the Catalan Government, which issued the decree, said the Company would be compensated, but such a saving declaration was not too reassuring. For some months a complete technical plan for recapturing the Light and Power Company from the hands of the syndicates and protecting the rights of the owners has been in course of elaboration. The decree has only been delayed until the proper technical organisation has been prepared.

Czechoslovakia

Effects of the Anschluss

PRAGUE, April 17.—The most important event recently has been the *Anschluss*. The political implications of this event have been explained by the Premier, who laid special stress upon the Government's will to come to some understanding with the minorities. Public opinion has, on the whole, remained calm.

The Government are preparing a legal codification of all regulations relating to the status of minorities. The Minister of Finance recently gave a number of interesting facts about the support given to German banks and financial institutions, German communities and German industry during the crisis. The magnitude of this assistance, in relation to total expenditure on such objects, has far exceeded the proportion of the German population in Czechoslovakia.

Before, during and after the world depression Germany always figured first in Czechoslovakia's imports and exports. In 1929, Austria still occupied the second place in imports and exports, but since then has fallen to seventh place in imports and to fourth place in exports. Germany's trade with Czechoslovakia also declined in actual amount and value during these years. During the depression both Germany and Austria were moving away from Czechoslovakia commercially.

Trade with Austria

The *Anschluss*, and the economic assimilation of Austria to Germany, will mean certain changes in the structure of the trade of Czechoslovakia with these countries. As a result of the disappearance of Customs barriers between Austria and Germany, some of the former Austrian imports from Czechoslovakia will now be purchased from Germany, and some of the goods which Germany bought from Czechoslovakia will be taken now from Austria. These changes will affect not only quality goods, but also bulk exports, such as coal and wood.

Before the *Anschluss* a major commercial treaty between Czechoslovakia and Austria was in force. This treaty had, on Austria's request, been frequently revised in recent years—always on a narrower basis and with a higher Customs level. Nevertheless, this treaty, revised for the last time in 1936 and still not repudiated, remains the most important Czechoslovak commercial treaty.

Although, as officially announced from Germany, the old commercial status is still in force in Austria, it is an open question how long Czechoslovak goods will enjoy treaty advantages in Austria and *vice versa*. The introduction of the German tariff in Austria would considerably impede Czechoslovak exports. On Czechoslovakia's side it would, in all probability, then be necessary to adjust certain items in the Czechoslovak tariff.

Imports into Austria were relatively free, especially of exchange control, while imports into Germany are extensively controlled. The assimilation of the two systems will involve several difficulties, as will the settlement of clearing balances. All these questions are to be the subject of commercial negotiations between Czechoslovakia and Germany in May.

Industrial Relations with Austria

Commercial connections, however, are only one aspect of the present economic relations with Austria. There is another important problem in the organic relations between Czechoslovak and Austrian industries. Many Czechoslovak firms have had their offices in Vienna since the Empire. Czechoslovak industry has interests in Austria and *vice versa*. The industries of the two countries had sometimes direct working agreements, and, in some branches, the manufacturing and finishing of goods have been divided between them.

Vienna was also an important commercial centre for Czechoslovak export industries, especially for trade with Central Europe and the Balkans. A number of Czechoslovak firms had permanent representatives in the Austrian capital for export purposes and it is now uncertain whether Vienna will retain this important function under the new regime.

Owing to Czechoslovakia's geographical position, her most important export routes went via Germany to Hamburg or the Western ports, or via Austria to Trieste. The competition between Hamburg and Trieste resulted in a favourable adjustment of tariffs. The Adriatic tariff may now be devised in the interest not only of Czechoslovakia, but also of Italy, and Czechoslovak goods may be burdened with the application of the Reichsbahn tariff.

German tariff policy will exert its influence also on the Hamburg route. Czechoslovakia will have probably to look with more attention for other outlets, possibly through Polish, Yugoslav and Roumanian ports; and Danube traffic may be further developed.

Germany on the Danube

By the *Anschluss* Germany became the greatest Danubian country, and this means a completely changed situation. Formerly there were five or six relatively small Danubian States, of which only two were mainly industrial—Czechoslovakia and Austria. The solution of Central European problems was only possible through agreements with the great neighbours, Germany and Italy. To-day Germany occupies first place among the Central European States and Italy has receded to second. With Germany, the industrial States of Central Europe preponderate overwhelmingly against the agrarian States of the Danube.

The influence of political events in Austria and the danger of the Polish-Lithuanian conflict were reflected in the money market. The Stock Exchange weakened and share values declined. Only gilt-edged securities remained relatively stable. The Stock Exchange index, which stood at 122.6 at the end of February, fell at the end of March to 113.4.

February and March again showed progress in employment. The number of unemployed persons at the end of February was 510,655 and at the end of March 435,126, against 627,258 in March, 1937. Coal, iron and steel output has slowed down a little, but the engineering industry is still well occupied, as before. In the export industries, such as glass and porcelain, however, no improvement took place; and in textiles there was only a slight improvement. Building activity, on the other hand, is increasing.

On April 16th a new and extensive commercial treaty with the United States of America came into force. It was concluded on March 7th, and brings considerable advantages to Czechoslovak exports. The United States stands second among purchasers of Czechoslovak goods.

Palestine

Economics of Partition

JERUSALEM, April 20.—The departure of the fact-finding Commission, whose mission it is to draw up a practical scheme for the division of Palestine into three States, directs attention to the difficulties in the way of any such scheme. Undivided Palestine is a small country of the size of Wales, with no raw materials, apart from the chemicals of the Dead Sea and a little sulphur in the south. It has hitherto been entirely dependent, in so far as it has been self-supporting, on fruit production, mainly of oranges and grape fruit, and on the visits of tourists.

Larger and wealthier States, such as Austria, have in the past found great difficulty in existing. Still smaller ones, such as the three into which Palestine is to be divided, must encounter still greater obstacles.

The Burden of the British Area

Of the three, the British State—the permanent Mandated territory—must always be a burden to the Home Country. Wider boundaries than those suggested by the Royal Commission are obviously out of the question. If those provisionally drawn are varied, the variation can be only in the direction of reducing the taxable basis of the territory. Such a territory cannot possibly support the garrison it will require.

It is doubtful whether it will be able to provide the costs of its administration. It will have no industries, outside of Haifa, and little agriculture; but it will enjoy the luxury of five Holy Cities. Excluding the manufactures of Haifa, which is temporarily to remain under British control, it can export nothing—apart from the small invisible exports derived from tourists—but will be dependent even for necessities on imports.

Arab State's Poverty

The Arab State, by far the largest of the three, will also be the poorest. Again basing one's argument on the Royal Commission boundaries, this State will consist mainly of mountain and desert, with very little of the fully cultivable land of Palestine. According to recent trade statistics, the

exports of the proposed Arab part of Palestine amount to about £200,000, a large portion of which is produced by the Jewish-owned Palestine Potash Company, whose works the Zionists demand shall be added to their territory.

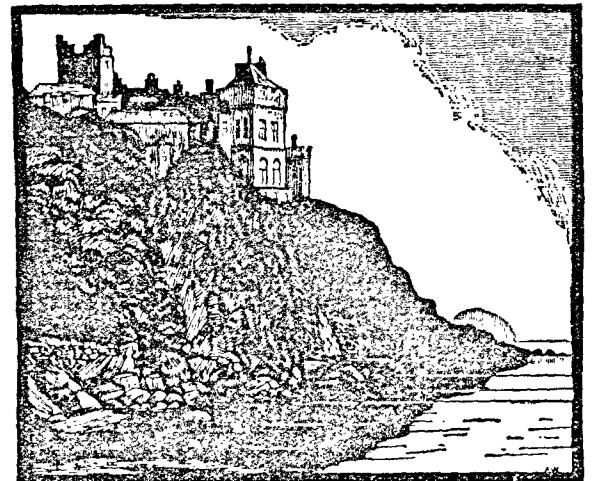
To this £200,000 must be added an unknown but small amount derived from the export of citrus fruit grown in the Tulkarm and Gaza regions. These also are claimed by the Zionists on strategic and other grounds. Normally, the Arabs should export fruit and vegetables to the Jewish State, but the latter—eager to build up an agricultural economy of its own and pressed by the necessity of balancing its imports and exports—will, without the incentive of Arab-Jewish hostility, which partition will certainly in the first years intensify, reduce its imports of agricultural produce to the lowest possible minimum.

The Jewish State

There remains the Jewish State. The Jews of Palestine are responsible for the lion's share of the exports, and thus the exports of the Jewish State, including practically all the Arab-grown oranges, will exceed those of the two other States combined. But the Jews, if they provide most of the exports, also consume most of the imports. For Arabs, practically only luxuries are imported. The Jews, however, are dependent to a large extent on outside sources for their necessities.

The import surplus in recent years has been in the neighbourhood of £10 millions, about three times the normal Government revenue of the undivided country. The Jewish State, in order to exist, will have to reduce this unfavourable balance, but can only do so at the expense of their standard of living.

Jewish industries in Palestine, with the two advantages of plenty of capital and high protection, are still unable either to meet the internal needs or to secure sufficient foreign currency to pay for foreign necessities. A larger population, if it could support itself, would help to relieve the strain, but the proposed Jewish State will, at its inception, have a population of about 250 to the square mile, compared with 224 in Denmark, 213 in Poland and 197 in France. Its problems, different from those of the other States, will be obdurate.



A woodcut of Culzean Castle, Ayrshire, the property of the Marquis of Ailsa. One of the series of Famous Woodcuts published by W. D. & H. O. Wills.

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Letters to the Editor

Milk Distribution

TO THE EDITOR OF THE ECONOMIST

SIR,—To argue that part of the explanation of the high price of milk "is to be found in the high cost of distribution" (*The Economist*, April 23rd, page 180) is to put (perhaps appropriately) the cart before the horse. The retail price of milk is set by the minimum fixed by the Marketing Board. The abolition of this minimum would not only lead immediately to a lowering of the retail price under the influence of competition, but it would result fairly rapidly in an improvement in the efficiency of distribution. Some of the retailers would be driven out of business, so that the remainder would work on a more economic scale, while competition between retailers would, as you imply, no longer be confined to indulging in "all manner of expensive and unnecessary additions to distributive service."

If the Government really desire to reduce the gap between the retail and the wholesale price of milk, and incidentally to improve the efficiency of distribution, all that they have to do is to abolish the minimum retail price, in accordance with the recommendation of the Reorganisation Commission of 1932. Such a step would clearly be in the interests, not only of the consumer, but of the farmer.

King's College,
Cambridge.

I am, Sir, etc.,
R. F. KAHN.

Nazi Propaganda

TO THE EDITOR OF THE ECONOMIST

SIR,—One does not have to be in Switzerland for more than a few days to find evidence of Nazi propaganda. The Swiss, naturally, fear the Germans. They are a neighbouring State, with now a larger frontier than they had a few weeks ago. Most of the Swiss people speak German; and the fact that their language is different enough from that spoken in Germany to make a German sometimes incomprehensible to a Swiss provides but a poor assurance that Switzerland will not one day share Austria's fate.

It was announced here that a lecture was to be given yesterday evening entitled "Austria, and its Effect on Switzerland." The lecturer spoke almost entirely about Czechoslovakia and the Bohemians (whom he wrongly called Germans). He also spoke about National Socialism, Austria and the Jews. The speech might have been made by Herr Hitler himself.

When, about half-way through the lecture, the speaker announced that he would now discuss the "Jewish Problem," a sigh went round the room, and the Swiss audience shuffled and settled down to listen to another hour and a half of the usual cruel and fanatical nonsense.

In a few years we shall probably hear that the unfortunate Swiss have at last been freed (by the threat or use of force)

from the oppression under which they have been suffering for centuries; and also that they have just been saved at the last moment from a bloody Communist revolution.

Yours faithfully,

St. Gallen,
Switzerland.

ENGLISH OBSERVER.

Britain's Oil Supplies

TO THE EDITOR OF THE ECONOMIST

SIR,—In my opinion, it is a completely crazy policy to depend, to the extent of 94 per cent. of our total liquid fuel requirements, upon foreign countries, thousands of miles away. In the first place, taking the year 1936 (latest figures available), the world production of crude oil is 1,790 million barrels, of which less than 2 per cent. comes from within the British Empire. Even apart from vulnerability to aeroplanes and submarines, we have no control over circumstances in oil-producing countries, such as revolutions, strikes, lock-outs, fires, and earthquakes, and individual countries might refuse to export oil in war time.

The British Navy, aircraft services, most of the army and road transport, equipment such as excavators and tractors, and a very large proportion of the mercantile marine depend entirely upon liquid fuel, of which only 6 per cent. is produced at home by high temperature carbonisation in gas retorts and metallurgical coke ovens, low temperature carbonisation, hydrogenation and oil shale carbonisation. Great Britain is importing the gigantic amount of approximately 3,000 million gallons of oil products per annum, which includes 1,350 million gallons of petrol as well as kerosene, lubricating oil, gas oil, and fuel oil, costing over £48 millions.

Of motor spirit there is produced in Great Britain only 92 million gallons per annum, about 6½ per cent. of the imports. The bulk of this very small production comes from gas works and coke ovens, amounting to a total of about 52 million gallons; there is an extremely small production from oil shale carbonisation (about 6,700,000 gallons); and a negligible source is the low temperature carbonisation of coal, producing, say, 800,000 gallons. The hydrogenation plant at Billingham, treating not only bituminous coal, but also creosote and low temperature carbonisation tar, designed for a maximum output of 45 million gallons per annum, is believed now to have reached the stage of an actual production of about 33 million gallons per annum.

There are two methods that would have been adopted over a quarter of a century ago, if any idea of national co-ordination and control of fuel and power had obtained: increasing the home production of liquid fuel; and, at the same time, reducing imports by substitution. Examples of substitution are the producer gas driven motor vehicle, the electric storage battery vehicle, the trolley bus, dual firing for the Navy, and mechanical stokers and water-tube boilers for the mercantile marine.

For increasing home-produced liquid fuel, high temperature carbonisation is hopeless, as coal tar is an inferior product, containing only a very small proportion of valuable liquid fuel. Oil shale carbonisation is also of little value, because of the low-grade quality of the oil and the fact that shaft mining is required. Hydrogenation of bituminous coal, as apart from creosote and low temperature tar, is doubtful.

The chief methods are low temperature carbonisation of coal and the manufacture of synthetic liquid fuel by the "Fischer-Tropsch" or similar process. There is still no plant of the latter type in Great Britain, while the total amount of coal carbonised under low temperature conditions is only about 350,000 tons per annum, in spite of the vast field available for smokeless fuel in general domestic use.

If scientific methods were adopted it would be possible within a very few years to produce at least 50 per cent. of the liquid fuel requirements of Great Britain.

Yours, etc.,

DAVID BROWNLIE.

Ealing,
London, W.5.

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Books and Publications

Outlook Unsettled

"We sail a changeful sea through halcyon days and storm." Professors Condliffe, Ohlin and Heckscher, Mr Loveday and Señor de Madariaga have tried in these printed lectures* to chart the next stages of our voyage. "There is only one thing certain with regard to the future," declares Professor Heckscher, "that is its uncertainty." But economists and public men are without honour unless they are also prophets. They are the "modern wizards" (in Señor de Madariaga's phrase) whose wand may not stay the sun, or arrest the trade cycle, but through whose glass the course of economic development may be darkly foreseen.

Their theme is the day after to-morrow, but the trends they describe are to-day's. Economic life has lately become increasingly susceptible to disturbances. The decline or slowing-down in the growth of Western populations and a century and a half of increase in the average income per head have shifted demand from essential and short-lived goods to non-essential and durable goods. Demand has become less certain, more sensitive and less stable; economic activity is less smooth and insecurity is magnified.

The individual, however, is not less secure economically. He has more chance of unemployment, but less chance of distress when he is unemployed, for the State has stepped in to cushion his insecurity and to collectivise the risks of economic life. The State's assumption of social and industrial responsibility finds expression in devices to insure against these risks: in the protection and diversification of industry and agriculture, in Government spending to avert depressions, in autarky and economic nationalism.

The advance of the State is only one aspect of the growth of central organisation and control. Trusts and cartels, large-scale industry and business, are the private counterparts of Government enterprise. They have emerged together from changes in technique and social outlook; and the world we live in, based on large-scale production, large financial units, controlled wage levels, controlled migration, managed currencies, and central management, public or private, contrasts widely with the fluid, individualist world of our grandfathers. "Fixed capital and overhead costs incessantly grow in importance." And "people have come to believe in the wisdom of Governments."

The dangers of centralisation are hardly less than those of insecurity. Rigidity and restrictionism do not iron out fluctuations; nor are flexibility and initiative always combined easily with central management. "To give society a cast-iron form is dangerous," and, with the hands of Governments so enormously strengthened, their power to shape men's minds, as well as their lives, is terrifying. Depression and rumours of war have enhanced autocracy and autarky alike. Technical and economic forces have killed the optimistic individualism of a bygone age. The world is changing. Industry is being rapidly developed in Eastern Europe, Russia, South America, China, Japan and India. A new economic system is emerging outside the orbit of Western Europe; and economic leadership may even now be passing to the United States of America.

What is to become of us? On one point the experts are agreed: economic nationalism and isolation are of no lasting use; only international co-operation can mitigate our insecurity and save our civilisation from the menaces it has bred. But, concludes Señor de Madariaga, whose words sparkle even when they dazzle and confuse, "mere internationalism is no answer to our economic problem." We cannot flourish in mental anarchy. We must first surrender our dogmas, casting away the rigid husks of our Democracy, Communism, Fascism and Religion, to save their substance of freedom, equality and fraternity. At the end of this notable book, we know where we are; but the future remains as uncertain as ever.

* "The World's Economic Future." The Holley Stewart Lectures, 1937. Allen and Unwin. 134 pages. 4s. 6d.

Shorter Notices

"Tariff Levels and the Economic Unity of Europe." By H. Liepmann. Introduction by Sir Walter Layton Allen and Unwin. 424 pages. 21s.

Much is known in general about the growth of tariffs and the consequences, but very little in factual detail. Dr Liepmann has filled the gap with this admirable study of post-war tariffs and trade in Europe. His careful examination of the shifting distribution and composition of European commerce is as noteworthy as his comprehensive calculations of tariff levels. Not everyone will agree with all Dr Liepmann's conclusions about the policies of particular countries and their effects, but none will deny the great worth of his treatise to the theoretician and practical politician alike.

"Peace Year Book, 1931." National Peace Council 39 Victoria Street, London, S.W.1. 367 pages. 2s.

This annual is at once a record of 1937 and an excellent source of reference for the current year on matters of peace and war. In the former capacity the book is a little belated; in the latter, it will serve admirably as a comprehensive guide to the Peace movement in all countries, informed as it is by documentary and statistical appendices relating to the League of Nations, treaties, colonies, raw materials, trade and production, armaments and arms expenditure.

"World Finance, 1937-1938." By Paul Einzig. (London) Kegan Paul, Trench, Trubner & Co. 7s. 6d.

Dr Einzig continues his serial account of world financial affairs. His account of gold policy, franc movements, alarms and excursions in Wall Street and Paris, the impact of war and war preparations, the setback in trade and the nexus between economics and politics is as exciting and lucid as ever. The author's rôle as an up-to-date chronicler renders his part as analyst and constructive critic necessarily less substantial than it might be. But those who have the earlier chapters of Dr Einzig's diary should buy the latest.

Tariff Levels and Europe's Economic Unity

by DR. HEINRICH LIEPMANN
Foreword by SIR WALTER LAYTON

Here is a detailed study of European post-war tariffs and their influence on the inter-European exchange of goods. Comprehensive calculations have been made of the level of duties upon important export goods, of tariff levels and export movements in Europe. The author presents a mass of statistical material previously unobtainable. 21s. net

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GEORGE ALLEN AND UNWIN

THE BUSINESS WORLD

Insurers v. Insured

LAST summer there came to the High Court an action of very great interest in which Mr Crocker, the well-known insurance solicitor, was sued for negligence by a Mr Groom, who had been defendant in a running down case in which Mr Crocker acted for him. Mr Crocker had been appointed by the insurance company with which Mr Groom's car was insured. For tactical reasons he admitted that Mr Groom had driven negligently, with the result that damages of £1,132 were given against Mr Groom. The latter, however, objected to having his reputation as a careful driver given away; and having been branded as a negligent driver by Mr Crocker, he started a new action on the ground that Mr Crocker was a negligent solicitor, since he had mishandled a case entrusted to him and deliberately sacrificed a client's interests.

Mr Groom's case, in effect, was this: "You may have been chosen as my solicitor by my insurance company, but whoever chose you, you were my solicitor and nobody else's; and you owed as much duty to me, your client, as you would have done if I had chosen you of my own accord. In admitting negligence on my behalf without my consent, you betrayed my cause, and you ought to pay me damages." The jury found for Mr Groom and awarded damages of £2,132 for negligence and £1,000 for a somewhat shadowy libel.

In the mind of the general public there was a considerable measure of agreement with this verdict; for it was widely felt that a motorist defendant is entitled to a say in the conduct of his defence and ought not to have his wrongdoing admitted against his wishes and consent. But, unfortunately, it is the corner stone of every third party insurance that if the insured has an action brought against him the insurers shall have control of the action, with the right to nominate solicitors and with power to fight or settle according to their judgment. That is based on the principle that the man who pays the piper calls the tune; and there is in fact no other principle on which an insured third party claim can be handled. An insured person can hardly be left at liberty to fight an action merely because he thinks (as all colliding motorists do think) that he was in the right. He can hardly be allowed to run up an enormous bill of costs, which his insurance company will have to meet, and, by fighting a hopeless case, court heavy damages which his insurance company will have to pay. No other plan is possible than to give the control of an action to the party which will pay the cost of losing it.

Nevertheless, the solicitor is acting for the insured. The dilemma which *Groom v. Crocker* brought out so sharply in the Court of First Instance can be briefly stated: How is a solicitor acting for A, but protecting the interests of B, to reconcile his duty to his nominal client with his duty to his actual paymaster? The jury, after a somewhat discursive trial, came down heavily on the side of the nominal client and proved the strength of their conviction by the heavy damages they awarded him.

That verdict left the law, from the point of view both of the insurance company and of the solicitor, in an ambiguous and difficult state. The insurance company had to ask itself: "Am I still entitled to conduct an insured's case as I think fit or must I defer to his opinion when it clashes with mine?" The solicitor had to decide, at his

peril, whether to take instructions from the man whom he nominally represented or from the insurance company which was his *de facto* client. From the course of the trial before Mr Justice Hawke it looked as though the solicitor must adopt the wishes of his nominal client or throw up the case, with whatever results might follow to the ultimate liability for costs and damages. Since last summer there has, in fact, been at least one instance in which an insured person has succeeded in inducing a Lloyd's underwriter (mainly on the strength of *Groom v. Crocker*), to accept a settlement which, in the normal way, the latter would have regarded as most unfair and unreasonable.

So the matter stood when Mr Crocker's appeal came recently before the Master of the Rolls and two other Lords of Appeal. The judgment subsequently given by the Master of the Rolls was distinguished both by the skill with which it reconciled conflicting interests and by the ability with which it stated the law as clearly as the inherent ambiguities allow. In a review of the whole case, indeed, it is difficult to resist the conclusion that actions of this kind are not well suited for juries, and would be much better tried before a judge in the commercial court, who is less liable to be swayed by prejudice and more capable of keeping the issues clear before him.

In the first place, the judgment decided that the insurance company is entitled to choose the solicitor who shall act for the insured. In the second place, it decided that a solicitor so chosen has not the same duty to accept the instructions of his nominal client as he would have if the nominal client had actually chosen him, since the whole object of the "take-over clause" in the policy would be defeated if the normal relations of solicitor and client prevailed. In the third place, it decided that there are certain things which an insurance company cannot reasonably ask of its client, certain things to which the client cannot reasonably be asked to submit; and that when a thing of that kind is in issue a solicitor who prefers the instructions of the insurer to those of the insured, does so at his own peril. Lastly, and perhaps most important of all, it reduced the negligence damages from £2,132 to forty shillings.

The effect of the judgment would appear to be that an insurance company may not, in its own interest, sacrifice the obvious interests of the insured; that whether or not there has been such a sacrifice is a matter of fact; and that, if negligence of this kind is proved against the solicitor, the damages given must not be "at large" but must be based on the true damage suffered by the insured. As the law stands at present it could not, perhaps, be more fairly stated. The judgment has done a great service both by establishing a reasonable balance between the rights of insurer and insured and by killing the possibility of future gold-digging actions started in the hope of heavy damages, encouraged by the original verdict in *Groom v. Crocker*.

At the same time, we venture to repeat the suggestion which we made in our issue of July 31, 1937 (page 250), that insurance companies might now be made the *de jure* defendants in motor actions, so that instead of lurking anonymously in the background, they should be recognised in Court, as they already are in the Statute, as the interested party.

Unilever Group Results

IN May last year, the chairman of Unilever, Limited, foreshadowed the amalgamation of Lever Brothers with Unilever, Limited, and the redistribution of assets between the British and Dutch branches of the group. The first fruits of the scheme, which was analysed at length in *The Economist* of August 7th last year, were realised in last week's announcement of increased dividends. Behind all its apparent complexity lay one governing intention—to restore a greater degree of equality between the available profits of the British and Dutch parent companies, and so to enable more generous dividends to be paid, under the distribution agreement between the two concerns.

The details of the scheme are now a matter of history, but they have necessitated such considerable changes in the full report—and, indeed, have provided the opportunity for important accounting innovations—that this document will repay the closest study. This task is facilitated by the fact that the directors have confined their observations to financial rather than trading conditions, which have presumably been reserved for the chairman's annual review. We may, at the outset, borrow the convention adopted in the report, by which figures relating to Lever Brothers and Unilever, Limited, and Lever Brothers and Unilever N.V. are referred to respectively under the headings "Limited" and "N.V." It may also be noted that in converting Dutch florins to sterling the fixed rate of Fl. 9 to the £ was taken last year, against Fl. 8.97 to the £ in 1936. Comprehensive extracts from the accounts are given in the table on the following page.

The first question which the investor will ask is: how far are last year's increased dividends due to a positive increase in the earnings of the whole group, and how far to the reallocation of earning power from Limited to N.V.? Aggregate net profits of the two parent concerns and their subsidiary and allied companies, after charging depreciation, taxation and debenture interest, increased last year from £12,562,783 to £12,749,991. These figures, it may be added, are strictly comparable, and are unaffected by the reorganisation of the two groups last year. They suggest that the evident progress of the undertaking in sterling countries was held in check by transfer difficulties in Central Europe, war in the Far East, and the setback in the United States. For the separate parent companies, comparable figures for the two years are limited to equity earnings (owing to the Lever-Unilever merger), and these have increased in total from £4,581,682 to £5,007,066. These totals represent the sums available for the equity capitals of Limited and N.V. if the subsidiary and allied companies had fully distributed their earnings. Their division between Limited and N.V. is shown below:—

	1936	1937
Limited	3,085,050	2,787,752
N.V.	1,496,632	2,219,314
Total	4,581,682	5,007,066

A reduction in available income for the equity of Limited was, of course, contemplated under the scheme; indeed, the fall of £300,000 is considerably less than was estimated, and it suggests that the British market made very satisfactory progress last year. N.V., on the other hand, has recorded an impressive increase in available earnings, but the transfer of assets last year has played an important, and possibly predominant, part in this achievement. Of the amounts shown above, sums of £540,212 and £195,111 have been retained by the subsidiary and allied companies respectively of Limited and N.V.

In total, the group earnings may be reckoned as equivalent to approximately 14½ per cent. on the guildler capital (on which 7½ per cent. has been declared) and to 19½ per cent. on the sterling capital, which receives 10 per cent.

It is, however, particularly interesting to trace the full significance of the Limited earnings achievement last year. The British company had to meet N.D.C. which we calculated last year as equivalent to about 3 per cent. on the new ordinary capital—say £340,000—on the basis of the 1936 profits. This figure is probably close to last year's actual charge. Secondly, the Limited figures appear to include £710,214 in respect of the Niger Company's profits. It will be recalled that the Niger Company distributed a 50 per cent. share bonus, and made no cash distribution. Thirdly, both Limited and N.V. charged a portion of damages arising from a patent claim in the United States against revenue (the balance being met from contingencies). In short, if we make adjustment for exceptional items specifically affecting the Limited earnings in 1937, as compared with 1936, the result might well be a "true" increase of the order of £500,000-£600,000, compared with a disclosed fall of £300,000.

Such a result would, in fact, be a remarkable confirmation of the improvement in business in the sterling countries last year, and not least in the margarine trade at home. By contrast, dissection of the N.V. figures might well reveal little fundamental change in the realisable, as opposed to the actual, earnings of the original constituents of the Dutch company. The mortmain of blocked currencies is unrelenting. It is well known that the Unilever group, by ingenious special arrangements, has been

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CAPITAL PAID UP	£2,500,000
RESERVE FUND	£3,000,000
CAPITAL UNCALLED	£7,500,000
	£13,000,000

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able to realise some considerable proportion of blocked profits from Germany; the question remains, however, whether N.V. will be able to obtain exchange to the same extent, say, after the end of this year. If not, it will presumably have no option but to build up the strength of the German undertakings, without being able to obtain an adequate proportion of their fruits in the form of free exchange.

So much for the broad trend of profits last year. We may now consider in closer detail the effect of last year's reorganisation in the report itself. The changes are necessarily complex, but the directors have set them out with admirable detail and clarity in the report. The major introduction is a consolidated statement of earnings, assets and liabilities. The directors have not, however, attempted to give a consolidated balance sheet which, if based merely on the conversion of currency book values into sterling, would be misleading. In any case, the sterling figures must be regarded as approximate, and further, the reserves and undistributed profits held by subsidiary and allied companies, while considerable, could only be computed—and then arbitrarily—by a complete revaluation of over 400 manufacturing units. Armed with a consolidated earnings statement, full particulars of working capital, and long-term claims and liabilities, together with the free reserves of the parent companies, most investors will consider that they have ample and strictly relevant information for assessing the position of the group. The consolidated figures are the more welcome since the changes during the past year vitiate real comparisons with the statutory reports for 1936.

The sterling equivalent of the Limited and N.V. share capitals has been slightly reduced from £121,237,934 to £120,061,212. These figures, however, exclude inter-company holdings, and accordingly do not fully reflect the changes in the organisation last year. The issued capital of Limited, for instance, at £67,445,925 shows a reduction of £12,886,352, compared with the combined capitals of Lever Brothers, Limited, and Unilever, Limited, at the end of 1936. This fall arises largely from the cancellation of £8,500,000 ordinary and £4,500,000 preferred ordinary capital of Lever Brothers, which was formerly held by Unilever or its subsidiary companies. The issued share capital of N.V. has increased by Fl. 100,023,500 to Fl. 299,387,000, owing mainly to the exchange of Fl. 98,822,656 nominal of preference capital in two N.V. subsidiaries—Anton Jurgens and "Hovema"—for preference holdings in the parent company. By this step, N.V. now holds the large majority of all classes of capital in the Anton Jurgens undertaking, and full consolidation will presumably be effected if the proposals to liquidate this subsidiary are carried through.

In relation to the issued share capital of £120 millions for the group, and net long-term liabilities of £13 millions, the free reserves held by the parent companies (which

understate the group reserves) appear satisfactory at £23.3 millions. Net current assets, again, total nearly £42 millions and the detailed figures reflected increased turnover last year. Stocks, indeed, have increased from £41½ millions to £47½ millions, although part of this advance may have accompanied the acquisition of new businesses. Although a complete consolidated balance sheet is not presented—in our view rightly—it is possible to infer from the available figures that the approximate book valuation placed on the interests in subsidiary and allied concerns, is equivalent to £114½ millions. Using this figure as a rough standard for comparison, it is interesting to note that capital expenditure last year amounted to £5,466,000 (against £4,155,000 in 1936), depreciation to £4,061,000 against £4,549,000 (a reduction which may arise from the conversion of the guilder figures, rather than from any change in the rates) and repairs and renewals to £3,039,000 against £2,912,000.

Such is the basic position of the group, and it is to the group's prospects as a whole that the investor must look for guidance, in view of the dividend pooling arrangement which controls ordinary share distributions on both sides of the Channel. What are these prospects for the future? Lever and Unilever is a world trading organisation and is necessarily exposed to fluctuations in world economic conditions and world prices. Even after the transfer of the non-British holdings to N.V., which appreciably widened the latter's trading basis, it is probably true to say that Limited is likely to show greater consistency of earning power, so long as N.V. is forced to accommodate itself to the burden of restricted currencies, and is exposed to major world political and economic movements. This conclusion seems broadly true, even when account is taken of the effect of reduced commodity prices on the West African trading interests of Limited. But the problem of converting the prosperity of the Central European interests into tangible exchange continues to limit the scope for expansion of N.V.'s earnings. On shorter considerations, it is fair to face the possibility that some reduction in available earnings might be experienced during the current year. It is too early to assess its potential extent, and the large damages involved in last year's patent case will not, of course, recur in 1938. It might, indeed, be possible to offset any potential fall in earnings by a more generous distribution policy. That conclusion, however, provides but a modest incentive for speculative interest in the Limited shares, at 38s. 4½d. ex dividend. And it might be at variance with the conservative policy which the directors, seeking to extend their business in free exchange areas to compensate for frozen assets and earnings elsewhere, have practised in recent years. The evidence suggests, in fact, that this price represents a fair investment valuation, under present circumstances, for an equity which is dependent at every turn on international trading conditions and prices.

UNILEVER GROUP PROFITS AND FINANCE

Parent Companies' Profits and Appropriations, year to December, 1937				Consolidated Profits and Appropriations of Limited and N.V.*			Consolidated Assets and Liabilities of Limited and N.V.*		
	Limited	N.V.	Total (£.fl.to £)		1936	1937		Dec. 31, 1936	Dec. 31, 1937
	£	fl.	£		£	£		£	£
Net profits, inc. proportion of subsidiaries' net profits	7,116,529	24,973,517	9,891,364	Aggregate net profit, after depreciation, taxes and deb. int.	12,562,783	12,749,991	Issued cap.: Pref. & pf. ord.	91,017,178	89,430,723
Retained by subsidiaries ...	540,212	1,756,001	735,323	Less outside interests in subsidiaries	7,376,245	2,858,627	Do. Ord. and def.	30,220,756	30,630,489
Net profits, inc. subsidiaries' dividends, etc.	6,576,317	23,217,516	9,156,041	Profit accruing to parent cos.	5,186,538	9,891,364	Do. Total	121,237,934	120,061,212
Pref. and pref. ord. divs. ...	4,328,777	4,999,690	4,884,298	Preference dividends ...	604,856	4,884,298	General reserves and undis- tributed profits†	22,269,455	23,313,479
Ordinary divs.	1,137,875	12,823,785	2,562,740	Available profits	4,581,682	5,007,066	Long-term claims receivable	6,558,000	6,685,000
(do. rate %)	(10)	(7½)	...	Parent cos.' proportion of reserves and special ap- propriations of subsid. cos.	1,450,208	735,323	Long-term liabilities§	15,622,000	19,650,000
Co-partnership and deferred divs.	56,908	56,908	56,908	Retained by parent cos.	1,257,453	1,652,095	Current assets:		
General reserves	750,000	2,457,186	1,023,020	Ordinary dividends	1,874,021	2,562,740	Stocks	41,598,000	47,513,000
Contingencies reserves	250,000	2,500,000	527,778	Co-partnership and def. divs.	...	56,908	Debtors	18,582,000	19,739,000
Brought in	1,346,331	4,292,663	1,823,293	Total appropriation...	4,581,682	5,007,066	Investments	3,539,000	2,072,000
Carried forward	1,399,088	4,729,518	1,924,590				Cash	9,943,000	11,066,000
							Total	73,662,000	80,392,000
							Current liabilities	33,518,000	38,443,000

* Including subsidiary and allied companies in which parent companies control 50 per cent. or more of ordinary capital. † Parent companies only, but including Lever Brothers as at December, 1936. § Includes debentures and notes: £12,397,000 in 1936 and £13,555,000 in 1937.

Retail Trade Trends

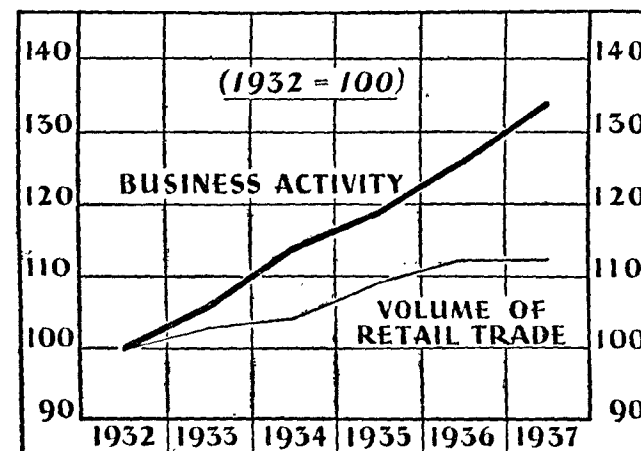
BEYOND all doubt, the past year has witnessed a cyclical downturn in British business activity. Our index of activity, given in the *Trade Supplement* published with this issue of *The Economist*, has fallen almost without interruption since last September. Last month, for the first time since recovery began, the index fell below the level of the corresponding month a year earlier. What rôle has the demand for consumers' goods, as reflected in the course of retail trade, played in this major change of trend? The question has special significance, in view of the widely held belief that prosperity can be achieved, and indefinitely prolonged, by the increase and maintenance of consumers' purchasing power.

According to Mr Colin Clark's estimates, Britain's gross national income rose 31.3 per cent. between 1932 and 1937. During the same period the Bank of England's index of the value of retail trade rose 23.8 per cent. A partial explanation of the discrepancy is that the demand for consumption goods is comparatively more stable than that for capital equipment, such as iron and steel, build-

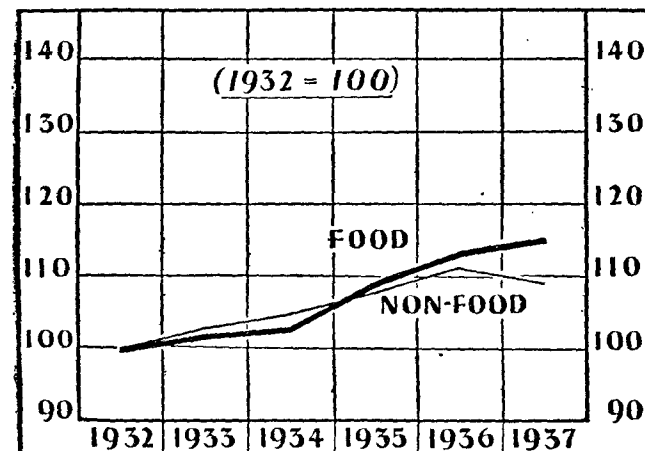
to department stores. For food sales the official figures of value have been corrected by the Ministry of Labour's index of food prices.

In the first diagram these two indices have been combined so as to afford an indication of the volume of retail trade on the assumption that retail turnovers of food and other merchandise are approximately equal. Unfortunately, it is impossible to carry this volume index back to 1929. The chart compares the resulting index with the course of *The Economist's* index of general business activity. That general business activity has shown a relatively greater increase than the volume of retail trade since 1932, the worst year of the depression, is scarcely surprising; for *The Economist* index includes the capital equipment industries, which are subject to wide fluctuations in activity between slump and boom. More significant is the fact that the volume of retail trade remained unchanged between 1936 and 1937, when the index of general business activity showed a further rise of 5½ per cent.

BUSINESS ACTIVITY AND RETAIL TURNOVER



VOLUME OF FOOD AND NON-FOOD SALES



ings, machinery and ships. Between 1932 and 1937, for example, our index of domestic iron and steel consumption rose by 140 per cent., compared with an increase of 33 per cent. in general business activity. Both the national income and the value of retail trade continued to advance until the end of last year, the increase in the last quarter of 1937, as compared with the last quarter of 1936, being 7.5 per cent. and 6.8 per cent. respectively. Last month, for the first time, the value of retail trade was smaller than in the corresponding month a year earlier, but this may be attributed, in the main, to the differing dates of Easter in the two years. It is clear, therefore, that the value of retail sales does not explain the downward trend in the activity of many consumption goods trades since last autumn.

But the picture is different if we examine not values but the volume of retail sales; for, owing to the rise of prices last year, the volume of sales began to decline many months ago. Though changes in the volume of retail trade are difficult to measure, an attempt has been made in the two diagrams accompanying this article to show quantitative changes in retail trade since 1932. Both for food sales and for non-food sales, an index of the value of trade has been corrected by an index of prices to give the volume of sales. For non-food items, both indices are those compiled by the Retail Distributors' Association, and they refer only

A comparison of quarterly indices is even more significant. In the first three months of 1937 the volume of retail trade was still higher than a year earlier; but sales in the second quarter and the third quarter were no higher than during the corresponding months in 1936. In the last quarter, however, the index of the volume of retail turnover actually fell below the figure for the corresponding period of 1936. *The Economist* index of business activity, on the other hand, continued to rise until August last year, and did not fall below the level of the corresponding month a year earlier until March of this year. Altogether, there is strong evidence that the decline in the volume of retail trade preceded the fall in general business activity by several months.

Reference to our second chart, moreover, shows that the decline in the volume of non-food sales preceded the downturn of food sales. Although food sales continued to rise last year, the turnover in other merchandise actually fell. A comparison of the quarterly indices for 1936 and 1937 shows that the decline in non-food sales, which began in the third quarter of last year, preceded the downturn in food turnover by three months. This impression is confirmed by reference to the more detailed charts which appear on page 278.

Despite their inevitable limitations, the indices of the volume of retail trade thus suggest numerous important

conclusions. The first is that the decline in the volume of retail sales, which coincided with a rise in prices, preceded the turn of the trade cycle by several months. The cause of the time-lag between the fall in the volume of retail sales and in general business activity (whose outward and visible sign was the accumulation of stocks of goods last year), may be traced, partly at least, to delay between the placing of orders and their completion, and to the fact that many business men mistook the cyclical decline in sales for a temporary lull in expansion. Secondly, the fall in the volume of retail sales itself suggests that the rate of increase in retail prices last year outpaced the growth of the national income. The rise in retail prices, in turn, may

be attributed partly to higher prices for imported goods and partly to the increase in British conversion costs, which was perceptibly accelerated by the re-armament programme. Although the downward trend in world prices has already produced a cheapening of many imported commodities, British conversion costs are still rising; but the rate of advance is likely to diminish as unemployment of men and machinery is increasing. It may be doubted, however, whether any conceivable fall in import prices, by raising purchasing power, will be sufficient, in itself, to create a general recovery movement this year, though on the basis of past experience it may serve to check the fall in the volume of sales during depression.

Finance and Banking

National Debt.—In accordance with a Chancellor's usual practice, Sir John Simon devoted several passages in his Budget speech to an examination of the position of the National Debt. Among other things he explained the manner in which borrowing for re-armament is being handled. For the current year he has power to finance £90 millions of defence expenditure out of borrowing. He proposes to apply to this end the whole of last year's surplus of £28 millions, which is thus diverted from the payment of debt; and to use £62 millions of new loan money. In addition, the cost of any supplementary estimates for defence expenditure will be covered by new borrowing. While the Chancellor did not give any forecast of the likely size of these supplementary estimates, it is not outside the bounds of possibility that he may require something of the order of, say, £120 millions of new loans this year, in addition to his appropriation of last year's surplus. Meanwhile, he stated that after allowing for the allocation of £10.5 millions to the contractual sinking fund (and after recalling that last year's Budget surplus was being earmarked for defence expenditure during the current year) there was an increase of £257,750,000 nominal in the National Debt during 1937-38. Some £203 millions of this increase was, however, covered by assets—mainly represented by last year's increase of £200 millions in the Exchange Equalisation Account. To the extent that the £200 millions has not yet been used in gold purchases by the Account, the apparent increase in the National Debt is purely illusory. Sir John added that the Exchange Account continued to show a profit, though he did not say whether he was referring to the whole period since the establishment of the Account or to last year alone.

Fixed Debt Charge.—It is obvious that the continuance of new borrowing for re-armament must lead to a progressive increase in the interest and other annual charges arising out of the National Debt. Last year's issue of £100 millions of 2½ per cent. National Defence Bonds alone means a new interest charge of £2.5 millions a year. There is prudence, therefore, in the Chancellor's decision to raise the fixed debt charge, to be provided for in the Budget, from £224 millions to £230 millions a year. Since interest, management and the statutory sinking funds cost nearly £227 millions last year, the increase is an obvious precaution; and, in addition, the Chancellor is once more taking power to borrow to meet the needs of the statutory sinking funds. Justifying his decision to increase the fixed debt charge, Sir John Simon called attention to the gradual accumulation of interest on National Savings Certificates—a charge which has to be met whenever certificates are encashed. In effect, he regarded £230 millions as the best estimate he could make of this year's real burden of debt service. The increase makes an unwelcome addition to a heavy Budget, but it is an inevitable corollary of borrowing for defence purposes. Meanwhile the cost of the floating

debt remains insignificant. Sir John Simon said that the average rate of discount on Treasury bills was only 11s. 2d. per cent., which constituted a new low record. That fact, however, affords no conclusive argument for an increase in the floating debt as an alternative to other forms of borrowing.

Defence Loan Prospects.—All the considerations discussed in preceding Notes invite speculation as to when the next Defence Loan will be issued. Last year the Government raised £99.7 millions and spent £64.9 millions. The balance of £34.8 millions, together with the year's surplus of £28 millions, has for the moment been applied to the reduction of the floating debt. This gives the Chancellor a nest-egg of about £62 millions, against which he envisages expenditure this year, to be met out of borrowing, of at least £90 millions and perhaps £150 millions. With further and heavier defence expenditure envisaged next year, he may well decide to issue a new loan of £100 millions. Nor need he await a favourable trend of the market, for this loan will almost certainly be taken up initially by the departments and re-sold to the general body of investors piecemeal as demand develops. A year ago the first Defence Loan was issued at a time when markets were overshadowed by the National Defence Contribution in its original form; and most of this loan had to be taken up "inside." The real question is whether it will be thought advisable to issue the next loan in advance of the time when it will be required and to apply its proceeds temporarily to a reduction of the floating debt. In that connection, the low cost of the floating debt is a relevant factor, but there are many other factors militating against too long a delay. Undue surprise, therefore, would not be felt if the next Defence Loan were, after all, to make an early appearance.

The Franc and the Tripartite Agreement.—Early this week, M. Daladier announced the main heads of his new financial and economic programme, which are summarised by our Paris correspondent on page 234. M. Daladier's declaration gives the quietus to the previous rumours that he was contemplating a fresh depreciation of the franc. These rumours caused the Paris rate for sterling to rise to Frs. 167 at the end of last week. This week the rate was brought back to Frs. 160, but in doing so the French control probably lost all the gold it had gained during the early part of the previous week. On Thursday morning, when the Control relaxed its efforts, the rate went out again to Frs. 162. Nevertheless, this intervention by the French Control strongly suggests that M. Daladier intends to maintain the rate at about Frs. 160. While any estimate must be a matter of guesswork, it is probable that Frs. 160 would be regarded on this side as a fair equilibrium rate. If so, any fresh depreciation of the franc would be at variance with the clause in

the Tripartite Agreement, under which the signatories undertook to refrain from competitive depreciation of their currencies. Here the onus of proof would clearly lie on M. Daladier to show that at Frs. 160 the franc was still over-valued. The suggestion has been made that these questions are one of the subjects of discussion during the London visit of M. Daladier and M. Bonnet. The visit of the French Ministers, however, is of short duration, and there are sufficient weighty matters of international politics to occupy all the time at their disposal. On the whole, the evidence favours the view that M. Daladier has, in fact, based his policy on a franc valued at about Frs. 160 to the pound.

The Rupee Exchange.—As a result of the weakness of the rupee, the Reserve Bank has ceased accepting tenders of sterling until further notice. On April 12th the Reserve Bank offered to buy £1,000,000 of sterling at the then normal rate of 1s. 6½d. As no offers were forthcoming, it reduced its rate to 1s. 6¾d., and accepted £10,000 at that price. The following week, the Reserve Bank offered to buy £500,000, but no tenders were accepted as the best rate offered by the banks and the market was 1s. 6d. On April 26th, the Reserve Bank again offered to buy £500,000, but no applications were received. The offer was therefore withdrawn and future offers are being discontinued until further notice. The immediate consequence of this suspension of the weekly tenders was a weakening of the rupee exchange rate to 1s. 5½d. On Thursday morning, however, the Reserve Bank announced that it was prepared to buy sterling on tap at 1s. 6½d. This looks as if the Reserve Bank is attempting to hold the rupee at this rate, by making its purchases of sterling on behalf of Government conform to the amount of sterling on offer at this level. Its success will obviously depend upon Government's requirements, for if these can be kept down, the commercial demand for rupees should be sufficient to maintain equilibrium.

Forward Business in Bills.—For some time there has been a "gentlemen's agreement" in the City of London by which the banks bound themselves to refrain from buying the full-dated Treasury bill and to confine their purchases to bills which had run for at least a week. The intention of this agreement was to discourage the growing habit of "punting" in Treasury bills by institutions lacking the means to take up their bills, but operating on the knowledge that they could resell them to the clearing banks at a profit on the day on which they had to be taken up and paid for. This endeavour to prevent intrusion of the technique of "staggering" to the discount market has, however, been severely strained by the scarcity of bills in relation to the banks' demands. In their keenness to obtain bills, certain clearing banks have been resorting more and more to forward purchases of bills from their connections in the discount market—either discount houses or non-clearing banks. The arrangements made are normally for a week ahead. The deals are fixed soon after the weekly tenders for Treasury bills, when the potential sellers know what bills they will be taking up during the ensuing week and what they will be in a position to sell in order to maintain their case at the desired level. The bills thus sold are no longer "hot bills" when they change hands. In market parlance, they have become "tepid." Thus, the letter of the gentlemen's agreement is respected. It is difficult, however, to reconcile these operations with its spirit, the more so because the banks which undertake these forward operations in bills are also prepared to finance the bills for the direct tenderer during the week in which he is running them. With these facilities behind him, the Treasury bill "punter" is again coming into his element. Only the meagre return obtainable on Treasury bills prevents a more considerable extension of his activities.



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MONEY MARKET NOTES

Foreign Exchanges

THE main movement this week was the rapid recovery in the franc, followed by its fresh relapse, as described in a Financial Note. The recovery was due entirely to the intervention of the French Control, and was a source of loss to many dealers who were caught short of francs. This caused a weakening of the forward rates, for those who had to buy in spot francs at once resold them forward. There has been a moderate amount of business in dollars. The Budget sent sterling down from \$4.99½ to \$4.98½, but the rate has not moved much since. Guilders have been held by the Dutch Control at Fl. 8.96 Belgas were offered up to Bel. 29.66, but have since returned to Bel. 29.63½. Three months' belgas are weaker, but one month's are stronger. Transfer of Austrian-owned funds from Switzerland to England caused a temporary relapse of the Swiss franc to Frs. 21.72½, but once this operation was complete, the rate returned to Frs. 21.68½. Altogether the wide fluctuations in the franc have had surprisingly little effect upon other currencies.

The Money Market

CONDITIONS have been variable this week. One or two of the clearing banks found it necessary to call, but on the other hand there was not the usual Thursday clearing bank calling. On Thursday, however, several lenders of bond money called their loans in the morning and then when conditions eased, found themselves unable to re-lend in the afternoon. Some banks are reported to be less keen buyers of bills, but discount rates are unaltered. It may be that conditions were slightly disturbed by Stock Exchange borrowing in connection with Thursday's settlement. The result of the Treasury Bill tender of April 22nd was almost identical with that of the week before; £45.0 millions

of bills were allotted, and the market obtained, as in the previous week, 41 per cent. of the bills applied for, the market

	April 29, 1937	Apr. 21 1938	Apr. 28, 1938
Bank Rate	2½	2½	2½
London Deposit Rate...	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	5½-3½	1½-5½	1½
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	1½-9½	1½-9½	1½-9½

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. 3½ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

price being £99 17s. 5d. per cent. This week a further £45 millions of bills are being offered.

The Bank Return

THE Easter holiday currency is now returning. This week's Bank return shows a contraction of £6.3 millions in the note circulation. This is almost the same as the parallel movement after Easter, 1936, so that apparently the French dis-hoarding of British currency, noticeable at Easter, has ceased.

	Apr. 28, 1937	Apr. 13, 1938	Apr. 20, 1938	Apr. 27, 1938
£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.:				
Gold	313.7	326.4	326.4	326.4
Notes in circulation	468.8	497.2	495.6	489.3
Banking Dept.:				
Reserve	45.8	30.0	31.6	38.0
Public Deps.	26.2	17.7	18.0	10.9
Bankers' Deps.	87.6	104.0	106.5	113.3
Other Deps.	39.6	36.0	36.1	36.5
Govt. Secs.	97.7	116.1	117.6	114.0
Discounts & Advances	5.5	9.6	8.2	7.1
Other Secs.	22.0	19.6	20.8	19.4
Proportion	29.9%	19.0%	19.7%	23.6%

In the banking department, the Reserve has increased by £6.4 millions as the result of the return of the holiday currency, but its growth was partly neutralised by a reduction of £3.6 millions in Government securities. Public deposits, however, fell by £7.1 millions. The result of all these movements is an increase of £6.8 millions in bankers' de-

INSURANCE NOTES

£1,714,000; the net rate of interest fell from £4 2s. 4d. per cent. to £3 19s. 3d. per cent. Death claims were £16,000 smaller at £129,000. The bonus declared, as in 1936, is at the rate of 38s. per cent. calculated on the sum assured.

In the industrial branch the number of policies issued was 189,000 for sums assured of £3,681,000, compared with 199,000 policies and £3,815,000 in the previous year. Death claims increased by £20,000 to £499,000 and the net rate of interest fell by 1s. 10d. per cent. to £4 10s. 6d. per cent. The amount allocated to policyholders takes the form of an addition to the sum assured, equal to 2½ per cent. of the sum assured for policies of ten years duration and increasing by ½ per cent. for each additional year up to a maximum of 10 per cent; for policies of forty years duration and over. Total assets increased from £14,734,000 to £15,645,000. The aggregate market value is stated to be considerably in excess of the book value. Loans and mortgages increased from £5,025,000 to £5,303,000, of which £3,947,000 consist of mortgages on property, mainly due to the operation

posits, which now once more stand at a high level.

The Bullion Market

DEALINGS in gold have been comparatively quiet. There was the usual Continental demand, much of which this week came from Holland. This, however, may represent circuitous French buying, for French hoarders often purchase by devious routes. The week's demand for gold was met from official sources, but at a premium just high enough to prevent arbitrage operation.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc.	Amt. dealt in	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
Apr. 22.....	139 6	2½ pm	237	18½	18½
" 23.....	139 7½	2 pm	542	18½	18½
" 25.....	139 6	1 pm	674	18½	18½
" 26.....	139 5½	3½ pm	520	18½	18½
" 27.....	139 7	1 pm	640	18½	18½
" 28.....	139 6	1½ pm	647	18½	18½

* Above or below American shipping price. The New York price of silver remained at 43 cents per ounce .999 fine during the week.

The silver market has also been quiet. There has been little support from India and the weakness of the rupee has not stimulated any forward purchases of silver. Apparently there is no desire to hedge against the possibility of a fall in the rupee, which in any case is very remote. There were the usual offerings from the Continent and from speculative sources, but the market at once becomes dull and listless at anything above Thursday's prices of 18½d. for cash and 18½d. for forward. This week, however, has witnessed a shipment of 1,500,000 fine ounces of silver to Bombay, this being the first substantial shipment for a number of months. As there was little Indian buying this week, it probably represents the maturity of forward contracts entered into some time ago.

of the Society's house purchase scheme. There was no special alteration in the classification of investments. As usual ordinary shares are absent from the list, since investment in them is not permitted by the Society's Act of Parliament.

London Assurance.—The new life assurances of this company again showed an increase, in 1937, over those of the preceding year. In 1937 some 3,635 policies were effected, assuring sums of £2,956,000; in 1936 the figures were 3,156 policies, for £2,824,000. The net rate of interest earned on the life fund was 1s. lower at £3 16s. 8d. per cent. In the fire branch the total premium income showed a slight reduction to £2,011,000, but the accident premiums increased to £1,405,000 from £1,319,000 in 1936. Once again the underwriting profits were extremely satisfactory, particularly in the fire branch. The premium income in the marine account showed a substantial increase from £647,000 to £775,000, but the transfer to profit and loss was lower

at £50,000. The underwriting results for the last two years are given below:—

	1936	Per cent. of Profit	1937	Per cent. of Profit
Amount of Profit	£172,321	8.4	£181,328	9.0
Fire	103,389	7.9	98,078	7.0
General Accident	74,928	...	50,000	...
Marine	22,500	...	22,500	...
Life	373,138	...	351,906	...
Less items debited to profit and loss	162,152	...	185,436	...
	210,986	...	166,470	...

This year marks an alteration in the method of presentation of the accounts. In previous years interest has been credited separately to each underwriting account, but this year all interest from miscellaneous branches has been carried direct to profit and loss. At the same time, the various additional underwriting and other reserve accounts have been consolidated in the general reserve fund, which now totals £3 millions. A sum of £150,000, transferred to a widows' provident scheme, has not been included in the net profit and loss figure shown in the above statement. The rate of dividend is again 45 per cent. and costs £225,000, while net interest earnings, after deducting preference dividends of £32,000, amount to £194,000. The balance of the dividend, as in previous years, was amply met from the underwriting profits. The total assets of the London Assurance and its subsidiaries increased from £19,443,000 to £20,238,000, of which the life assurance fund accounts for £10,155,000. Loans and mortgages totalled £2,106,000, against £1,658,000, but British Government securities fell from £4,184,000 to £3,475,000. Debenture stocks increased from £4,078,000 to £4,542,000, preference stocks from £1,081,000 to £1,477,000, and ordinary stocks from £1,154,000 to £1,425,000.

Royal Exchange Assurance.—The accounts of this company are concerned solely with its own activities, although details are given which show that total assets, including those of its affiliated companies, amount to over £30 millions. The aggregate premium income for the group for the first time exceeded £10 millions. The new life assurances of the company for 1937 reached a record figure of £4,655,000, compared with £4,323,000 in the previous year, while consideration for annuities granted showed a small reduction from £195,000 to £184,000. The net rate of interest was £3 19s. 1d. per cent., compared with £4 2s. 9d. per cent. in 1936. The underwriting results of the last two years are given below:—

	1936	Per cent. of Profit	1937	Per cent. of Profit
Amount of Profit	£170,950	12.1	£176,939	12.2
Fire Department	61,684	5.5	63,842	5.3
General Dept.	20,979	3.2	19,561	2.3
Marine Dept.	30,446	...	30,446	...
Life Department	11,174	...	11,174	...
Annuity Dept.	1,288	...	1,288	...
Capital Redemption Department	16,634	...	12,246	...
Trustee & Exec. Department	271,197	...	276,374	...
Less items debited to profit and loss account	147,686	...	151,153	...
Net trading surplus	123,511	...	125,221	...

The premium income in both fire and accident branches showed a slight increase and the underwriting results were

again satisfactory. In the marine branch the premium income increased from £659,000 to £861,000, but, as in previous years, no transfer has been made to profit and loss; the loss shown above is accordingly the amount of interest credited to the account.

Apart from the usual reserves for unexpired risks, the fire and accident branches include additional reserves amounting to £1,100,000, contrasting with premium income of £2,660,000. The marine insurance fund, at £942,000, is equal to 109 per cent. of last year's premium income. The dividend is again at the rate of 30 per cent. and costs £214,000, which is covered by net interest earnings credited to the fire and miscellaneous branches and profit and loss account of £219,000. The total assets of the Royal Exchange increased from £22,891,000 to £23,928,000, of which the life and annuity branches account for £15,555,000. The values of the Stock Exchange investments have been taken at or below market price at December 31, 1937, less accrued interest, and no major movement has taken place in their classification during the year.

Caledonian Insurance.—The new life assurances of this company increased further last year from £2,039,000 to £2,166,000. The net interest earnings of the life assurance account were slightly larger at £312,000, but the net rate of interest fell from £4 0s. 2d. per cent. to £3 18s. 11d. per cent. Death claims amounted to £229,000, compared with £237,000. In the other branches, fire premium income was £697,000 against £715,000 and accident premium income fell from £521,000 to £514,000. Marine premium income rose by £11,000 to £97,000 and £10,000 has again been transferred to profit and loss. The underwriting results of the past two years are shown below:—

	1936	Per cent. of Profit	1937	Per cent. of Profit
Amount of Profit	£70,289	9.8	£65,472	9.4
Fire	16,415	3.1	10,963	2.1
Accident	10,000	11.6	10,000	10.3
Employers' Liability	12,871	...	12,871	...
General	109,575	...	99,306	...
Marine	69,987	...	72,565	...
Life	39,588	...	26,741	...

* Including transfer in both years of £25,000 to general reserve.

Assets in the life department increased from £8,071,000 to £8,258,000. Among the various types of loan there is an increase from £376,000 to £508,000 in loans on "personal security and medical practices." British Government securities increased from £1,860,000 to £1,917,000, but debenture stocks were £72,000 smaller at £1,557,000. Preference stocks showed an increase of £28,000 at £843,000 and ordinary stocks rose from £991,000 to £1,089,000. The assets of the miscellaneous branches amount to £3,315,000. There is a general reserve fund of £600,000 and a profit and loss balance, after payment of the dividend, of £172,000. The dividend is again at the rate of 75 per cent. and costs £89,000, compared with interest earnings of £78,000.

London and Provincial Marine and General.—This company is a subsidiary of the Yorkshire Insurance Company, and has enjoyed consistently good marine results. Last year, marine premium income increased from £101,000 to £122,000, but first year's claims and expenses amounted to 39.3 per cent. of the year's premium income, compared with 30.5 per cent. in 1936. Claims paid on the 1936 and the previous years' accounts amounted to £54,000, compared with the corresponding figure of £42,000 in 1936. The transfer to profit and loss was reduced from £20,000 to £15,000. The marine fund amounts to £194,000, equal to 158 per cent. of the 1937 premium income. Fire and accident premiums showed a small increase at £116,000. The results of the past two years are given below:—

	1936	Per cent. of Profit	1937	Per cent. of Profit
Amount of Profit	£3,798	3.4	£7,307	6.3
Fire and Accident	20,000	19.8	15,000	12.3
Marine	23,798	...	22,307	...
Less items debited to profit and loss	15,034	...	14,330	...
Net trading surplus	8,764	...	7,977	...

Total assets amount to £1,566,000. The aggregate market value of Stock Exchange securities on December 31, 1937, was in excess of the book value of £1,126,000. The investment reserve fund is increased by £10,000 to £100,000 and other specific reserves remain at £600,000. In addition, after payment of the usual dividend of 10 per cent., free of tax (costing £30,000 against net interest earnings of £47,000), the profit and loss balance is £153,000. The financial position of the company is obviously very strong.

Law Union and Rock.—This company, which is a subsidiary of the London and Lancashire, is mainly concerned with life assurance, although it also transacts fire and accident business. New sums assured in the life branch showed a small reduction in 1937 from £2,746,000 to £2,606,000, and the net rate of interest decreased from £3 15s. 11d. per cent. to £3 13s. 6d. per cent. Claims by death were £24,000 higher at £453,000, compared with the preceding year, and surrenders also showed an increase from £76,000 to £121,000. Fire and accident premiums were almost unchanged at £701,000. As will be seen from the following table, while the profit in the fire branch was again very satisfactory the profit in the accident branch showed a reduction compared with the preceding year.

	1936	Per cent. of Profit	1937	Per cent. of Profit
Amount of Profit	£17,078	...	£17,078	...
Fire	69,669	15.9	85,236	19.3
Accident & Gen.	16,073	6.0	4,794	1.8
Less items debited to profit and loss	102,820	...	107,108	...
	49,964	...	39,671	...
	61,856	...	67,437	...

The dividend is again at the rate of 16s. per share and costs £135,000, compared with net interest earnings, after deducting debenture interest, of £44,000. As in 1936, therefore, the cost of the dividend is in excess of the combined net trading surplus and interest earnings and the profit and loss account is reduced from £41,000 to £17,000.

Wesleyan and General Assurance.—The usual annual valuation of liabilities of this society was made as at December 31, 1937, and the results are given below. The bases of the valuation were the same as in 1936:—

	1936	1937
Ordinary Branch		
Surplus earned during the year	124,692	140,725
Investment profits realised	7,423	9,689
Transferred from industrial branch	14,997	15,855
Brought forward	55,064	45,651
	202,176	206,919
Bonuses to policyholders	142,475	150,579
Staff pension fund	14,050	13,090
Carried forward	45,651	43,250
	202,176	206,919
Industrial Branch		
Surplus earned during the year	181,768	197,596
Investment profits realised	3,450	2,819
Brought forward	102,477	38,318
	287,695	238,733
Bonuses to policyholders	36,056	60,249
Staff pension fund	35,950	51,910
Bonuses to outdoor staff	17,702	19,026
Ordinary branch (gross of tax)	19,669	21,140
Strengthening of reserves	50,000	50,000
Investment reserve fund	50,000	50,000
Carried forward	38,318	36,408
	287,695	238,733

In the ordinary branch new sums assured amounted to £1,650,000 against

Investment

Budget and Markets.—On the Stock Exchange, the reaction to the Budget has been much more favourable than most observers would have cared to predict. Anticipations of a "comfortable" Budget, on which the market was inclined to pin its hopes on Tuesday, were belied, yet the reaction to the hard truth showed that investors were, in fact, prepared to tread the sterner path mapped out by the Chancellor. The professional bears who sold short in Tuesday's "Street" market misjudged this response. At the opening of business on Wednesday, it is true, prices were marked down in every department of the "House." But by the end of the day, most of these losses had been regained, and in particular sections net advances were recorded. Possibly the rise was due as much to relief that no disturbing new taxation had been proposed (and in particular that N.D.C. was unchanged) as to the Chancellor's grasping of an uncomfortable fiscal nettle. The common assumption that gilt-edged must be marked down, in order to equalise net yields on an increase in the standard rate of income tax, once more proved fallacious. War Loan, for example, was no more than $\frac{1}{8}$ lower at the close on Wednesday, having recovered from an initial level of 100 $\frac{1}{2}$ to 101. Particular sections of the industrial market, such as brewery and aircraft shares, made distinct progress. And the advance registered by the leading industries such as Imperial Chemical Industries and Imperial Tobacco, compared with Tuesday's "Street" prices, clearly showed that the net investment repercussions of the Budget were relatively slight.

In the following table, we show the movements in selected gilt-edged industrial and commodity stocks, from the mid-March Austrian crisis level, through the Easter account, and the detailed changes this week:—

	Mar. 16	Apr. 4	Apr. 22	Apr. 26	Apr. 27	Apr. 28	Week's change
2½% Consols...	71½	74½	75	74½	74	74½	—½
3½% War Loan	99½	102	103	101½	100½	101½	+½
4% Funding ...	111½	111½	113	112½	112½	112½	+½
Imp. Chem. Ind. (L)	27/9	30/-	32/6	31/-	31/10½	32/3	—3d.
Imp. Tob. (L)	6	6½	6½	6½	6½	6½	—½
Turner & Newall (L)	70/-	78/9	84/4½	80/-	83/9	84/-	—4½d.
Vickers (10/-)...	20/-	22/6	23/9	23/10½	23/9	24/1½	+4½d.
Courtaulds (L)	37/-	39/4½	42/-	40/-	41/3	41/-	—1/-
Guinness (L)	103/9	113/9	117/6	118/-	120/-	120/-	+2½
Ind. Coope (L)	95/6	105/-	110/-	109/-	111/-	111/6	+1/6
Distillers (L)	86/-	93/-	99/-	96/3a	95/9	97/3	—1/9
Pet. Storage Def. (L)	26/-	30/-	32/6	34/-	30/-	29/8½	—2/9½
"Shell" Transport (L)	4½	4½	4½	4½	4½	4½	...
Anglo-Iranian (L)	3½	3½	3½	3½	3½	3½	...
Ducars (L)	39/6	40/-	41/3	40/6	40/6	41/3	...
Nuwara Eliya (L)	59/6	53/9	53/9	53/-	52/6	52/6	—1/3
Crown Mines (L)	157/8	141½	155/8	155/8	157/8	16	—1/8
West Wita. (10/-)	7	6½	6½	6½	6½	6½	...

(a) Closing "Street" prices.

x Ex dividend.

Since the market has so clearly demonstrated its ability to receive an "unpopular" Budget without flinching, some investors may read into the recent recovery a particular significance. *The Financial News* ordinary share index has recovered 15 per cent. from the mid-March level. That level represented a demand for liquidity at all costs, and over-discounted the available evidence of industrial recession. If first views on the Budget are maintained, the inference may well be that clearer political skies, for the time being, will justify a further downward adjustment of equity yields to a moderate extent. Sir John Simon's first Budget, which spared the market any disturbance arising from new taxes, has yet provided a test whose surmounting may prove a significant pointer to the prospective trend over the next month or two—politics always apart. The possibility that last year's time-table may be repeated by the issue of a further instalment of defence borrowing, may now provide a topic for speculative market discussion.

Chancellor and Stock Exchange Prospects.—That the markets made so relatively satisfactory a meal of the Budget's cold meat may be due, in some part, to the guarded but mainly favourable view of Stock Exchange prospects which was explicit in the Chancellor's statement and implicit in certain of the 1938-39 estimates. The Budget item most closely related to Stock Exchange activity is the revenue from stamp duties, whose total of £24,170,000 last year was some £4,830,000 below the 1937-38 Budget estimate. This shortfall was frankly admitted by Sir John Simon to be "extremely disappointing," and scarcely less so, at first sight, was his decision to budget for no increase whatever in the yield of the duties this year. The Chancellor, however, went out of his way to emphasise the deliberately conservative policy involved in this action and to declare that there was "every hope" of a recovery in Stock Exchange activities. What may, possibly, have escaped market attention is that even an unchanged yield from stamp duties (after allowing for a trumpery increase of £50,000 due to new provisions relating to certain transfers between companies) implies a level of Stock Exchange activity, between now and next March, which is appreciably above the present one. The best available—though admittedly imperfect—measure of changes in the volume of dealings is the *Financial News* computation of the number of bargains marked in the "Lists." The average markings in the last week of every month from April, 1937, to March, 1938, was 37,996; the average for the week preceding Sir John's Budget speech was 36,260, a difference of 4½ per cent. Another item bearing upon Stock Exchange prospects is the yield from death duties, which is in part a function of security price levels. The Chancellor referred regretfully to the effect of last year's slump, and reduced his estimate of the 1938-39 yield of the duties to £88 millions, against an actual receipt of £89 millions in 1937-38. Unless the Treasury, however, is expecting a higher incidence of mortality among the wealthy this year, its decision to reduce the anticipated yield by only a little more than 1 per cent. implies a lively faith that security values will not only cease to fall but will actually rise. The present price of a long-dated gilt-edged stock like 2½ per cent. Consols is certainly no more than 1 per cent. below the mean figure for the past twelve months. But the Actuaries' Index of ordinary shares, last Tuesday, was still as much as 10½ per cent. below the end-month average from April, 1937, to March, 1938.

Income Tax and Yields.—Investment mathematicians have enjoyed the convenience of a 5s. standard rate for only a brief spell. In future, mental arithmetic must give place to the slide-rule in converting gross yields to a net basis and *vice versa*. To calculate net yields from gross it now becomes necessary to multiply the latter by 0.725, or alternatively to divide by 1.38. Conversely, to obtain a gross yield from net figures, the latter may be divided by 0.725 or multiplied by 1.38. These factors, of course, must be recalculated in cases where Dominion income tax relief has to be taken into account. The conversion is of primary importance for calculating the effective return on shares on which the dividends are declared free of tax. In the table at the head of the next column we have selected a number of "tax-free" preference and ordinary issues, and compare net yields with the gross returns, on the basis of 5s. and 5s. 6d. standard rates of tax. Many of the preference issues carry the right to tax-free dividends only up to 6s. in the £—the maximum rate ever levied, from 1918 to 1922. In view of the prospective Budget problem in future years, the rights of these shares afford some cushion against a further rise in income tax. The shelter provided by ordinary shares, on which tax-free dividends are usually declared, is conditioned to a greater

All Shares of £1 Denomination	Tax free Div. Rate	Price	Net (or tax free) yield %	Gross yield % at 5s. std. rate	Gross yield % at 5s. 6d. std. rate
Preference Shares	%		£ s. d.	£ s. d.	£ s. d.
Austin Motors 2nd pref.	6*	26/3	4 11 6	6 2 0	6 6 0
Guest Keen and Nettelfolds					
1st pref.	5	29/4½	3 8 3	4 11 0	4 14 0
Lanc. Electric 1st pref.	6*	36/6	3 5 9	4 7 9	4 10 9
Selridge	6*	30/-	4 0 0	5 6 6	5 10 3
Vickers cum. pref.	5*	30/3	3 6 3	4 8 3	4 11 3
Ordinary Shares					
Associated Equipment	7½	35/7½	4 4 3	5 12 3	5 16 0
Brit. Am. Tobacco	21½	105/7½	4 0 0	5 6 9	5 10 3
Firth-Brown	17½	68/9	5 2 0	6 16 0	7 0 9
Imp. Tobacco	25	43½	3 13 0	4 7 5	5 0 9
Patons and Baldwins	12½	43½	5 16 0	7 14 6	8 0 0
"Shell" Transport	20	86/3	4 12 9	6 3 9	6 8 0
Staveley	12½	55/-	4 11 0	6 1 0	6 5 6

* Tax free up to 6s. in £.

extent by the security of existing rates of dividend. And it is possible that even companies with highly stable dividend records may tend, in the future, to adopt the policy of the directors of Courtaulds, who in 1936 replaced the tax-free dividend basis of previous years by declaring the rate subject to tax.

Oil Duty and Oil Shares.—The reactions of the oil share market this week have been somewhat remarkable. On Tuesday, a smart recovery occurred, on the hope of a "good" Budget. In consequence, the announcement of an additional penny on the oil duty was followed by consternation in the "Street" market, and "Shell" were quoted as low as 4½ at one time. By a remarkable change in sentiment, prices rallied vigorously on Wednesday, as we show in the table on page 248. The additional impost cannot be reckoned as a bull point for oil shares, particularly if any consequential changes in distributors' "ex-duty" prices are involved. And while tanker freights are no longer at their peak, the fall since the distributors made a concession to petrol retailers has been relatively moderate, and the margin for further concessions does not appear substantial. Large consumers, such as London Transport and the Tilling group—and perhaps the motor manufacturers—may in this respect at least regard the Budget as a "railway budget." The additional duty, indeed, seems likely to fall almost entirely on the "C" stockholder of London Transport. It has been reported this week that the Board consumes between 30 and 40 million gallons of fuel, petrol and heavy oil, per annum, and on the lower figure, the additional cost would amount to £125,000—equivalent to about ½ per cent. on the "C" stock.

The new excise of 9d. per gallon on power alcohol is of closest concern to three companies: Petroleum Storage and Finance, which markets Cleveland spirit; Distillers, which manufactures the alcohol; and United Molasses, which provides the raw material. The precise reasons for the new excise have provided the market with much thought but few clear conclusions, although the comparison has been drawn in some quarters between the power alcohol industry and the oil from coal industry, which now enjoys a guaranteed minimum preference of 8d. per gallon. The shilling deferred shares of Petroleum Storage and Finance, of which £75,000 are in issue, fell to 26s. 3d. on Wednesday, and closed at 29s. 9d. on Thursday. Owing to their exceptionally high gearing, these shares must be regarded as extremely sensitive to potential fluctuations in earnings. How far the new excise will affect the Cleveland Discol business, of course, cannot be accurately ascertained. It is possible, however, that some adjustment of the power alcohol content of the spirit may be made—it is understood that the present proportion is 12½ per cent. alcohol to 87½ per cent. petrol—and that the concern may be able to expand its sales of Cleveland No. 1 spirit, on which profit margins will now be relatively better. If these inferences are valid, the ultimate effect upon Distillers and United Molasses should be relatively small. The former company will

inevitably be compelled to pass on as much of the excise as the business will bear, and if its policy regarding industrial solvents is any guide, existing profit margins on power alcohol have probably been modest. Although Distillers ordinary stock units fell to 93s. 9d. at one time on Wednesday, the later recovery to 97s. 3d. appears to recognise the potentially greater equity in the industrial solvents business. The Chancellor's estimate of £350,000 from the new excise corresponds to an annual consumption of 9,300,000 gallons. Last year's total production of methylated spirits, however, exceeded 26 million gallons, and that of industrial solvents also exceeded the same figure. The long-term increase in industrial spirits consumption, it appears, may compensate for any reduction on the production of power alcohol, in the long run. On the other hand, more conservative valuation for Petroleum Storage deferred, which last year received 344 per cent., is perhaps inevitable.

Wear and Tear Allowances.—The equity shareholder will be unable to frame any detailed calculations for particular companies on the Chancellor's further allowance of 10 per cent. on the basic wear and tear allowance, which supplements an existing 10 per cent. additional allowance under Section 18 of the Finance Act of 1932. In certain instances, this concession may broadly offset the effect of the increase of 6d. in the standard rate of tax, but its effects for individual companies' equity earnings will vary, first according to the amount of fixed assets employed in their business; secondly, according to the basic rates of wear and tear allowances agreed with the Inland Revenue in respect of different trades; and thirdly, according to the relative level of profits. From the accounting point of view, the increased additional allowance is equivalent to antedating the eventual allowances in respect of any given asset. On the other hand, companies whose profits oscillate violently during the different phases of the trade cycle will be able to carry forward the increased allowances, if necessary, against the profits of future years without restriction of time. The wear and tear allowances are, of course, not comparable with the depreciation provisions which may be shown in the annual reports of individual concerns to their shareholders. Hence it is difficult to reach more than formal conclusions about the circumstances in which increased allowances will offset the increase in the standard rate of tax. If the wear and tear allowance, on the 1937-38 basis, was already equivalent to 49.72 per cent. of total profits, the new concession will offset the increase in the company's tax liability; companies whose allowance represented less than this proportion of gross earnings, on the other hand, will stand to lose on balance.

To single out particular industries falling within this category, however, is difficult, even on the broadest grounds. Heavy industrial concerns with a substantial proportion of fixed assets are potential beneficiaries, particularly if profits are low. Some additional light on the present figures of wear and tear allowances granted to certain industries may be obtained from the following table:—

WEAR AND TEAR ALLOWANCES			
	%		
Boot and shoe machinery	10	Flour milling.....	7½
Brewery plant	6½	Hosiery	13
Do. washing plant	10	Iron and steel pig breakers, etc. ..	6
Brickmaking plant	5*	Do. converters, etc.	7½
Chemical plant	7½	Do. elec. furnaces	12½
Do. synthetic dyestuffs, etc.	15	Locomotive mfr.—engines, etc.	5
Collieries' wagons and surface plant	6½†	Printing machinery	7½
Do. underground plant	10	Paper mills—day plant	5
Commercial motors	20	Do. —day and night plant	7½
Electric cables	3	Silk—winding plant	7½
Electric plant and machinery	7½	Do.—knitting	10
Engineering	5	Tin plate.....	7½
Do. machine tools	7½		
Do. special precision plant	12½		

* Not kilns. † For railway companies' wagons, cost of renewal is allowed.

These basic rates (now increased, in effect, by 20 per cent.) are applied to asset values as written down for income tax purposes, and not to book values. Moreover, there would be

danger in applying any given rate to the global value of a particular company's fixed assets without fuller dissection of the plant accounts. It may be added that the allowances for ships introduce even greater complication.

Company Notes

Cable and Wireless Results.—The new standard Empire cable rates came into operation on Monday, and on Tuesday the operating concern, Cable and Wireless, Ltd., issued a preliminary earnings statement for 1937. The exact earnings figure is not stated, but the chairman explains that the profits last year exceeded £1,200,000, the "standard revenue" under the new regime, and surpassed the 1936 profit of £842,945 by "over £400,000." The dividend on the ordinary stock—held by the cable companies which constitute the second tier in the group's financial structure—is increased from 2½ per cent. to 3½ per cent., and £300,000 has been put to general reserve. These facts suggest that the profit was at least £1,255,000, and may have been somewhat higher. The results appear very satisfactory, and they emphasise once more the relations of the group's earnings to the level of international trade. For the Holding company stockholder, they mean little at this stage, for the dividend on the ordinary stock has already been declared. Assuming, however, that the cable companies passed on the whole of their extra receipts from the operating company (retaining the same amount of their earnings as in 1936) and that the group's investment income remained at the 1936 level, it would appear that the 4 per cent. dividend on the holding company's equity was earned with a small margin to spare.

* * *

What does this augur for 1938? If the 1937 profits of the operating company were repeated this year, then the net revenue would be over £1,500,000, for the beam rental charge will be eliminated. At this level, the corresponding dividend on the holding company's equity would, according to the table on page 147 of our issue of April 16th, be 5.8 per cent., plus any excess of "other income" over the "other income" of 1936. It has been suggested, however, that our table—which correlated the operating company's "standard revenue" with a dividend basis of 4½ per cent. for the holding company's equity—was too conservative, and that the actual consolidated earnings of the whole group would, in these circumstances, be equivalent to approximately 8 per cent. on the Cable ordinary stock. The discrepancy between these figures is substantial, but, in fact, they measure different things. The latter figure is a consolidated profit, based on the assumption that the cable companies distributed their whole income up to the hilt to the holding company. Our figure, on the other hand, was designed to measure probable dividends: it assumes that the cable companies retain as much income as they retained in 1936. The latter year, however, was marked by a conservative distribution policy, and it is possible that, if the operating company were earning standard revenue, as much as 6 per cent. might percolate through to the holding company's equity. Part of last year's allocation of £300,000 to the operating company's general reserve will be specifically available for dividend equalisation, and consequently the board may, in future, be more liberal than in the recent past. Whatever the distribution policy may be in the future, however, our conclusion still holds good—that the standard revenue has been fixed at a level which provides stockholders with insufficient compensation in good years for their loss of dividends in bad years. The extent of these risks, in a service which is primarily dependent upon the level of international trade, is well illustrated by the movement of the traffic index for the first three months of 1938, for which the average is 15.7 per cent. lower than a year ago.

Babcock and Wilcox Report.—The full report of Babcock and Wilcox discloses a more satisfactory position than the mere maintenance of the 10 per cent. dividend suggested. The rise in total profits, in fact, is at a comparable rate with that of 1936, and manufacturing profits and dividends from subsidiaries are some 29 per cent. higher at £607,293, although investment income is about £39,000 lower at £109,000 owing, presumably, to the substitution of Government securities for certain other investments. The allocation of profits in the past three years is shown in the following table:—

	Years ended December 31		
	1935	1936	1937
Total profits	£525,657	£619,300	£716,293
Expenses and fees	27,569	31,603	37,363
Pension fund	21,083	23,662	26,143
Taxation	14,952	18,358	52,872
Preference dividend	14,952	14,952	14,954
Ordinary shares :—			
Earned	462,053	530,725	559,961†
Paid	343,972	429,966	429,965
Earned %	11.5	13.1	14.0‡
Paid %	8	10	10

Dividend equalisation reserve..... 100,000 100,000 100,000
Carry forward 65,893* 66,652 96,648
* Includes £3,406 from income tax account. † After providing £25,000 for possible fall in stock values. ‡ Or 14.8 per cent. before providing provision against stocks.

Out of a £97,000 increase in profits, no more than £29,000 accrues to the ordinary shareholders. This is largely due to increased tax requirements, and to the special allocation of £25,000 towards any fall in the value of the merchandise stocks. Reference is again made in the report to the international trade difficulties which underline the necessity for conservative distribution of profits. The balance carried forward is increased by £30,000 after a transfer to dividend equalisation fund, which raises the total to £500,000—equivalent to 11 per cent. on the ordinary stock. Substantial additions have again been made to property and plant, while items such as stock and debtors are also higher. While the directors report that the volume of trade in home and export markets alike remained at the high level reached in 1936, the latest profits are still appreciably below those of pre-depression years, and the international outlook is not encouraging. The ordinary dividend, however, is safeguarded by the equalisation fund, and the company's satisfactory financial position may possibly merit the present yield of 5 per cent.

* * *

Higher Cerebos Profits.—A steady growth of sales and profits produced a new high record for Cerebos in 1936. Over the past ten years, indeed, the strong upward trend in profits was affected by the depression to a comparatively small extent. The latest results indicated that 1937 was even more satisfactory than its predecessor, and provide further evidence of the expansionary power of the undertaking. We show below the allocation of profits in the past three years:—

	Years ended December 31		
	1935†	1936	1937
Profits	£404,930	£414,679	£444,022
Fees	2,196	1,352	1,304
Taxation	85,000	95,000	125,000
Ordinary shares :—			
Earned	317,734	318,327	317,718
Paid	229,687	301,250	300,000
Earned %	55.3‡	42.3	42.3
Paid %	40§	40	40

To reserves 106,452 100,000|| 50,000
From profit on sale of investments 35,990 89,927 2,483
Carry forward 133,848 132,602* 106,553

* After charging £4,500 issue expenses. † 13 months. ‡ Actual. § And capital bonus of 33½ per cent. || Investment reserve.

Profits are struck after depreciation, and include interest and dividends on shares in subsidiary and associated companies, which account for no more than £126,093 out of a

balance sheet total of £1,905,375. Receipts in 1937, however, included an appropriation, of unstated amount, from the undistributed profits of a subsidiary. In recent years profits from the sale of investments have been of some importance, but the proceeds have, in effect, been placed to reserves, since dividend distributions have been fully covered by current earnings. In 1937, these capital profits were comparatively small, being derived apparently from the realisation of "other investments" whose book cost now stands at £33,316 against £97,764. In the previous year a profit of almost £90,000 was obtained. The latest balance sheet reveals a number of changes: property and plant continue to expand, shares in subsidiaries at cost stand at £101,621 against £54,784, and the smaller investment holding is partly counterbalanced by a rise in cash, while stocks have increased from £94,783 to £153,239. The company's trade is not markedly sensitive to changes in purchasing power, and the market's high rating of the ordinary shares is reflected in the current yield of £4 18s. per cent. on the ordinary shares, at 8½.

* * *

Spillers' Report.—For the seventh year in succession this milling concern pays an ordinary dividend of 15 per cent., which is comfortably covered with an earnings margin of nearly 2½ per cent. While in recent years the company has shown relative stability of profits, in the latest financial period a setback has occurred, and net profits have been reduced by more than £40,000, despite a saving of £10,000 in tax. Details are given in the following comparative table:—

	YEARS ENDED JANUARY 31		
	1936	1937	1938
Profit	437,629	470,638†	430,224‡
Directors' fees, etc.	19,167	19,000	19,000
Preference dividend	53,151	52,293	51,579
Surplus	315,311	399,345	359,645*
Paid in dividends on—			
Ordinary	207,687	204,291	204,669
Deferred	95,251	93,690	94,210
Co-partnership	8,320	9,794	11,596
Earned for Ord. and Deferred	15.2	19.5	17.4
Paid %	15	15	15
Reserves	...	100,000	50,000
Carry forward	175,935§	167,505	166,675

* After £50,000 additional provision for obsolescence. † After £185,000 taxation. ‡ After £175,000 taxation. § Includes net profit on sales of investments of £3,481 after £50,000 transferred to investment reserve.

While the reasons for these less favourable results will no doubt be discussed at the meeting on May 7th, the investor must at present take his choice of various possible explanations. Fluctuations in wheat prices inevitably involve difficulties for the manufacturer who must endeavour to maintain the profit margin, determined by the agreed price for flour. It is probable that profits have to some extent been affected by the high wheat prices prevailing during 1937. A year ago the chairman explained that high wheat prices were of no advantage to the company, although profit margins did not suffer. But apart from tying up a larger proportion of financial resources, higher prices for flour adversely affect demand, especially for animal foods, which continue to grow in importance in relation to the rest of the business. The decline shown last year, however, is not very serious, and may well be reversed in a period of reasonably stable prices. The balance sheet reveals certain changes of particular interest. Considerable holdings of Government securities have been realised, and the book cost of these investments has fallen by £1,075,000 to £622,000. Cash, which stood in January, 1937, at £101,000, now amounts to no less than £844,000. As a whole, however, surplus liquid assets are £310,000 lower, a decline which is partly attributable to further investment in properties and plant. Stocks are somewhat lower than a year ago at £1,586,000, but continue to be appreciably higher than in January, 1936. In view of the stable dividend record, the present price of 53s. 1½d. for the £1 ordinary, offering a yield of £5 13s. per cent., appears reasonable.

Union Cinemas' Position.—Investors will recall that, at the annual meeting of Union Cinemas, held last December, the new chairman, Mr John Maxwell, was unable to propose the adoption of the company's report to March, 1937, since the new directors could not accept or support the value of the principal assets as shown in the accounts. The meeting was consequently adjourned, pending the submission of accounts to December, 1937. From the position disclosed in the accounts, published this week, it is evident that Mr Maxwell's comments on the valuation of properties in the previous balance sheet have proved justified. The re-valuation of assets has involved a transfer of no less than £3,192,629 to suspense account, which is not, of course, represented by any available assets. Since the share capital, of all classes, amounts to £3,265,026, it is evident that no class of capital is represented by assets. Loans on mortgage and secured bank overdraft together total £1,656,079, and the company has heavy contingent commitments for the obligations of subsidiary companies. Creditors, including amounts due to associated and subsidiary companies, total £838,416 compared with current assets of no more than £48,910. The profit and loss account reveals that some £55,159 was earned for dividends in the period, but in future years a depreciation provision of some £50,000 will be required. Trading results under the new management, it is stated, show considerable improvement, but the facts of the balance sheet will evidently demand careful management for a considerable time to come. The position will scarcely encourage the investor to change his present cautious rating of the industry as a whole.

* * *

Shipping Company Prospects.—The week's shipping company news gives a broadly hopeful view for 1938. P. and O. Steam Navigation, which distributed 4 per cent. for both 1935-36 and 1936-37 in single payments, has resumed interim dividends at 2½ per cent., which suggests the possibility of an increased distribution for the full year. The resumption in 1938 of ordinary dividends by the Union Castle Mail Steamship Co., given the continuance of present conditions, was foreshadowed by Mr Robertson F. Gibb at last Tuesday's meeting. The key fact in his speech, as in Sir Percy Bates' speech at the Cunard Steam Ship meeting, is that the company is better equipped to-day both financially and with new tonnage, to obtain a full share of available business. Union Castle has ordered 14 new vessels since the beginning of 1934—10 ships before the upward trend of building costs began—and the older ships are being disposed of. The question of more permanent finance for this programme, which has been covered by loans on favourable terms, was referred to, and the directors hope to fund at least a proportion of the total of the amounts now outstanding. In 1937 the company benefited from a moderate increase in passenger traffic and a much larger volume of cargo. But the high freights prevailing gave a false impression of potential earnings, since much of the cargo was carried under contract and certain restrictions exist under various agreements with the South African Government. Comparative independence of fluctuating freights also applies to the Cunard Steam Ship Company, whose improved earnings have arisen from a big increase in Atlantic trade. Commendation for the depreciation policy was rightly claimed by Sir Percy E. Bates at last Tuesday's meeting. In respect of 1937 as much as £976,280 had been written off the fleet as a whole, and a reduction in cash holdings was mainly due to the year's expenditure on two ships which are being constructed out of current resources instead of advances. If the same yearly allocation for depreciation on the older ships and the "Queen Mary" could be kept up—a target which Sir Percy believes to be attainable—the ships would be reduced to scrap value on reaching an age of 25 and 20 years respectively. A shipbuilding programme related to the depreciation allowance would allow the company to retain its position. Sir Percy, however, stressed the fact that the building policy was not responsible for the absence of dividends, though it alone could lead to their resumption.

"Sofina" Improvement.—A company with such wide international interests as "Sofina" cannot avoid the effect of currency restrictions and the growing tendency of Governments to concern themselves with the finance and administration of public utilities. Substantial increases in the output of electricity, however, have enabled them to overcome these difficulties to date and to register further progress. The dividend on the Frs. 500 shares is maintained at Frs. 440, while net profits amount to Frs. 102.2 millions against Frs. 93.3 millions. Total income, at Frs. 124.2 millions, is 8 per cent. higher than in 1936. The size of the cash holdings is as impressive as ever, for it amounts to no less than 38 per cent. of the balance-sheet total of Frs. 2,292 millions, despite a reduction which was due to the acquisition of further interests. The report contains an abundance of detail upon each of the more important of the company's separate holdings, and, as in previous years, those interested in electricity undertakings generally will appreciate the wealth of statistical information. The survey of economic conditions which opens the report will interest a still wider circle. These views are amplified in a supplement to the report entitled "Economic Equilibrium"; the writer of this supplement reveals his opposition to Government intervention, but he gives full credit for constructive assistance to and co-operation with private enterprise.

Rand Meetings.—Kaffir shareholders will recall that 1937 was a difficult year for adequate supplies of native labour. It is not surprising, therefore, that this essential topic has been considered in recent meetings of Rand mining undertakings in Johannesburg. At the Rand Mines meeting, for example, Mr W. H. A. Lawrence reported that the experiment of employing tropical natives from areas north of 22 degrees south had given encouraging results and substantial additional supplies of labour may in due course become available. Mr Lawrence also deputed for Mr John Martin at the Crown Mines meeting, at which he also discussed this problem. Mechanical scraper equipment for lashing ore in stopes and loading rock in drives has been employed on a limited scale, and the results have afforded some encouragement to adopt these devices on a larger scale. Recent work on the Main Reef has been promising and holds out the prospect of a not inconsiderable tonnage. Dr Hans Pirow, at the City Deep meeting, referred to the company's tax position, and pointed out that no liability was likely to arise in 1938 in view of the present relation of profits to revenue. The new shaft, of course, is an important factor for the company; its completion is expected in the middle of next year and should result in a considerable improvement in underground conditions.

Rio Tinto.—The operations of this company in Spain last year repeated the experience of 1936 in accentuated degree. Pesetas due or promised totalled 14,845,400, as against 6,015,400; and this increased sum has again been taken at a purely nominal figure. Although the quantity of ore shipped and the price of copper were both higher than for several years, trading profit therefore shows a sharp contraction. Including dividends and interest receipts of £315,850 against £108,200, total receipts, at £511,030, were very close to the 1936 figure—but, as the appended table shows, the available surplus was wholly insufficient to cover the full preference dividend. Of the investment total, some 89 per cent. is represented by the book value of holdings in Rhodesian copper companies. The directors observe

	1934	1935	1936	1937
Trading profit ...	453,550	527,980	445,560	195,150
Net profit	55,110	174,280	63,270	14,390
Dividends (pref.)...	81,250	81,250	81,250	81,250
Carried forward ...	376,720	469,750	451,770	384,910
Property and plant	3,305,950	3,296,250	3,286,870	3,286,150
Investments.....	2,918,920	2,784,220	2,894,200	3,120,560

that these shares "are paying well," apart from the holding of 420,000 Nchanga shares, and "there need be no fear that in the fullness of time the investment in Nchanga will not also yield a satisfactory income." Rio Tinto ordinary have received no dividend since 1930, yet they command a premium of over 200 per cent., which may be explained partly by the fact that the shares are largely held in France, and partly by the extent of the company's interests outside Spain.

Mawchi Mines.—While the final dividend for 1937 of 80 per cent. recently declared by Mawchi proved fully up to recent more conservative market expectations, the accounts reveal that a much larger total distribution than 120 per cent. could have been paid. Net profits at £397,800 exceeded the previous year's total by £221,950, after allowing for N.D.C. A reserve fund has been opened, with an appropriation of £50,000, and £23,000 is set aside for income tax reserve, leaving a substantially increased amount of £56,100 to be carried forward. The capacity of the treatment plant, which was extended last year, is being further increased. On the other hand, wolfram prices have fallen sharply from the high levels ruling for a large part of 1937. Development on the main property resulted in an appreciable expansion of the ore reserves; but exploration of the outside areas gave little encouragement.

Other Company Results.—Some 70 companies are again covered in our analysis of profit and loss accounts appearing on page 284. Of these, 29 reports come from rubber and tea companies. The results are discussed on page 256 under the heading "Shorter Comments."

Company Meetings of the Week.—In this issue reports of company meetings begin on page 265. Surveys of the position of *Union Castle Mail Steamship* and *Cunard Steam Ship* given at the annual meetings are discussed in a Note on page 251. On this page the position of *Sofina* is reviewed, and we also discuss the speeches given at the *Crown Mines*, *City Deep* and *Rand Mines* meetings. Mr Patrick Ashley Cooper explained to the General Court of the *Hudson Bay Company* that operations, particularly in the fur trade, had been seriously affected by the recession in the United States. In Canada, however, the output of every major commodity except wheat had been greater in 1937 than in 1936. At the *San Paulo (Brazilian) Railway* meeting, Mr Oliver R. H. Bury referred to the superintendent's opinion that they could expect the gross traffic offering this year to be at least as great as that of last. In the directors' report of the *Bank of Athens* presented at the annual meeting, reference was made to the labour and social legislation to raise the purchasing power of the working classes in Greece. At the meeting of the *Ionian Bank* Sir John Stavridi reviewed the considerable economic progress that had been made in Greece. Though there had been no relaxation in exchange barriers, import quotas had been granted more liberally. Mr R. O. Hambro told members of *London Assurance* that the accident insurance account showed a substantial increase in income, the profit arising being 7 per cent. of premium income. Mr J. K. Wiseman, at the annual meeting of *Royal London Mutual Insurance* traced the growth in premium income and total assets over a period of years. The former, for instance, was £6,900,000 in 1937, against £990,000 in 1907. Mr A. W. Willmer had the satisfaction of telling members of *State*

Assurance that in spite of the severe fall in securities the value of the company's investments substantially exceeded the figure appearing in the balance sheet. Sir A. Henry McMahon revealed considerable telephone development in Bombay, Bengal, Madras, Rangoon and Hongkong at the meeting of *Oriental Telephone and Electric*. At the *British Timken* meeting, Mr M. B. U. Dewar discussed the importance of re-armament for the company. They were not, he said, engaged on any actual munition work, but the almost universal applications of the anti-friction bearing implied a larger demand for certain of their products as the programme gathered speed. Mr John Lawson discussed taxation conditions in the United States at the meeting of *Olympic Portland Cement*. Measures were under consideration whereby over 15 per cent. of profits would be earned outside the United States, thus exempting the

company from deducting 10 per cent. Withholding tax. Substantial capital expenditure was foreshadowed by Mr W. J. Clarke in his address to shareholders of *James W. Cook and Company*. At the annual Court of *Royal Exchange Assurance* Mr Vivian Hugh Smith expressed satisfaction that for the second year in succession over £100,000 had been transferred from the accident department to general profit and loss account. Sir Francis Norie-Miller reported to members of the *General Accident Fire and Life Assurance Corporation* that the fire department had yielded the handsome profit of 25.42 per cent. Referring to the hull side of the business of *World Auxiliary Insurance Corporation*, Captain the Right Hon. C. C. Craig discussed agreements governing rates which were reached last year, in March and June. These agreements, he reported, had been loyally carried out.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET	ACCOUNT
MAY 10	MAY 12

The market has absorbed a Budget which, by previous calculations, would have been reckoned discouraging, with exemplary spirit. As we show in a detailed review on page 248, the impact effect of Budget news in Tuesday's street market was to produce consternation in equities and oil shares, and fears that professional "bears" had correctly anticipated the reaction of general investors were responsible for substantial marking down as soon as the market opened on Wednesday morning. The threatened volume of sales, however, failed to mature, and assisted (it would appear) by a certain amount of official support, gilt-edged, and industrials, threw off their earlier losses. Prices on Thursday remained firm, but turnover was extremely limited.

The movement in War Loan was typical of trends in the gilt-edged market. The stock opened lower, after deduction of interest on Monday, responded to mild support, and on the Budget impact was dealt in as low as 100½ on Wednesday. By the close of business, however, this sharp loss had been largely restored, and on Thursday the stock closed at pre-Budget levels.

In the foreign bond market, Chinese and Brazilian issues responded to reports of an agreement regarding the Customs administration and, in the latter case, by prospects of a resumption of debt service. Czech loans were initially depressed by political difficulties, but became quietly steady later.

The Anglo-Eire agreement helped home rail stocks at first, but very disappointing traffics caused a heavy marking down of prices, which also affected the prior charges. Little interest was evident in Argentine issues.

After a quiet opening, which was not lacking in firm features, the industrial market proceeded to anticipate a comfortable budget. The improvements recorded during Tuesday's official dealings, however, were sharply reversed after hours. In mid-week, however, sufficient support was available to correct the sharp initial marking down of prices. Brewery issues, freed from new taxation, responded sharply, and further improved on Thursday, while tobacco

shares showed small gains. The movements in Distillers are discussed on page 249. In an irregular steel share market, Tube Investments made progress on balance, and leading issues like Vickers and United Steel recovered most of the earlier fall.

Motor shares also recovered, except Ford, which were still depressed by the dividend reduction. Good support was reported for aircraft issues, led by Hawker-Siddeley. Among shipping shares P. & O. responded to the interim dividend announcement, and the leading industrials, like I.C.I. and Turner and Newall, recovered substantially the whole of their overnight losses in mid-week.

The Budget did not depress oil share prices for long. Business showed signs of expansion on Tuesday, when prices closed satisfactorily, but a sharp marking down occurred in "Street" dealings on the increased oil duty. In mid-week it was clear that the fall had been overdone, and recovery was rapid, Tuesday's best levels being reached in some cases. A precautionary marking down of rubber share prices early on Wednesday was followed by some recovery. Tea share prices resisted the increased duty well, declines being small and sales easily absorbed.

Without any special justification, the mining market began the week in a more inactive mood than ever, but subsequently small gains became widespread and business broadened. Wall Street rather than the Budget affected prices. On Thursday Vinterspost were active on the new issue rumours. Rhodesian coppers were uninteresting, with slightly more support evident in mid-week, while other base metals were neglected.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Apr. 22	7,270	7,700	91.4	128.9
Apr. 25	7,320	9,310	91.1	128.9
Apr. 26	6,670	16,810	90.2	128.9
Apr. 27	6,560	11,700	91.2	128.9
Apr. 28	6,755	10,640	91.4	128.9
1938 High...	...	...	97.2 Jan. 12	131.0 Feb. 4
Low...	...	...	79.4 Mar. 16	126.9 Mar. 17

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

ACTUARIES' INVESTMENT INDEX

The recovery in the Actuaries' Index of 151 industrial ordinary shares has slowed down. On Tuesday last the index stood at 69.3, against 69.2 a week ago. A month and a year ago the index was 65.2 and 84.2, respectively. Last Tuesday's average yield was 5.36 per cent., against 5.63 and 4.20 per cent. a month and a year ago. Fixed interest securities have also recovered somewhat from their setback in March. We give below the usual monthly particulars of fixed interest securities, and a selection of the separate ordinary share indices:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)		
	Apr. 27, 1937	Mar. 29, 1938	Apr. 26, 1938
Fixed Interest—			
2½% Consols (1)	136.6	130.7	132.2
Misc. ind. deb. (13)	120.8	121.3	121.0
Misc. ind. pref. (26)	115.8	113.2	113.1
Ordinary—			
Banks, etc. (10)	118.8	112.3	115.1
Building materials (6)	92.6	75.0	82.0
Electrical manuf. (12)	142.0	112.4	122.7
Oil (4)	92.6	67.1	74.7
Home rails (4)	76.9	57.8	62.0
Stores, etc. (18)	80.0	56.7	63.0
Breweries, etc. (20)	145.8	120.6	127.5
Group	Yields (%)		
	Apr. 27, 1937	Mar. 29, 1938	Apr. 26, 1938
Fixed Interest—			
2½% Consols	3.27	3.41	3.37
Misc. industrial deb.	4.11	3.93	3.94
Misc. industrial pref.	4.48	4.35	4.35
Ordinary—			
Banks and disc. cos.	3.98	4.15	4.05
Building materials ...	5.72	7.36	6.79
Electrical manuf. ...	4.11	5.97	5.58
Oil	5.28	7.48	6.72
Home rails	2.86	5.67	5.29
Stores and catering	3.83	5.59	5.09
Breweries, etc.	4.33	5.49	5.23

New York

THOUGH prices have given way only slightly, Wall Street has had a dull week. Monday was one of the most inactive sessions in recent weeks, with a tendency for prices to drift downwards. Steel shares were weak on poor industrial news, with an estimated production of 32 per cent. of capacity, against 92.3 per cent. a year ago. Mr Roosevelt's tax message to Congress was without direct effect, and the market's apathetic mood was again shown by a small turnover and comparative indifference to the

(Continued on page 256)

OVER ONE HUNDRED AND TEN YEARS OF SERVICE
SCOTTISH UNION & NATIONAL
 INSURANCE COMPANY
 ASSETS EXCEED £17,000,000
 FIRE LIFE ACCIDENT MARINE
 Edinburgh: 35 St. Andrew Square
 London: 5 Walbrook, E.C.4, and 45 Pall Mall, S.W.1.

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937		Prices, Year 1938 Jan. 1 to Apr. 27, inclusive		Name of Security	Price, Apr. 27, 1938	Change since Apr. 20, 1938	Yield, Apr. 27, 1938		Name of Security	Price, Apr. 27, 1938	Change since Apr. 20, 1938	Yield, Apr. 27, 1938	
High-est	Low-est	High-est	Low-est				(a) %	(b) %				(a) %	(b) %
841 1/2	73 1/2	79 1/2	71	British Funds	74	-1	13 1/2	12 1/2	Com. Bk. of Aus. 10/-	12 1/2	...	4 1/2	4 1/2
113 1/2	105 1/2	111 1/2	107	Consols 2 1/2%	110 1/2	-1	5 1/2	5 1/2	District B. 1 1/2% pd.	53 1/2	...	3 1/2	3 1/2
101 1/2	94 1/2	99 1/2	96	Do. 4% (alt. 1937)	98 1/2	-1 1/2	2 1/2	2 1/2	En. S. & Aust. 4 1/2% pd.	80 1/2	-6 1/2	5 1/2	5 1/2
103 1/2	97 1/2	102 1/2	99	Conv. 2 1/2% 1944-49	101 1/2	-1 1/2	2 1/2	2 1/2	Hambros 10 1/2% pd.	91 1/2	...	4 1/2	4 1/2
106 1/2	99 1/2	104 1/2	98 1/2	Do. 3% 1948-53	101 1/2	-1 1/2	2 1/2	2 1/2	Hong. and S. 11 1/2% pd.	91 1/2	...	4 1/2	4 1/2
108 1/2	101 1/2	105 1/2	102 1/2	Do. 3 1/2% after 1961	106 1/2	-1 1/2	2 1/2	2 1/2	Lloyds 4 1/2% pd.	61 1/2	...	3 1/2	3 1/2
117 1/2	111 1/2	115 1/2	112 1/2	Do. 4 1/2% 1940-44	113 1/2	-1 1/2	2 1/2	2 1/2	Martins 12 1/2% pd.	87 1/2	...	3 1/2	3 1/2
92 1/2	89 1/2	91 1/2	87 1/2	Do. 1944-64	90 1/2	-1 1/2	2 1/2	2 1/2	Midland 1 1/2% pd.	84 1/2	-1 1/2	3 1/2	3 1/2
96 1/2	89 1/2	91 1/2	87 1/2	Fund. 2 1/2% 1956-61	90 1/2	-1 1/2	2 1/2	2 1/2	Nat. Dis. 1 1/2% pd.	36 1/2	...	4 1/2	4 1/2
101 1/2	92 1/2	95 1/2	91 1/2	Fund. 2 1/2% 1952-57	97 1/2	-1 1/2	2 1/2	2 1/2	N. of Ind. 2 1/2% pd.	39 1/2	...	5 1/2	5 1/2
101 1/2	92 1/2	95 1/2	91 1/2	Fund. 3% 1959-69	102 1/2	-1 1/2	2 1/2	2 1/2	N. Prov. 7 1/2% pd.	31 1/2	...	3 1/2	3 1/2
116 1/2	109 1/2	114 1/2	110 1/2	Fund. 4% 1960-90	112 1/2	-1 1/2	2 1/2	2 1/2	Roy. Bk. of Scotland	46 1/2	...	3 1/2	3 1/2
99 1/2	96 1/2	99 1/2	95 1/2	Nat. D. 2 1/2% 1944-48	99 1/2	-1 1/2	2 1/2	2 1/2	St. of S.A. 4 1/2% pd.	14 1/2	...	4 1/2	4 1/2
114 1/2	107 1/2	112 1/2	107 1/2	Victory Bonds 4%	110 1/2	-1 1/2	2 1/2	2 1/2	Union Dis. 1 1/2%	46 1/2	...	4 1/2	4 1/2
105 1/2	98 1/2	101 1/2	95 1/2	War L. 3 1/2% af. 1952	100 1/2	-1 1/2	2 1/2	2 1/2	West. 4 1/2% pd.	98 1/2	-1 1/2	4 1/2	4 1/2
102 1/2	99 1/2	101 1/2	95 1/2	Local Loans 3%	87 1/2	-1 1/2	2 1/2	2 1/2					
72 1/2	62 1/2	67 1/2	63 1/2	Austria 3% 1933-53	66 1/2	-1 1/2	2 1/2	2 1/2					
87 1/2	74 1/2	81 1/2	75 1/2	India 2 1/2%	79 1/2	-1 1/2	2 1/2	2 1/2					
98 1/2	87 1/2	94 1/2	88 1/2	Do. 3%	93 1/2	-1 1/2	2 1/2	2 1/2					
119 1/2	112 1/2	117 1/2	114 1/2	Do. 3 1/2%	117 1/2	-1 1/2	2 1/2	2 1/2					
109 1/2	105 1/2	108 1/2	105 1/2	Dom. & Col. Govts.	107 1/2	-1 1/2	2 1/2	2 1/2					
105 1/2	101 1/2	104 1/2	100 1/2	Austr. 5% 1945-75	107 1/2	-1 1/2	2 1/2	2 1/2					
118 1/2	114 1/2	118 1/2	114 1/2	Canada 4% 1940-60	115 1/2	-1 1/2	2 1/2	2 1/2					
110 1/2	104 1/2	108 1/2	104 1/2	Nigeria 5% 1950-60	115 1/2	-1 1/2	2 1/2	2 1/2					
107 1/2	103 1/2	107 1/2	103 1/2	N. Zealand 5% 1946	105 1/2	-1 1/2	2 1/2	2 1/2					
114 1/2	110 1/2	114 1/2	110 1/2	Queens. 5% 1940-60	105 1/2	-1 1/2	2 1/2	2 1/2					
				S. Africa 5% 1945-75	111 1/2	-1 1/2	2 1/2	2 1/2					
				Foreign Governments									
103 1/2	93 1/2	96 1/2	89 1/2	Arg. 4 1/2% Stg. Bds.	91 1/2	-1 1/2	2 1/2	2 1/2					
105 1/2	97 1/2	102 1/2	94 1/2	Austria 7% 1937	40 1/2	-1 1/2	2 1/2	2 1/2					
102 1/2	95 1/2	99 1/2	92 1/2	Do. 4 1/2% 1934-59	55 1/2	-1 1/2	2 1/2	2 1/2					
33 1/2	24 1/2	33 1/2	31 1/2	Belg. 4 1/2% red. by 1970	99 1/2	-1 1/2	2 1/2	2 1/2					
89 1/2	37 1/2	37 1/2	16 1/2	Bulgaria 7 1/2%	32 1/2	-1 1/2	2 1/2	2 1/2					
28 1/2	15 1/2	19 1/2	16 1/2	Brazil 5% Fd. 1914	22 1/2	-1 1/2	2 1/2	2 1/2					
25 1/2	24 1/2	25 1/2	24 1/2	Chile 6% (1929)	17 1/2	-1 1/2	2 1/2	2 1/2					
101 1/2	99 1/2	101 1/2	97 1/2	China 5% (1912)	56 1/2	-1 1/2	2 1/2	2 1/2					
108 1/2	101 1/2	105 1/2	98 1/2	Do. 5% (1913)	65 1/2	-1 1/2	2 1/2	2 1/2					
100 1/2	92 1/2	98 1/2	94 1/2	Czechoslovakia 8%	79 1/2	-1 1/2	2 1/2	2 1/2					
100 1/2	92 1/2	98 1/2	94 1/2	Denmark 3%	97 1/2	-1 1/2	2 1/2	2 1/2					
100 1/2	92 1/2	98 1/2	94 1/2	Egypt Unified 4%	104 1/2	-1 1/2	2 1/2	2 1/2					
118 1/2	112 1/2	118 1/2	112 1/2	French 4 1/2% (British)	112 1/2	-1 1/2	2 1/2	2 1/2					
104 1/2	94 1/2	94 1/2	94 1/2	Ger. 7 1/2% Dawes	50 1/2	-1 1/2	2 1/2	2 1/2					
60 1/2	30 1/2	34 1/2	25 1/2	Do. 5 1/2% Young Ln.	40 1/2	-1 1/2	2 1/2	2 1/2					
88 1/2	47 1/2	58 1/2	30 1/2	Greek 6% Stab. Ln.	31 1/2	-1 1/2	2 1/2	2 1/2					
82 1/2	35 1/2	40 1/2	30 1/2	Hungary 7 1/2%	38 1/2	-1 1/2	2 1/2	2 1/2					
94 1/2	47 1/2	58 1/2	30 1/2	Japan 5 1/2% 1936-65	54 1/2	-1 1/2	2 1/2	2 1/2					
121 1/2	110 1/2	124 1/2	115 1/2	Do. 6% (24) red. 1959	119 1/2	-1 1/2	2 1/2	2 1/2					
61 1/2	40 1/2	47 1/2	36 1/2	Norwegian 4% 1911	40 1/2	-1 1/2	2 1/2	2 1/2					
83 1/2	56 1/2	72 1/2	54 1/2	Peru 7 1/2% 1922	62 1/2	-1 1/2	2 1/2	2 1/2					
20 1/2	15 1/2	15 1/2	11 1/2	Poland 7%	13 1/2	-1 1/2	2 1/2	2 1/2					
96 1/2	88 1/2	92 1/2	80 1/2	Roum. 4% Con. 1922	80 1/2	-1 1/2	2 1/2	2 1/2					
				U.K. & Arg. C. 3%	80 1/2	-1 1/2	2 1/2	2 1/2					
				Cooperation Stocks									
118 1/2	111 1/2	115 1/2	110 1/2	British Railways	112 1/2	-1 1/2	2 1/2	2 1/2					
118 1/2	112 1/2	117 1/2	112 1/2	Do. 5% 1946-56	112 1/2	-1 1/2	2 1/2	2 1/2					
101 1/2	92 1/2	97 1/2	84 1/2	Bristol 5% 1948-58	114 1/2	-1 1/2	2 1/2	2 1/2					
101 1/2	92 1/2	97 1/2	84 1/2	L.C.C. 3%	86 1/2	-1 1/2	2 1/2	2 1/2					
104 1/2	100 1/2	105 1/2	101 1/2	Liverpool 4% 1954-64	104 1/2	-1 1/2	2 1/2	2 1/2					
				Midsex 3 1/2% 1957-62	84 1/2	-1 1/2	2 1/2	2 1/2					

(a) Interim dividend. (b) Final dividend. (c) Dividends for full year. (d) Paid in £/N.Z. (e) Allow for exchange. (f) Flat yield.
(g) Yield on 3 1/2% basis. (h) Yield on 4% basis. (i) Yield on 4 1/2% basis. (j) Yield on 5% basis. (k) Yield on 5 1/2% basis.
(l) Yield worked on a 5 1/2% basis. (m) Based on payment of 2 1/2% in year shown. (n) Yield based on 40% of coupon. (o) Yield based on 45% of coupon.
(p) Yield worked on a 1 1/2% basis. (q) Yield worked on a 1 1/2% basis. (r) Yield worked on a 1 1/2% basis. (s) Yield worked on a 1 1/2% basis.

Prices, Jan. 1 to Apr. 27, inclusive						Prices, Jan. 1 to Apr. 27, inclusive						
Last Dividends		Name of Security		Price, Apr. 27, 1938	Change since Apr. 20, 1938	Last Dividends		Name of Security		Price, Apr. 27, 1938	Change since Apr. 20, 1938	
High-est	Low-est	(a) %	(b) %	(c) %		High-est	Low-est	(a) %	(b) %	(c) %		
25 1/2	21 1/2	Nil	Nil	Iron, Coal, &c.—cont.	21 1/2	55 1/2	45 1/2	6 1/2	5 1/2	Finlay (Jas.) & Co. £1	48 1/2	+1 1/2
26 1/2	23 1/2	1 c	Nil	Thornhill & John £1	21 1/2	62 1/2	55 1/2	7 1/2	20 1/2	Gallagher Ltd. Ord. £1	46 1/2	+3 1/2
27 1/2	24 1/2	6 b	3 a	U. States Steel 1000	26 1/2	20 1/2	11 1/2	Nil	Nil	Internat'l. 10/-	18 1/2	+3 1/2
26 1/2	19 1/2	10 c	10 c	Un. Steel Cos. Ord. 1 1/2	23 1/2	35 1/2	23 1/2	22 1/2	15 a	Gen. Refractor 10/-	18 1/2	+3 1/2
29 1/2	26 1/2	10 c	3 1/2 a	Vickers 10/-	4 1/2	20 1/2	68 1/2	5 a	20 b	Gestetner (D.) 5/-	28 1/2	+7 1/2
33 1/2	33 1/2	10 c	3 1/2 a	Ward (Thos. W.) £1	12 1/2	26 1/2	63 1/2	5 a	13 1/2 b	Harrisons & Cros. £1	75 1/2	+2 1/2
51 1/2	47 1/2	22 1/2 b	12 1/2 a	Weardale S. etc. £1	35 1/2	26 1/2	35 1/2	27 1/2	3 a	Harpolds £1	68 1/2	+5 1/2
50 1/2	40 1/2	15 c	15 c	Whitehead I. & S. £1	47 1/2	13 1/2	9 1/2	Nil	5 c	Imp. Airways £1	26 1/2	+3 1/2
5 1/2	3 1/2	Nil	Nil	Yarrow & Co. £1	47 1/2	7 1/2	6 1/2	17 1/2 a	+17 1/2 b	Imp. Chem. £1	20 1/2	+3 1/2
5 1/2	3 1/2	Nil	Nil	Textiles	47 1/2	15 1/2	13 1/2	12 1/2	7 1/2 a	Imp. Smelting £1	11 1/2	+7 1/2
5 1/2	3 1/2	Nil	Nil	Bleachers £1	47 1/2	40 1/2	32 1/2	4 a	6 b	Imp. Tobacco £1	62 1/2	+3 1/2
5 1/2	3 1/2	Nil	Nil	Bradford Dyers £1	47 1/2	40 1/2	32 1/2	4 a	6 b	Inter. Nickel n.p.	347 1/2	+3 1/2
5 1/2	3 1/2	Nil	Nil	Brit. Cel. Ord. 10/-	3 1/2	40 1/2	32 1/2	4 a	6 b	Internat'l. 10/-	12 1/2	+3 1/2
5 1/2	3 1/2	Nil	Nil	Calico Printers £1	3 1/2	40 1/2	32 1/2	4 a	6 b	Lever & Unilever £1	37 1/2	+1 1/2
41 1/2	32 1/2	10 c	10 c	Coats, J. and P. £1	40 1/2	60 1/2	43 1/2	22 1/2 c	20 c	London Brick £1	55 1/2	+7 1/2
48 1/2	36 1/2	3 1/2 a	7 b	Courtaulds £1	41 1/2	53 1/2	42 1/2	14 1/2 b	8 1/2 a	Lyons (J.) Ord. £1	53 1/2	+3 1/2
39 1/2	32 1/2	2 1/2 a	7 b	English S.W. £1	35 1/2	60 1/2	42 1/2	25 1/2	15 a	Marks & Spen. 'A' 5/-	58 1/2	+1 1/2
6 1/2	3 1/2	Nil	Nil	Fine Cotton Spin. £1	47 1/2	40 1/2	32 1/2	4 a	6 b	Reckitt & Sons Ord. £1	41 1/2	+3 1/2
33 1/2	25 1/2	3 a	5 1/2 b	Linen Thread £1	28 1/2	37 1/2	32 1/2	25 1/2	15 a	Philips (Godfrey) £1	33 1/2	+7 1/2
49 1/2	40 1/2	+12 1/2 c	+12 1/2 c	Patons & Baldwins £1	44 1/2	35 1/2	26 1/2	7 1/2 a	10 b	Pinchin Johnson 10/-	31 1/2	+6 1/2
18 1/2	8 1/2	6 c	Nil	Whitworth & Nitt. £1	10 1/2	40 1/2	26 1/2	32 1/2 b	12 1/2 a	Prices Trust Ord. 5/-	36 1/2	+7 1/2
45 1/2	34 1/2	10 c	10 c	Electrical Manufg. Co.	39 1/2	58 1/2	42 1/2	31 1/2	11 1/2 b	Radiation Ord. £1	55 1/2	+1 1/2
95 1/2	77 1/2	5 a	15 b	Associated Elec. £1	88 1/2	53 1/2	42 1/2	22 1/2 c	20 c	Reckitt & Sons Ord. £1	41 1/2	+3 1/2
89 1/2	78 1/2	15 b	5 a	British Insulated £1	87 1/2	13 1/2	11 1/2	15 a	18 1/2 b	Sears (J.) Ord. 5/-	12 1/2	+6 1/2
30 1/2	18 1/2	6 a	6 1/2 b	Callenders £1	26 1/2	14 1/2	9 1/2	2 1/2 c	4 a	Smthild, & Arg. Mt. £1	10 1/2	+6 1/2
30 1/2	18 1/2	6 a	6 1/2 b	Crompton Park A 5/-	26 1/2	60 1/2	52 1/2	21 1/2 c	4 a	Spillers Ord. £1	53 1/2	+1 1/2
77 1/2	67 1/2	15 c	17 1/2 c	English S.W. £1	76 1/2	52 1/2	42 1/2	21 1/2 c	4 a	Swed. Match Bkr. 25/-	23 1/2	+3 1/2
20 1/2	16 1/2	5 a	15 b	General Electric £1	20 1/2	68 1/2	52 1/2	11 1/2 b	60 c	Tate and Lyle £1	80 1/2	+3 1/2
41 1/2	34 1/2	5 a	7 1/2 c	Henleys (W. T.) 5/-	20 1/2	60 1/2	52 1/2	11 1/2 b	60 c	Tilling, Thos. £1	40 1/2	+4 1/2
30 1/2	25 1/2	6 a	7 1/2 c	Johnson & Phillips £1	41 1/2	53 1/2	42 1/2	22 1/2 c	20 c	Tob. Secrs. Ord. £1	60 1/2	+1 1/2
113	87 1/2	Nil	81 c	Stemens £1	30 1/2	53 1/2	42 1/2	22 1/2 c	20 c	Triplex Safety G. 10/-	45 1/2	+7 1/2
68 1/2	62 1/2	6 a	9 b	Brazil Tract., no par.	113 1/2	86 1/2	74 1/2	16 1/2 b	10 a	Tube Investments £1	86 1/2	+1 1/2
29 1/2	24 1/2	2 a	5 a	Bournmouth & P.	63 1/2	57 1/2	46 1/2	7 1/2 b	5 a	United Dairies £1	56 1/2	+2 1/2
34 1/2	33 1/2	3 1/2 a	4 a	British Pow. & Lt. £1	27 1/2	39 1/2	34 1/2	18 1/2	15 b	United Molasses 6/8.	25 1/2	+5 1/2
34 1/2	33 1/2	3 1/2 a	4 a	City of London £1	34 1/2	39 1/2	34 1/2	18 1/2	15 b	W. H. P. Mfrs. Def. £1	38 1/2	+7 1/2
51 1/2	45 1/2	3 a	7 1/2 c	Glyde Valley Elec. £1	48 1/2	39 1/2	32 1/2	3 a	7 b	Wiggins, Teape Ord. £1	65 1/2	+4 1/2
38 1/2	34 1/2	5 b	4 a	County of London £1	37 1/2	70 1/2	60 1/2	15 a	45 b	Woolston Ord. 5/-	38 1/2	+4 1/2
35 1/2	31 1/2	2 1/2 a	5 b	Edmundsons £1	37 1/2	70 1/2	60 1/2	15 a	45 b	Mines		
32 1/2	28 1/2	3 a	4 a	Lancashire Elec. £1	30 1/2	70 1/2	52 1/2	95 c	95 c	Ashtani Goldfields £1	67 1/2	+4 1/2
32 1/2	28 1/2	3 a	4 a	Land. Ass. Elec. £1	30 1/2	12 1/2	8 1/2	11 b	6 a	Burma Corp. Rs. 9/-	10 1/2	+6 1/2
32 1/2	28 1/2	3 a	4 a	Metrol. Elec. £1	30 1/2	3 1/2	1 1/2	Nil	Nil	Commonwealth Mng. 5/-	11 1/2	+3 1/2
32 1/2	28 1/2	3 a	4 a	Midland Counties £1	30 1/2	81 1/2	62 1/2	30 c	32 c	Crown Mines 10/-	74 1/2	+4 1/2
32 1/2	28 1/2	3 a	4 a	North-East. Elec. £1	30 1/2	16 1/2	14 1/2	95 a	5 b	De Beers (Def.) £2 1/2	81 1/2	+1 1/2
48 1/2	44 1/2	4 a	6 b	North Metro. £1	46 1/2	13 1/2	6 1/2	30 c	20 c	Jo'burg Cons. £1	60 1/2	+2 1/2
37 1/2	34 1/2	2 1/2 a	5 1/2 b	Scottish Power £1	36 1/2	51 1/2	42 1/2	11 1/2 b	11 a	Randfontein £1	38 1/2	+1 1/2
40 1/2	36 1/2	2 1/2 a	5 1/2 b	Yorkshire Electric	39 1/2	12 1/2	8 1/2	11 b	6 a	Rhokana Corp. £1	15 1/2	+1 1/2
25 1/2	21 1/2	5 1/2 a	5 1/2 b	Gas & C. £1	23 1/2	12 1/2	8 1/2	11 b	6 a	Rio Tinto £1	10 1/2	+1 1/2
138	118	6 b	4 a	Imp. Con. Svk.	132 1/2	20 1/2	13 1/2	80 c	10 c	Roan Antelope Cpr. 5/-	16 1/2	+1 1/2
23 1/2	21 1/2	2 1/2 a	2 1/2 b	Newc.-on-Tyne £1	22 1/2	10 1/2	9 1/2	75 b	75 a	Sub Nigel 10/-	10 1/2	+3 1/2
109 1/2	101 1/2	2 1/2 a	2 1/2 b	S. Metropolitan	105 1/2	8 1/2	7 1/2	2 1/2 a	6 1/2 b	Union Cpr. 12 1/2 ly. pd.	77 1/2	+1 1/2
51 1/2	37 1/2	15 c	12 1/2 c	Motors and Cycle	5 1/2	13 1/2	10 1/2	10 1/2	10 1/2	Witwatersrand 10/-	85 1/2	+1 1/2
39 1/2	30 1/2	12 1/2 a	15 1/2 b	Albion Motors Ord. £1	42 1/2	51 1/2	42 1/2	10 c	10 c	Wiluna Gold £1	6 1/2	+1 1/2
32 1/2	25 1/2	50 c	50 c	Assoc. Equip. Ord. £1	35 1/2	13 1/2	10 1/2	10 c	10 c			
22 1/2	19 1/2	Nil	Nil	Austin 5/-	28 1/2	13 1/2	10 1/2	10 c	10 c			
22 1/2	19 1/2	Nil	Nil	Birm. Sml. Arms £1	22 1/2	13 1/2	10 1/2	10 c	10 c			
23 1/2	17 1/2	33 1/2 a	33 1/2 a	Dennis £1	18 1/2	13 1/2	10 1/2	10 c	10 c			
57 1/2	48 1/2	22 1/2 a	21 1/2 a	Ford Motors £1	18 1/2	56 1/2	47 1/2	15 1/2	15 1/2			
89 1/2	71 1/2	20 c	25 a	Lucas, J. (J.) £1	56 1/2	53 1/2	47 1/2	15 1/2	15 1/2			
61 1/2	55 1/2	45 c	45 c	Leysland Motors £1	85 1/2	50 1/2	42 1/2	15 1/2	15 1/2			
56 1/2	48 1/2	21 1/2 a	21 1/2 a	Morris Motors £1	50 1/2	50 1/2	42 1/2	15 1/2	15 1/2			
16 1/2	11 1/2	25 c	40 c	Royal Mail Lines £1	18 1/2	91 1/2	73 1/2	14 1/2	14 1/2			
22 1/2	13 1/2	Nil	Nil	Union Castle £1	15 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
18 1/2	9 1/2	2 1/2 a	5 c	Tea and Rubber	14 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
20 1/2	18 1/2	4 b	4 a	Allied Sumatra £1	15 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
30 1/2	18 1/2	5 a	10 b	Anglo-Dutch £1	25 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
22 1/2	16 1/2	Nil	3 c	Bah Lias £1	25 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
23 1/2	17 1/2	4 c	2 1/2 a	Benjan Tea £1	37 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
22 1/2	13 1/2	Nil	Nil	Jorchaat Tea £1	37 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
18 1/2	10 1/2	5 c	16 1/2 a	Jokai (Assam) £1	35 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
29 1/2	20 1/2	5 c	7 1/2 b	Linggi Plant. £1	15 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
38 1/2	27 1/2	4 a	6 b	London Asiatic 2 1/2	31 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
81 1/2	67 1/2	25 c	5 a	Union Castle £1	15 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
20 1/2	17 1/2	5 a	10 b	United Serdang 2 1/2	31 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
81 1/2	67 1/2	25 c	5 a	Trinidad Lease £1	15 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Miscellaneous	19 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Aerated Bread £1	24 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Allied News £1	24 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Anal. Metal £1	21 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Anal. Press 10/-	14 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Assoc. News, Di. 5/-	14 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Assoc. News, Di. 5/-	14 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Assoc. News, Di. 5/-	14 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Assoc. News, Di. 5/-	14 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Assoc. News, Di. 5/-	14 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Assoc. News, Di. 5/-	14 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Assoc. News, Di. 5/-	14 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Assoc. News, Di. 5/-	14 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Assoc. News, Di. 5/-	14 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Assoc. News, Di. 5/-	14 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Assoc. News, Di. 5/-	14 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Assoc. News, Di. 5/-	14 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Assoc. News, Di. 5/-	14 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Assoc. News, Di. 5/-	14 1/2	14 1/2	11 1/2	15 1/2	15 1/2			
25 1/2	20 1/2	8 c	9 c	Assoc. News, Di. 5/-								

* 50 Common Stocks.

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

Apr. 21	Apr. 22	Apr. 23	Apr. 25	Apr. 26	Apr. 27
100.6	103.3	102.4	100.6	98.1	99.4
High: 116.9 January 11th. Low: 83.6 March 31,					

Company Results of the Week.—The **CALCUTTA ELECTRIC SUPPLY CORPORATION** report a large increase of revenue from industrial sources, but a decline from domestic supplies owing to reduced rates. Saving on debenture service, however, raises their net profit from £626,245 to £645,724, though gross revenue is slightly lower. **TIMOTHY WHITES** AND **TAYLORS** and their subsidiaries have issued their reports for the 66 weeks ended January 1st last, which show further progress. The larger rubber company's reports include those of **LONDON ASIATIC**, whose dividend is raised from 10 to 12½ per cent., and **MENDARIS (SUMATRA)**. All tea companies show a substantial improvement over 1936, **LUNUVA**, for instance, earning £122,271, against £72,570. A number of companies have issued their first reports since introduction to the public. Among them, **RED AND WHITE UNITED TRANSPORT** have earned £71,349 in 7½ months; the report contains a consolidated balance sheet and shows the

Johnson and Phillips, Ltd.—Total profit for 1937, £219,488 against £196,154 for 1936. Ordinary dividend raised from 10 to 12½ per cent. To research account £5,000 as before. To dividend equalisation account, £10,000 as before. To special reserve for contingencies, £20,000 against

not been received with the dismay caused by Mr. G. D. N.D.C. proposals a year ago. The increase, from 10 to 20 per cent., in the allowances is likely to be uneven. As shown on page 249, the highly capitalised industries will benefit most from the increased allowances. The petrol tax, from 8d. to 9d. per gallon, will be found favour with motor manufacturers. The present trend of demand for automobiles is such that it is unlikely, however, to have much effect. A decision to extend the petrol duty to private cars, on the other hand, may adversely affect the motor industry, and is unlikely appreciably to influence the demand for alcohol. The increase of 2d. per lb. in the duty on tea is expected to bring about a shift in demand to cheaper grades rather than a fall in total demand. As a whole, however, Sir John Simon's proposals are unlikely to have much effect on the business activity.

Rubber Plantations Investment Trust.—Final dividend of 6 per cent. (less tax at 5s. 6d.), making 10 per cent. dividend for 1937, against 7½ per cent. for 1936. The value of the investments at December 31st

Timothy Whites and Taylors. — Trading profit for 66 weeks to January 1, 1938 (after £30,000 from development account) amounted to £459,841 (or an annual rate of £357,500, compared with £314,001 earned in the previous year). After interest and depreciation, and providing £102,485 for tax and N.D.C. against £57,135, the net earnings are £271,092. Ordinary dividend 40 per cent. for the period, equal to 3½ per cent. per annum against 30 per cent. Carry-forward increased from £42,322 to £48,853.

The Budget and Industry.—While Sir John Simon's Budget has aroused little enthusiasm among industrialists, the increase of 6d. per £ in the income tax has not been received with the dismay caused by Mr Chamberlain's N.D.C. proposals a year ago. The incidence of the increase, from 10 to 20 per cent., in the wear and tear allowances is likely to be uneven. As we show in a Note on page 249, the highly capitalised industries will benefit most from the increased allowances. The increase in the petrol tax, from 8d. to 9d. per gallon, naturally has not found favour with motor manufacturers, especially as the present trend of demand for automobiles is downwards. It is unlikely, however, to have much effect on sales. The decision to extend the petrol duty to power alcohol, on the other hand, may adversely affect demand, though it is unlikely appreciably to influence the total consumption of alcohol. The increase of 2d. per lb. in the import duty on tea is expected to bring about a shift in demand to the cheaper grades rather than a fall in total demand. Viewed as a whole, however, Sir John Simon's new imposts are unlikely to have much effect on the trend of general business activity.

The Anglo-Irish Agreement and Irish Exports.—Under the Anglo-Irish Agreement, the British Government has agreed to remove, at a date yet to be fixed, the duties imposed on the import of Irish goods by the Special Duties (Irish Free State) Act of July, 1932, while the Irish Government will simultaneously suspend the various export bounties designed to counteract the British duties. The most important items of the Irish exports affected by this agreement are given below :—

IRISH EXPORTS TO THE U.K.					
Item	Unit	Average 1929-31	1933	1936	1937
Cattle	No.	774,500	582,174	657,301	640,996
Horses	"	9,873	6,731	15,761	17,557
Pigs	"	401,543	143,970	120,721	42,524
Sheep and lambs	"	507,996	318,299	455,583	311,752
Bacon and hams	Cwt.	390,862	224,509	527,684	525,428
Pork	"	322,744	194,695	116,007	84,010
Cream	"	74,369	49,482	41,801	38,960
Butter	"	489,723	378,662	468,272	319,957
Dead poultry	"	117,311	102,646	104,218	103,076
Eggs	000,000 gt. hundreds	4,790	3,437	2,563	1,949

The total value of imports of food and drink from Eire averaged £34·6 millions in 1929-31; under the influence of the "tariff war," and the general fall in prices, the value fell to £15·6 millions in 1933. The Coal-Cattle Pact of 1935 led to an increase in cattle exports in subsequent years, and in 1936 the total value of British imports of food and drink from Eire had risen to £17 millions. It is impossible to estimate the combined effects on the trade in these commodities of the removal of both British import duties and Irish export bounties; it may be noted that the British Government has reserved the right to regulate quantitatively the imports of agricultural products from Eire if the stability of the British markets cannot be otherwise secured.

—And British Exports.—British exports to Eire suffered less severely than those from Eire to the United Kingdom, but, even so, the exports were valued at only

OTARD'S EST. 1795
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LIQUEUR BRANDY
MATURED AND BOTTLED AT CHATEAU DE COGNAC

£19 millions in 1933, against an average of £34 millions in 1929-31. Subsequent years showed a slight increase. In the table below are listed the commodities the export of which to Eire exceeded £1 million in value in 1929-31:

Item	Unit	Average 1929-31	1933	1936	1937
Exports:—					
Grain and flour	000 cwt.	3,236	640	423	(a)
Coal	000 tons	2,450	1,255	2,459	2,578
Clothing	per 000	1,424	604	305	(a)
Boots and shoes	doz. pairs	295,174	208,317	(b)54,971	(b)24,330
Cotton piece-goods	000 sq. yd.	26,222	34,022	39,674	35,257
Machinery and parts	tons	11,771	6,616	11,406	11,782
Iron and steel and manufactures thereof	tons	85,762	46,418	62,969	65,229
Road vehicles & parts	£'000	1,758	1,036	1,162	(a)
Total (including all other items)	£'000	33,695	19,034	21,072	(a)
Re-exports:—					
Tea	000 lb.	21,915	22,595	17,928	17,945
Bacon and hams	cwt.	315,758	1,231	257	(a)
Total (including all other items)	£'000	9,518	4,635	4,902	(a)

(a) Not available. (b) Overshoes, slippers, house shoes and sandals are excluded from this item after 1933.

The exports of all these items fell heavily between 1929-31 and 1933, with the exception of cotton piece-goods, which showed an increase. Coal exports recovered after the Coal-Cattle Pact, and there has been a rise in recent years in exports of machinery and iron and steel and their manufactures. The removal or modification of some of the Irish import quotas and the revision of the tariff promised under this Agreement may enable British manufacturers to revive their exports to Eire.

Reduction in Tinplate Prices.—The International Tinplate Cartel, composed of producers in Great Britain, the United States, Germany, France, Italy and Norway, last week decided to reduce prices from 22s. 6d. to 20s. 3d. per basis box. The rapid advance in price up to 26s. per box in the middle of 1937 has now been cancelled, for prices are once again at the level of the beginning of last year. The position of the market is difficult; a contraction of demand has reduced the output of tinplate in the first quarter of this year by one-third compared with 1937, and the official prices of the Cartel are being undercut by some American and Italian outsiders. Further, new mills are being built, or proposed, in Canada, Belgium, Eire, New Zealand, South Africa and Holland.

Woolcombing in Depression.—The general depression in the wool textile industry, which was noted on page 156 in *The Economist* of April 16th, has not spared the woolcombing section. During the last three months there has been a recovery, but the turnover of merino wool is still 10 per cent., and that of crossbred wool 25 per cent., lower than in the corresponding month of last year. The raising of the woolcombing charges last September has been of little benefit, since it has been followed by reduced turnover. Output in 1937 averaged about 15 per cent. less than in 1936, and almost the whole of the decline occurred after August. The merino section was operating barely 60 per cent. of its capacity between September and November; the crossbred carding section could hardly employ a third of its capacity in November, December and January. During the last two years, this section has not been able to produce more than 60 per cent. of its potential output, and fully one-third of the plant appears to be redundant. The rayon industry has absorbed the lustre lining trade, merinos have been relatively cheaper, and the big export to Germany of crossbred yarns has been severely curtailed during the last few years.

Cotton Employers Reject Holidays with Pay.—The 350,000 operatives in the Lancashire cotton industry have recently pressed the employers to grant holidays with pay. This week, however, the application has been definitely rejected. The employers pointed out that to grant the request would be equivalent to conceding an increase in wages and the present state of trade does not warrant any advance, the situation at present being described as "a most serious state of depression." The employers are in sympathy with the principle of a week's holiday with pay, as part of the terms of contract of employment. They proposed, therefore, that the demand be deferred for six months. After considering this suggestion the operatives asked for the joint conference to be adjourned, and it was arranged that they should meet again on May 4th. It is understood that the granting of a week's holiday with pay would be equivalent to an increase of about 4 per cent. in wages.

Foreign Restrictions on Coal Imports.—During 1937 the general shortage of coal was so acute that most of the European importing countries relaxed or temporarily suspended their regulations on coal imports. But since the beginning of the present year, the fall in demand has brought a relative surplus of supplies, which is now being emphasised by the seasonal contraction in domestic requirements. The French consumption of coal in the first quarter of this year is estimated to have been 2,000,000 tons less than in the corresponding months of 1937, while the domestic output was somewhat larger. On April 24th, the French Government restricted imports of coal to 80 per cent. of those in 1936 (when imports were 8,000,000 tons smaller than in 1937), in order to reduce the stocks of the domestic mines. At the end of March, Belgium's monthly coal import quota was reduced from 520,000 tons to 335,000 tons, of which the German industry supplies more than half. It is probable that under these restrictions sales of British coal to Belgium and France will be reduced by 2,000,000 to 2,500,000 tons per annum.

More Sheep and Lower Prices.—The preliminary returns of the census of livestock held in June, 1937, showed an increase during the year of 78,100, or 1.1 per cent., in the number of ewes kept for breeding and an increase of 756,000, or 10.4 per cent., in the number of sheep under six months of age; the expansion in these two classes more than outweighed the fall in the numbers of the older sheep. Reports of this season's lambing have so far been very satisfactory; the lambs are numerous and the dry weather has reduced mortality, though, if the drought continues, the ewes will suffer from the shortage of grass. It seems likely, therefore, that there will be a large crop of fat lambs coming on to the market during the next few months. Further, in the first quarter of the year imports of mutton and lamb totalled 1,860,000 cwts., against 1,718,000 cwts. in the corresponding months of 1937, the increase of 8 per cent. being mainly due to larger exports from New Zealand. Prices of mutton and lamb at the London markets are not much changed from those in 1937, but the prices of English fat sheep and fat lambs have fallen by 2d. to 3d. per lb. from those recorded in April, 1937. Since the fat lamb season has only just begun, the immediate prospects for sheep farmers are not encouraging.

Gold Coast Cocoa Exports.—The proclamation issued by the Government of the Gold Coast under the Cocoa (Control of Exportation) Ordinance has fixed the export quota for the period April 27-May 31, 1938, at 55,000 tons. The reasons for the issue of this ordinance were discussed in *The Economist* of April 23rd, page 205. The farmers have now stopped the burning of their crops,

and the buying pool agreement, to which the farmers objected, has been suspended by the merchants until October 15th, by which time the report of the Cocoa Commission will have been published.

Prices Still Falling.—President Roosevelt's further reversion to inflation, as embodied in his Easter programme, has not yet served to check the fall in wholesale prices. It is true that the *Economist's* index number of the prices of primary products has remained unchanged for England during the past fortnight, but the American primary products index has fallen by 2.4 per cent., while the *Economist's* complete British index number is 1.0 per cent. lower and the Irving Fisher complete American index number is 0.2 per cent. lower. These movements may be small, but they do not indicate any recovery. French wholesale prices have remained stable during recent weeks.

SEPTEMBER 18, 1931=100										
Date	The Economist Indices		Price of Gold (sterling)	U.S.A., Irving Fisher	France, Statistique Générale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsanstalt			
	British Complete Index (sterling)	Primary Products (sterling)								
1936 Dec. 30th	131.3	163.9	187.3	166.7	128.8	113.0	116.3†	95.4		
1937 Jan. 27th	134.2	164.2	184.5	167.0	131.0	115.9	124.3	95.7		
Feb. 24th	136.3	168.2	185.5	167.4	131.8	116.8	124.3	96.2		
Mar. 31st	144.3	181.9	199.7	167.4	137.3	121.8	126.2	97.5		
Apr. 28th	142.0	169.9	183.5	165.4	135.6	120.5	128.7	97.0		
June 2nd	142.7	170.2	178.9	165.6	134.3	119.8	133.2	97.5		
June 30th	139.5	165.9	176.8	165.7	134.1	119.8	134.2	97.5		
July 28th	140.2	167.1	171.8	164.5	133.8	130.8	137.1	97.9		
Aug. 25th	137.9	164.4	165.3	164.2	133.0	133.3	137.1	98.1		
Sept. 22nd	136.0	164.0	166.3	165.1	133.7	139.4	137.7	97.6		
Oct. 20th	133.6	156.2	152.3	165.4	129.5	138.8	141.6	97.3		
Dec. 1st	127.5	145.4	138.9	164.8	125.1	134.0	143.3	97.0		
Dec. 29th	127.8	147.4	135.3	164.2	120.5	135.8	143.8	97.0		
1938 Jan. 5th	128.9	148.2	136.8	164.5	120.6	137.4	143.6	96.9		
Jan. 19th	127.8	146.5	137.7	164.3	120.9	138.1	143.5	96.9		
Feb. 2nd	126.6	144.4	135.4	164.5	119.8	137.9	142.9	97.0		
Feb. 16th	125.0	141.7	136.8	164.5	119.5	138.1	142.4	96.9		
Mar. 2nd	125.1	143.1	138.7	164.5	120.3	138.1	142.5	97.2		
Mar. 16th	123.9	140.8	134.8	164.5	119.3	139.9	142.5	97.2		
Mar. 30th	122.7	137.0	129.3	164.6	117.7	139.4	141.7	97.1		
Apr. 12th	122.6	137.8	130.6	164.6	117.6	139.9	141.5	97.0		
Apr. 27th	121.4	137.8	127.5	164.3	117.4*	140.1*	140.1*	97.0*		

* These figures relate to April 20th. † Monthly average.

The following table shows the movements of the various groups comprised in *The Economist* index number:—

INDUSTRIAL REPORTS

Coal

The unemployment returns for April, discussed in a Note under Industry and Trade, provide little ground for satisfaction. Similarly, the retail trade statistics for March, published in this week's *Board of Trade Journal*, show a reduction of 3.7 per cent. in the value of turnover compared with the corresponding month a year ago. To some extent the decline was probably due to the fact that Easter fell in March last year. This week's industrial reports indicate little change of trend. Consumption of coal is declining, and there is no sign of an improvement in export orders. Transactions in iron and steel are likely to remain small until stocks have been reduced to normal proportions. In the cotton industry sales still fall short of current output, but there has been a slight improvement in the volume of orders secured by the wool textile trade. A meeting of the British tramp shipowners on April 27th approved in principle the formation of a compensation pool, discussed on page 155 of *The Economist* of April 16th. The trend of activity in the principal branches of business is discussed in greater detail in the accompanying *Trade Supplement*.

Cardiff.—There has been no material change on the Cardiff coal market. The observance of only one idle day during Easter has increased the stocks at the colliery and dock sidings, but prices for practically all classes are unaltered. Small contracts have been placed for the North African market, but there is no active inquiry for long period supplies. Italy is an improving market, but shipments to France are considerably lower than in the spring of 1937, and the new import licensing decree is likely to have a still further restrictive effect. Shipments in the foreign and coastwise trades at the South Wales docks last week totalled 301,300 tons, compared with 281,500 tons in the corresponding Easter week last year, and for the first time this year the aggregate exports since January show a decrease from the corresponding period.

Newcastle-on-Tyne.—The North East coal market is without any particular feature, all classes of coal being

The Economist INDEX
(1927 = 100)

	Sept. 18, 1931	Apr. 28, 1937	Apr. 12, 1938	Apr. 27, 1938
Cereals and meat...	64.5	92.2	87.0	85.5
Other foods	62.2	69.7	60.4	60.2
Textiles	43.7	74.3	55.3	54.0
Minerals	67.4	105.5	93.2	92.0
Miscellaneous	65.8	87.1	76.2	76.5
Complete index	60.4	85.7	74.0	73.3
1913 = 100	83.1	118.0	101.9	100.8
1924 = 100	52.2	74.1	64.0	63.3

This week has witnessed a further reaction in wheat prices, but a glance back over the earlier part of the year reveals some indication from time to time of British Government buying. Among miscellaneous food prices, there was a drop in tea and a further increase in butter. American cotton and wool tops are a shade firmer, but there were declines in hemp and jute. In the minerals group, tinplate prices have been reduced. Copper was firmer, but other non-ferrous metals were weak. The rise in the miscellaneous materials index is due to the Budget increase of 1d. a gallon in petrol.

Output of Milk and Milk Products.—The Ministry of Agriculture has published the preliminary results of their census of milk production for the year June, 1935—May, 1936. The previous census was held in 1930-31 and the changes from the figures obtained in that year confirm general expectations. The output of milk (exclusive of that fed to livestock) increased by 4 per cent., to 1,316 million gallons; the dairy herd had increased by 12 per cent. in numbers during the intervening years, so that the average lactation yield per cow fell from 539 gallons in 1930-31 to 502 gallons in 1935-36. It is probable that the long drought and inferior grazing of the latter period was responsible for the greater part of the decline. Although the production of milk increased by only 53 million gallons, the sale of milk off the farms rose by 149 million gallons to 1,098 million gallons, due to a fall of 40 per cent. in the amount of butter made on the farms and to a fall of 69 per cent. in the output of cheese. The guaranteed market and stable liquid milk prices obtained under the Milk Marketing Board have discouraged all forms of the manufacture of milk on the farms.

freely offered. Northumberland steam collieries experience the greatest difficulty in obtaining business. Competition is keener than ever; although prices have been further reduced buyers abroad are taking no interest. Durham collieries continue to work fairly regularly but much more coal is offering, particularly from the coking collieries which are feeling the decline in local industrial activity through the curtailment of coke production. Patent oven coke is a very quiet market, there being no inquiry from abroad.

Workington.—Output, though appreciably bigger than a year ago, is being absorbed. This is due largely to the sustained demand for coking coal and other classes of industrial fuel. It is hoped that the Irish demand will be revived when prices are reduced next month. Landsale is quieter. Prices are steady.

Glasgow.—The market continues depressed, the seasonal decline in demand now having more effect. Short time is being worked in nearly all

collieries, particularly in those supplying the shipping trade. Business with the London utilities has slackened considerably, and it is reported that some contracts for May deliveries have been cut by half.

★

Sheffield.—Demand has improved after the holidays. Industrial coal is moving with some freedom to domestic consumers, but inquiries for household coal have tailed off. The market in coke is easy, with users not in the mood to continue paying present prices. There is, however, a fairly good inquiry for furnace qualities.

The export market shows but little change, with quotations nominal and inclined to ease. Full supplies of most qualities of steam coal are available, but new business is difficult to arrange for Continental users are firmly declining to pay quoted prices.

COAL OUTPUT AND EMPLOYMENT

District	Week ended April 9, 1938		Week ended April 16, 1938	
	Output	Wage-earners	Output	Wage-earners
Northumberland	286.1	45.3	227.1	45.3
Durham	703.5	117.6	544.8	117.6
Yorkshire	915.6	143.9	734.4	144.0
Lancs, Cheshire and N. Wales	366.9	68.5	273.4	68.5
Derby, Nottingham & Leicester	586.9	98.8	528.0	98.9
Staffs, Worcs, Salop & Warwick	382.5	67.1	329.3	67.3
South Wales and Monmouth	791.0	137.1	745.1	136.4
Other English districts*	128.1	22.4	92.1	22.4
Scotland	609.4	91.3	611.4	90.8
Total	4,770.0	792.0	4,085.6	791.2

* Including Cumberland, Gloucester, Somerset and Kent.

Iron and Steel

London.—Markets have been quiet since Easter, according to the report of the Iron and Steel Exchange, but the large stocks on hand are being gradually consumed and a revival in demand is to be expected, when stocks have resumed normal proportions.

The pig iron market has suffered from heavy supplies of imported iron ordered during the period of scarcity. Practically all orders have now been filled and stocks should begin to fall.

Stocks of semi-finished steel remain large, but are being gradually reduced. Meanwhile, production is restricted.

Output at the heavy steelworks continues at a high rate and there are still some arrears of orders. Capacity is likely to be fully occupied for some months to come, though the volume of new orders is not maintained. Some of the lighter sections, particularly, would welcome an increase in demand.

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Sheffield.—Consumers of pig iron, well covered by contract, are holding off the market; the existing slackness may continue until the approach of the close of the second quarter, when prices may come up for consideration. With production still above requirements and consumers in possession of fairly good stocks of material, there is some expectation that prices may then move in favour of buyers.

Business in basic steel billets

continues very substantial, the whole of the output being well taken up. Acid billets are also very firm. There is active business in structural steel, and wire rods are still in good request. Prices generally are unchanged.

Iron and steel scrap business is rather slow. There is plenty of imported material to be worked off, and, until this is absorbed, demand for home supplies is not expected to show much improvement.

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Cardiff.—The decline in the production of tinplates appears to have been checked; the official returns for the past two or three normal working weeks give an output of roughly 47 per cent. of allocated capacity under the pooling scheme. Exports last week totalled 4,484 tons, against 8,400 tons in the corresponding week last year, but as a result of the stoppages during the Easter holidays the stocks in warehouses and vans have been reduced to 6,939 tons. The slump in demand has compelled a review of price policy and prices at Swansea have been reduced from 22s. 6d. to 20s. 3d. per basis box f.o.b. The heavier branches of the iron and steel industry are suffering from the greatly reduced requirements of the tinplate branch and output both of pig iron and steel ingots were lower.

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Middlesbrough.—Last month the output of steel in the North-East coast area, at 262,900 tons, marked a record, and indicates that the demand for heavy steel for structural purposes, shipbuilding, etc., continues. Output is at capacity, and it is understood that producers have good orders on their books. Sheet makers, however, and producers of lighter material are in a position to accept orders for early delivery.

Buyers of pig iron are asking for price concessions after the end of the price stabilization period, which, in the case of Cleveland foundry pig iron, is the end of June. This is delaying the resumption of business; foundries have good stocks of other iron to cover their immediate requirements. Deliveries of East Coast hematite against existing contracts are not being taken up at the speed anticipated when sales were made, and further quantities are being put into stock. Further blast furnaces may go out of operation.

Foreign ore imports, whilst still at a high rate, are about 35,000 tons below the figure for the previous month. Blast furnace coke is plentiful, but consumers are mostly covered. The market in heavy steel melting scrap is easy on the basis of the official quotations.

★

Workington.—There is very little demand for North-West Coast hematite pig-iron. Though makers are booked until the half-year end they are not receiving delivery instructions, and stocks continue to rise and are now about 25,000 tons. So far there has been no hint of diminution of production, and it is hoped that before any such step must be contemplated an acceleration in re-armament work may bring about an improvement in business. A disquieting feature is that inquiries are few and that prospective buyers do not

even mention prices. Quotations are unchanged.

The outlook in the steel trade is not bright. The season for the rolling of rails is coming to an end, and soon the plants will have to depend upon orders for products such as billets, hoops and strips. Orders on the books will not ensure a run of activity on the present scale beyond the end of June. It is feared that later in the year the mills may be operated only three weeks in four.

★

Glasgow.—There has been an increase in inquiry and more new business has been placed. At the steelworks output continues at a very high rate, and the bulk of it is passing very quickly into the hands of users. The demand for semis is still somewhat restricted owing largely to the fact that stocks at consumers' works are still fairly heavy. At the same time, re-rollers are in some cases rapidly reducing stocks, and an improved demand for semis is anticipated shortly. Structural engineers are busy, and a gratifying amount of new work has been placed. Other branches of engineering in Glasgow are also working to capacity, and there is a steady demand for finished material.

Textiles

Cotton (Manchester).—There has been no improvement in business. Despite the curtailment of production in both spinning and weaving branches, sales remain below current output. In several sections, stocks are of inconvenient dimensions. An easier movement has shown itself in raw cotton prices. Trade demand has been limited, and speculative interest in futures remains at a low ebb. Rather more favourable advices have been received from the American cotton belt.

Only a small business has been done in yarns. Home users and exporters seem determined to purchase from hand to mouth, and it has been difficult for most spinners to prevent stocks from increasing.

The cloth market remains better supplied with inquiry. Most manufacturers are in need of orders, and now and again wretched prices have been taken. A fair miscellaneous business has been done for India. Operations for Egypt have been practically at a standstill, owing to the higher duties. The trade outlook in West Africa appears to be rather brighter, but stocks of cloth will have to be reduced before fresh business of any importance can be done. Irregular buying has occurred in finishing qualities for South America and the Continent. Stocks in the hands of the home trade are gradually being reduced.

★

Wool (Bradford).—The final auction of the New Zealand selling season of 1937-38 came to an end at Wellington last Friday, the sale being characterised by keen competition. Despite the likelihood of increased armament requirements for clothing purposes, crossbred prices have remained steady throughout the selling season. The following table shows the prices ruling

at the first Wellington sale on December 8th and on April 22nd, the final auction of the season:—

PRICES FOR AVERAGE STYLE TOPMAKING WOOLS, CLEAN, C.I.F. BRADFORD.

Quality	Wellington, Dec. 8, 1937		Apr. 22, 1938	
	d.	d.	d.	d.
46's carding	13 1/2	13	13 1/2	13
48's "	13 1/4	13	13 1/4	13
50's "	13 1/4	13 1/4	13 1/4	13 1/4
56's "	17	15 1/2	17	15 1/2
44's preparing	14 1/2	13 1/2	14 1/2	13 1/2
46's "	14 1/2	13 1/2	14 1/2	13 1/2
48's "	14 1/2	13 1/2	14 1/2	13 1/2
50's "	14 1/2	13 1/2	14 1/2	13 1/2
50's hoggetts	13 1/4	14	13 1/4	14
54's "	16	14 1/4	16	14 1/4

† Good style topmaking wools 1 1/2d. per lb. more.

Turning to Bradford, the market is certainly better, and more business has been done during the past two weeks than for several months. The opinion is growing that wool prices have touched the lowest point. Consumption shows signs of a slight improvement, but there is still plenty of standing machinery and a fair amount of short-time. It is felt that a good summer season's trade is going to be done with a developing demand for new garments. The trade generally is not looking for any lower prices unless unforeseen developments intervene.

RAW COTTON delivered to Spinners (Thousand bales)

Variety	Week ended		Total Deliveries	
	Apr. 14, 1938	Apr. 22, 1938	Aug. 1, 1937	Aug. 1, 1938
American	17.1	15.1	897	947.2
Brazilian	3.0	1.9	268	220.8
Peruvian, etc.	1.1	1.4	112	91.4
Egyptian	2.5	6.6	305	263.9
Sudan Saki	0.6	2.1	110	109.6
East Indian	4.5	5.3	371	256.7
Other countries	1.2	0.8	163	130.2
Total	30.0	33.2	2,226	2,019.8

THE COMMODITY MARKETS

THE firmer tone of commodity prices noticeable earlier this month has again given way to a downward trend. In view of the fact that consumers showed little inclination to cover their requirements for longer periods ahead, this relapse is scarcely surprising.

The principal non-ferrous metals were all marked down, and rubber, linseed oil, and cotton were also cheaper than a week ago. On the other hand, wheat prices remained firm and the decline in raw sugar was arrested.

The decline in the prices of primary products was not confined to this country. Thus, Moody's index of the prices of staple commodities in the

United States (December 31, 1931=100) fell from 140.1 to 138.3 during the week ended last Wednesday. A month ago the index stood at 145.3 and a year ago at 211.5.

Metals

Copper.—The market was easier and the cash price closed at £39 13s. 9d. per ton, a fall of 5s. per ton from last week. Two unfavourable factors were the Japanese restriction of the domestic copper consumption and the increase in March exports from the United States to 9,300 tons, more than three times as much as in March, 1937.

★

Tin.—Unsatisfactory reports from Malaya and an increase in home stocks have weakened the market, and the cash price fell by £5 10s. per ton to close at £164 10s. per ton. The International Tinplate Convention decided to reduce its price from 22s. 6d. to 20s. 3d. per basis box, partly because of the reduction in tin prices, but also because of the poor demand for tinplate.

★

Lead and Spelter.—Demand for both metals was very small; the price of lead fell by 15s. per ton to close at £15 per ton, and the price of spelter closed at £13 11s. 3d. per ton, 7s. 6d. per ton lower than last week. United States stocks of lead again increased during March to 143,511 short tons, but there has been some increase in demand on the American markets.

SALES ON LONDON METAL EXCHANGE

Date	Copper	Tin	Lead	Spelter
1938	Tons	Tons	Tons	Tons
April 13	2,450	210	1,500	525
" 14	1,250	225	1,100	850
" 19	2,300	175	1,250	850
" 20	1,400	170	650	975
" 21	1,600	235	1,450	700
" 22	925	130	1,100	300
" 25	1,275	250	1,000	575
" 26	950	300	1,000	1,000
" 27	1,200	550	850	375

U.K. STOCKS

	Apr. 16, 1938	Apr. 23, 1938
Copper (Br. official w'houses):		
Refined	7,552	8,917
Rough	24,328	24,328
Tin (London and Liverpool)	4,735	4,904

Other Foods

Provisions and Meat.—The demand for bacon has been steady and prices for English, Danish and Dutch advanced by 2s. per cwt. Hams sold easily at unchanged prices. Butter prices continued to increase, and supplies of Australian and New Zealand

sold steadily at 126s. to 128s. per cwt. A fair demand for New Zealand cheese at the beginning of the week and for English Cheddars later left prices unchanged. The seasonal rise in egg prices continues, and English (15-15½ lb.) finished at 12s. to 12s. 6d. per 120, while Danish showed an equal rise to 10s. 6d. to 11s. per 120. The meat markets have been quiet and prices show little change.

★

Colonial Produce.—Demand for sugar was slow at the beginning of the week, but improved later, when prices were slightly advanced. Coffee and cocoa prices were unchanged, the quotation for Accra cocoa remaining nominal until sales from the Gold Coast are resumed.

★

Fruit.—Reports from the fruit-growing districts as to the frost damage are varied. Early strawberries, plums and Bramley apples are generally reported to be severely cut, while losses on pears, raspberries and other apples

OTHER FOODS: STATISTICS

	Week ended	
	Apr. 16, 1938	Apr. 23, 1938
BACON:		
Arrivals in London (bares):		
Danish	...	12,805
Canadian	...	5,735
Dutch	...	2,637
Lithuanian	...	1,499
Polish	...	2,665
COCOA:		
Movements in Lond. (bags):		
Landed	9,621	5,439
D/d for home consumption	4,004	4,741
Exports	303	85
Stocks, end of week	95,469	96,082
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed	35	205
" D/d for home consn.	50	155
" Exports	...	...
" Stocks, end of week	2,704	2,754
Central and S. American:		
Landed	9,546	5,706
D/d for home consumption	2,880	1,920
Exports	777	536
Stocks, end of week	104,941	108,191
Other kinds—Landed	5,196	5,508
" D/d for home consn.	3,850	3,677
" Exports	733	466
" Stocks end of week	123,977	125,342
MEAT:		
Supplies at Smithfield (tons):		
Total	8,915	8,783
Beef and veal	4,779	4,515
Mutton and lamb	2,695	2,820
Pork and bacon	810	810
Poultry, etc.	577	538
PEPPER:		
Movements in Lond. (tons):		
Black—Landed	...	4
" Delivered	...	...
" Stocks, end of week	1,940	1,944
White—Landed	60	14
" Delivered	14	7
" Stocks, end of week	10,070	10,057
SUGAR:		
Movements, London and Liverpool (tons):		
Imports	3,796	3,735
Deliveries	19,971	24,649
Stocks, end of week	232,265	211,351
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India	24,743	...
S. India	3,809	...
Ceylon	17,161	...
Java	...	...
Sumatra	...	...
Africa	4,631	...
Total	50,344	...

* Week ended Apr. 12.

AMERICAN WHOLESALE PRICES

	Apr. 20, 1938		Apr. 27, 1938			Apr. 20, 1938		Apr. 27, 1938	
	Cents	Cents	Cents	Cents		Cents	Cents	Cents	Cents
GRAINS (per bushel):									
Wheat, Chicago, May	84	81	119 1/2	119 1/2					
Winnipeg, May	125 1/2	125 1/2	119 1/2	119 1/2					
Maize, Chicago, May	59 1/4	58 1/4	29 1/2	28					
Oats, Chicago, May	29 1/2	28	63 1/4	59 1/2					
Rye, Chicago, May	63 1/4	59 1/2	56 1/2	57 1/2					
Barley, Winnipeg, May	56 1/2	57 1/2							
METALS (per lb.):									
Copper, N.Y., Domestic spot	9.72 1/2	9.62 1/2							
Producers' export 10-00	9.90								
METALS (per lb.)—cont.									
Tin, N.Y., Straits spot	38.55	37.50							
Lead, N.Y., spot	4.50	4.50							
Spelter, East St. Louis, spot	4.25	4.25							
MISCELLANEOUS (per lb.):									
Cocoa, N.Y., Accra, May	5.01	4.82							
Coffee, N.Y., cash									
Rio, No. 7	4 1/4	4 1/4							
Santos, No. 4	7 1/4	7 1/4							
Cotton, N.Y., Am. mid., spot	8.84	8.90							
MISCELLANEOUS (per lb.)—cont.									
Cotton, Am. Mid., May	8.78	8.78							
Lard, Chicago, May	8.30	8							
Petroleum, Mid-cont. crude									
33 deg. to 35-90, at well,									
per barrel	116	11							
Rubber, N.Y., smkd. sheet spot	124 1/2	1							
Do. do. May	125 1/2	1							
Sugar, N.Y., Cuban Cent.,									
96 deg., spot	2.85								

BRITISH WHOLESALE PRICES

	Apr. 20, 1938	Apr. 27, 1938
CEREALS AND MEAT		
GRAIN, Etc.—		
Wheat—		
No. 2, N. Man. 496 lb.	52 0	48 3
Eng. Gaz. av., per cwt.	7 7	7 8
Liv. May, per cental	6 11	6 10
Flour, per 260 lbs.—		
Straight, d/d London	35 0	33 6
Manitoba, ex store	36 3	35 9
Barley, Eng. Gaz. av.	11 2	10 5
Oats	8 0	8 0
Maize, La Plata, landed, 480 lb.	34 6	34 6
Rice, No. 2 Burma, per cwt.	8 12	8 11 1/2
MEAT—		
Beef, per 8 lbs.—		
English long sides	4 8	4 8
Argentine chilled hinds	4 4	4 4
Mutton, per 8 lbs.—		
English wethers	4 0	4 0
N.Z. frozen wethers	2 10	2 10
Lamb, per 8 lbs.—		
N.Z. frozen	4 9	4 11
Pork, English, per 8 lbs.	6 10	6 8
BACON (per cwt.)—		
English	104 0	106 0
Danish	105 0	107 0
Dutch	100 0	102 0
Irish	98 0	98 0
HAMS (per cwt.)—		
Canadian	98 0	98 0
United States	92 0	92 0
OTHER FOODS		
BUTTER (per cwt.)—		
Australian	125 0	126 0
New Zealand	125 0	127 0
Danish	126 0	128 0
CHEESE (per cwt.)—		
Canadian	76 0	77 0
New Zealand	70 6	69 0
English Cheddars	102 0	102 0
Dutch	48 0	48 0
COCOA (per cwt.)—		
Accra, f.f.	28 0	27 6
Trinidad	40 0	40 0
Grenada	40 0	40 0
COFFEE (per cwt.)—		
Santos supr. c. & f.	27 6	27 6
Costa Rica, medium to good	50 0	50 0
Kenya, medium	43 0	44 0
EGGS (per 120)—		
English (15-15 1/2 lb.)	10 9	12 0
Danish (15 1/2 lb.)	9 3	10 6
FRUIT—		
Oranges, Jaffa	12 9	14 6
" Brazilian	17 0	21 0
Lemons, Malaga	14 6	19 6
" Sicilian	17 3	22 0
Apples, Amer. (var.)	20 0	19 0
" (var.)	7 0	8 0
Grapes, Almeria	10 0	11 0
Grapefruit, Jaffa	10 6	10 0
LARD (per cwt.)—		
Irish, finest bladders	68 0	62 0
U.S.	48 6	48 6
PEPPER, per lb.—		
Black Lampong (in Bond)	0 23 4	0 23 4
White Muntok	0 37 6	0 37 8
POTATOES (per cwt.)—		
King Edward	6 0	7 0
SUGAR (per cwt.)—		
Centrifugals, 96%, prpt. shipm.	4 11 1/4	5 11 1/2
Refined—London—		
Yellow Crystals	18 3	18 4 1/2
Cubes	22 6	22 7 1/2

* Week ended April 12th. † These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.

	Apr. 20, 1938	Apr. 27, 1938
SUGAR (per cwt.)—cont.		
Crushed	18 7 1/2	18 9
Granulated	19 6	19 7 1/2
Home Grown	18 6	18 7 1/2
TEA* (Auction Average) (per lb.)—		
N. India	14 13	14 13
S. India	15 43	15 43
Ceylon	16 33	16 33
Java	18 9	18 10 1/2
Sumatra	12 95	12 95
Africa	14 83	14 83
TOBACCO (per lb.)—		
Virginia stemmed and unstemmed, common to fine	2 6	2 6
Rhodesian stemmed and unstemmed	0 9	0 9
Nyasaland stemmed and unstemmed	0 7	0 7
East Indian	0 6	0 6
Unstemmed	0 5	0 5
TEXTILES		
COTTON (per lb.)—		
Raw, Mid-American	4 94	4 86
" Sakellariadis, F.G.F.	8 08	7 98
" Guza, F.G.F.	7 13	7 03
Yarns, 32's Twist	10 13	10 13
" 40's Twist	10 13	10 13
60's Twist (Egyptian)	17 12	17 12
Cloth, 32 in. Printers, 116 yds.	17 10	17 9
" 36 in. Shirtings, 75 yds.	24 2	24 0
" 38 in. ditto, 38 yds.	10 4	10 3
" 39 in. ditto, 37 1/2 yds.	9 4	9 4
" 39 in. ditto, 37 1/4 yds.	9 4	9 4
FLAX (per ton)—		
Livonian ZK	66 0	66 0
Pernau HD	68 0	68 0
Slanetz Medium, 1st sort	85 0	85 0
HEMP (per ton)—		
Native 1st mks., c.i.f. H.A.R.B.	17 11/3	17 6/3
Apr.-May	17 0/0	16 12/6
Daisee 2/3 c.i.f. Dundee, Apr.-May	17 0/0	16 12/6
SISAL (per ton)—		
African, Apr.-June	17 5	17 10
SILK (per lb.)—		
Canton	7 9	7 9
Japan	6 3	6 3
Italian, raw, fr. Milan	7 6	7 6
WOOL (per lb.)—		
English, Southdown, greasy	15 1/2	14 1/2
" Lincoln hog, washed	13	12 1/2
Queensland, scd. super combg.	23	23
N.S.W. greasy, super combg.	13	13
N.Z., greasy, half-bred 50-56	12 1/2	12 1/2
" Crossbred 40-44	11 1/2	11 1/2
Tops	28 1/2	27 1/2
Merinos 70's average	26 1/2	26 1/2
" 64's	16	16
Crossbred 48's	15 1/2	15 1/2
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	22 6	22 6
Durham, best gas, f.o.b. Tyne	21 6	21 9
Sheffield, best house, at pits	22 0	22 0
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d/d.	109 0	109 0
Bars, Middlesbrough	265 0	265 0
Steel rails, heavy	202 6	202 6
Tinplates	22 6	20 3
NON-FERROUS METALS (per ton)—		
Copper	39/18/9	39/13/9
Standard cash	40/1/3	39/16/3
Three months	40/5/0	40/0/0
Tin	40/6/3	40/1/3
Standard cash	170/0/0	164/10/0
Three months	170/15/0	165/5/0
Lead, soft foreign	15/15/0	15/0/0
Cash	15/16/3	15/1/3
English, pig	17/15/0	17/15/0
Spelter, G.O.B.—		
Spot	13/18/9	13/11/3
Aluminium, ingots and bars	140/0/0	13/13/9
" rolling billets	102/0/0	102/0/0
Nickel, home and export	180/0/0	180/0/0
Antimony, Chinese	65/0/0	64/0/0
Wolfram, Chinese	44 0	42 0
Platinum, refined	£ s. d.	£ s. d.
Quicksilver	12/16/6	12/10/6

	Apr. 20, 1938	Apr. 27, 1938
GOLD, per fine ounce		
SILVER (per ounce)—		
Cash	1 6 15 1/2	1 6 15 1/2
MISCELLANEOUS		
CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to ton (free, non-returnable)—		
4-ton loads and upwards	42s. per ton	42s. per ton
CHEMICALS—		
Acid, citric, per lb., less 5%	1 0 1/4	1 0 1/4
" Nitric	0 2 0 2	0 2 0 2
" Oxalic, net	0 5 0 5	0 5 0 5
" Tartaric, English, less 5%	1 1 1/4	1 1 1/4
Alcohol, Plain Ethyl	12 0	12 0
Ammonia, carb.	20/0/0	20/0/0
Sulphate	7/14/0	7/14/0
Arsenic, lump	35/0/0	35/0/0
Borax, gran.	13 6	13 6
" powder	15 0	15 0
Nitrate of soda	8 0	8 0
Potash, Chlorate, net	0 4 0 4	0 4 0 4
Sulphate	10 0	10 0
Soda Bicarb.	11 0	11 0
Crystals	5 3	5 3
Sulphate of Copper	18/0/0	18/0/0
DDPA (per ton)—		
S.D. Straits, c.i.f.	12/7/6	12/5/0
HIDES (per lb.)—		
Wet salted, Australian	0 4 1/2	0 4 1/2
West Indian	0 2 1/2	0 2 1/2
Cape	0 4 3/4	0 4 3/4
Dry and Drysalted Cape	0 6 3/4	0 6 3/4
Market Hides, Manchester—		
Best heavy ox and heifer	0 5 1/4	0 5 1/4
Best cow	0 4 0 4	0 4 0 4
Best calf	0 4 3/8	0 4 3/8
INDIGO (per lb.)—		
Bengal, gd. red.-vio. to fine	5 6	5 6
LEATHER (per lb.)—		
Sole Bends, 8/14 lb.	2 0	2 0
Bark Tanned Sole	2 0	2 0
Shoulders from DS Hides	0 7 0 7	0 7 0 7
" Eng. or WS do.	0 9 0 9	0 9 0 9
Bellies from DS do.	0 5 0 5	0 5 0 5
" Eng. or WS do.	0 6 0 6	0 6 0 6
Dressing Hides	1 4 3	1 4 3
Ro. Eng. Calf, 20/35 lb. per doz	3 6	3 6
PETROLEUM PRODUCTS (per gall.)—		
Motor Spirit, No. 1, London	1 5 1/4	1 6 1/2
Petroleum, Amer. std. btl. Lond.	0 10 1/2	0 10 1/2
Fuel oil, in bulk, for contracts ex instal. Thames—		
Furnace	0 3 3/4	0 3 3/4
Diesel	0 4 1/2	0 4 1/2
ROSIN (per ton)—		
American	14/7/6	14/7/6
RUBBER (per lb.)—		
St. ribbed smoked sheet	0 6 1/2	0 5 1/2
Fine Hard Para	0 5 3/8	0 5 3/8
SHELLAC (per cwt.)—		
" N Orange	40 0	40 0
TALLOW (per cwt.)—		
London town	18 6	18 6
TIMBER—		
Swedish u/s 3 x 8	22/10/0	22/10/0
" 2 1/2 x 7	22/0/0	22/0/0
Canadian Spruce, Dis.	23/10/0	23/10/0
Pitchpine	11/0/0	11/0/0
Rio Deals	35/0/0	35/0/0
Teak	27/0/0	27/0/0
Honduras Mahogany logs c. ft.	0 12/0	0 12/0
English Oak Planks	0 6/0	0 6/0
English Ash Planks	0 7/0	0 7/0
VEGETABLE OILS (per ton net)—		
Linseed, naked	25/5/0	24/17/6
Rape, refined	34 0	34/0/0
Cotton-seed, crude	17/10/0	17/10/0
Coconut, crude	16/17/6	16/17/6
Palm	14/0/0	14/2/6
Oil Cakes, Linseed, Eng.	9/15/0	9/15/0
Oil Seeds, Linseed—		
La Plata, May	12/0/0	12/0/0
Calcutta	12/17/6	12/16/3
Turpentine	31 3	31 3

SOCIETE FINANCIERE DE TRANSPORTS ET D'ENTREPRISES INDUSTRIELLES, S.A.

(SOFINA)

EXTRACT FROM DIRECTORS' REPORT TO THE SHAREHOLDERS FOR PRESENTATION AT THE ORDINARY GENERAL MEETING OF APRIL 28, 1938

THE MEANING OF ECONOMIC EQUILIBRIUM

Last year we tried to show how insecurity of private rights is detrimental to the general welfare; but we were careful to make it clear that adjustments may be necessary even of contractual rights. Change is essential in every form of life, and the economic body can be no exception to the rule.

Yet people go about repeating that equilibrium must be established—or re-established—and then stabilised either throughout the economic system or in some of its branches. Almost every government to-day makes this search for equilibrium one of the main items of its declared policy.

The pursuit of this objective, whether it aims at maintaining or modifying vested rights and existing situations affects the lives of men and undertakings. We therefore think it may be helpful to define the notion of economic equilibrium, to examine the schemes for establishing it, and to see what lessons can be drawn from recent experiments.

Such will be the subject, this year, of the general remarks which it has become a tradition with us to add to our report on the company's operations. Being longer than usual, owing to the many aspects of the subject, they are submitted to you in a separate pamphlet. In brief, they set out the following points.

Economic equilibrium implies a satisfactory fulfilment of mankind's individual and collective wants—satisfactory for those who supply goods or services as well as for those who receive them. Those who seek to establish this equilibrium are often in quest of justice in distribution, and usually they aim at increasing wealth so as to bring about a steady rise in the standard of living. But these designs are dominated by a more immediate objective, which is to ensure the fullest possible utilisation of all resources of goods and labour available for production and at the same time a complete distribution of their products; in other words, to equalise supply and demand, both being raised to the highest possible level.

MALADJUSTMENTS TO BE CORRECTED

Economists have always tried to discover what conditions are most conducive to general welfare; but nowadays some believe that the world's economic structure has radically changed, and that new methods must be devised for setting up a "fair balance" between supply and demand. We find, however, that disparities such as they point to have always existed, though cases vary, and that there is nothing very new in the remedies they propose.

Some of the schemes on which recent attempts to reorganise the economic system have been based assume that means of production are inadequate to satisfy the requirements of the community; others suppose, on the contrary, that the capacity to produce is widely in excess of the capacity to consume.

INADEQUATE CAPACITY TO PRODUCE

The first type of plant invests the government with the power to apply all means of production to those purposes which it considers to be the most useful. This conception finds its most complete expression in the Soviet system under which the authorities assign to everyone his task and decide what will be his share in the joint output. But since State enterprise cannot replace the multiplicity of private initiative, or equal its flexibility, it will at best succeed in supplying staple commodities, with the result that supply and demand will be made to balance only at a low level. Likewise, when "preparedness for war" takes pride of place over well-being, a people must submit to the privations that go with a state of siege; a policy of self-sufficiency implies an all-pervading regimentation that leads to conditions more and more similar to those of the Soviet regime.

INADEQUATE CAPACITY TO CONSUME

Schemes directed to expanding consumption so that it may equal the capacity to produce seek to displace rather than to create purchasing power, even if they do not aim at levelling social inequalities. Transfers of this kind characterise most attempts at State planning; as a matter of fact, governmental intervention in economic activities

seldom amounts to anything else. Their usual effect is to impoverish the community.

Some classes of producers have been granted protection to the detriment of consumers, or subsidies at the expense of the taxpayers; but higher prices have curtailed the demand. Salaries and pensions have been increased at the employers' expense in order to raise the purchasing power of the masses; but only a limited number of goods appeal to the masses, and the undertakings whose profits have been diminished cease to extend their plant; frequently they even refrain from renewing them. Governments decide to replenish order-books in their stead, and thus to create work for the unemployed; they borrow heavily to that end, but public works can replace but a small proportion of the expenditure that private enterprise would devote to purchases of equipment if only it thought the outlay would be remunerative; and the price of the temporary stimulus given to business is a heavy burden placed on the taxpayers' future purchasing capacity, in the form of a debt that is not offset by any lasting increase in the community's total income. Experience has taught that an unbalanced budget does not spell economic equilibrium. Further stimulants have been sought in currency devaluation and in an "easy money" policy; the expected rise in selling prices was to have had the twofold effect of mitigating the debtors' burden—at their creditors' expense—and of creating that illusion of prosperity which, fostered by an apparent increase of incomes, encourages spending; but, contrary to expectation, the rise in prices proved to be by no means general, and where it occurred the cost of production increased as a rule to an equal extent; on the other hand, the buying fever aroused by the expectation of higher prices, and fed by the abundance of available funds, raised demand to a level at which it could not be maintained.

Those who sought by these methods to expand consumption, so that the means of production should be fully utilized, lost sight of the indisputable fact that there can be no real increment in purchasing capacity unless buyers, on their part, furnish goods or services equivalent to the additional income they wish to receive. Moreover, the will to purchase, especially productive equipment, arises only if the outlay promises to be profitable; super-abundant means of payment do not suffice to create this will.

EXCESS IN SUPPLY

Equalisation of supply and demand can be approached by another method; instead of attempting to expand consumption, let production be restricted. This method has in fact been tried in various forms.

The supply of labour has been reduced by shortening hours, so that a greater number of employees should share the work. But as employers could not reduce weekly wages, their costs of production have increased, and some of them have replaced labour by machines, while others have put up their selling prices, thereby checking consumption; in both instances the shortening of hours has led to fresh unemployment.

The supply of commodities has been reduced by prohibiting production or by paying compensation for not producing. These measures, when applied to articles of international trade, have chiefly benefited foreign competitors to whom they did not apply. However, so long as production fully meets the demand, it is unreasonable that there should be an excess. Adjustment is best obtained by means of agreements between producers. Several governments have encouraged the formation of trade associations, and sometimes they have gone so far as to guarantee them a monopoly. Although there may be some danger that these associations might put up their selling prices unduly—as some have done, while raising wages to gain the support of labour unions—it is not difficult to check abusive practices that might prejudice consumers.

In some countries, savings—especially company reserves—have been taxed with a view to discouraging extensions of productive equipment. This has led to increased unemployment in the industries producing durable goods, has endangered the stability of undertakings, and has threatened to dry up the very source of the means of production.

PRICE REGULATION

Some reformers, satisfied that economic equilibrium existed during a given year of business prosperity, have started from the assumption that the prices or price relations ruling at that time were the cause of this equilibrium, and that it would be restored if only those prices or ratios were re-established. They have spread a belief in a veritable magic of prices, and this belief has given rise to a number of attempts to create specific relations between wholesale and retail prices, agricultural and industrial prices, or internal and external prices. The methods applied have consisted chiefly in currency and money market manipulations. They have proved to be of limited efficacy. It is doubtful whether their failure is to be regretted, since the usefulness of the objective is open to dispute.

Currency devaluation, however, may give producers of the country in which it takes place an advantage over their foreign competitors. It may be necessary in order to enable them to recover accustomed markets. While it is to the general advantage that currencies be brought "into line" for the purpose of maintaining and extending trade, it is to-day recognised that a devaluation race is a vain pursuit. Yet the restoration of fixed parities between currencies will not be practicable unless each country is firmly resolved and has the power regularly to meet its external commitments by means of its exports and the foreign capital it is able to attract.

REPERCUSSIONS OF STATE PLANNING ON INTERNATIONAL TRADE

When, as a result of its economic policy, a country is impoverished, and especially when it reduces the quantity of its exportable goods or increases their cost, thereby restricting its capacity to import, its action is detrimental to other countries. Customs barriers are not the only obstacle to a revival of international trade.

In order to avoid practising a sort of negative protection, it may be necessary to impose on foreign products import duties equivalent to the burden of taxes and social benefits that the national production is called upon to bear in excess of that which its foreign competitors must include in their costs. This is one of the reasons why absolute free trade is impracticable under present conditions. Besides, it would be impossible to sweep away customs barriers without throwing world economics into further confusion, unless pre-arranged measures were taken to provide employment for the men and the productive equipment whose occupation was dependent on the protection afforded by tariff walls. Wider markets would undoubtedly make it easier to maintain the balance between supply and demand but the field open to trade cannot be enlarged without a spirit of international co-operation.

How is this co-operation to be promoted?

There can be no question of "planning" world economics. Any attempt to equalise costs, for instance, would be futile; even in the national field all efforts to this end have failed; moreover, disparity of costs encourages division of labour. The first essential is that

governments should become imbued with the idea that they must help each other to provide outlets for the goods and services of their nationals.

LESSONS OF RECENT EXPERIENCE

Recent experiments have not only revealed the disadvantages and weaknesses of "planning"; they have also taught how governmental action can contribute to economic equilibrium. Their role is to open up roads for trade, mark them out with signposts, and prevent traffic from becoming disorganised; but it is not for them to tell each person where to go and how to get there. Governments have successfully intervened in bringing about agreements between producers; some have awakened a spirit of fellowship between employers and employees; others have helped, by means of statistical research, to keep buyers and sellers better informed of market conditions; or they have taken an active part in commercial propaganda directed towards developing demand; or again, they have facilitated the shifting of unemployed populations to regions where there were opportunities for work. Every one of these practices might be extended to the international field.

Nations to-day are like players assembled around a card table, some of whom insist on playing bridge, others nap, and yet others poker. If, under such conditions, international trade cannot be carried on it is because that game also requires agreement on fundamental rules—a set of economic and legal principles. It should not be impossible to define these principles and to embody them in international agreements.

Technical progress opens up infinite possibilities for production and education, causing needs to become more refined and diversified, can increase requirements indefinitely. There is no excess of commodities; on the contrary more and more will be needed in order that man's standard of living may be raised.

The disequilibrium between supply and demand is due to the fact that potential buyers are prevented from supplying, or will not seek to put themselves in a position to supply, goods or services that others desire. Private enterprise is the most effective agency for producing what is demanded and for developing markets; governmental action can protect and stimulate private enterprise, but all too frequently it accentuates the very maladjustments which it seeks to correct, because it hinders production or renders the goods on offer unattractive.

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The Electric & Railway Finance Corp., Ltd.,

10 Mayfair Place, London, W.1,

and

The Midland Bank Limited, Poultry, London, E.C.2.

are sporadic. A good demand continues for oranges and prices rose with somewhat smaller supplies. Supplies of foreign fruit generally are short and prices firm.

*

Vegetables.—The colder weather has caused a fall in demand for salads, but sales of green vegetables, carrots and parsnips are brisk, according to *The Fruitgrower*. Supplies of asparagus are increasing, and the best from Worcester sells readily at 5s. to 6s. per bundle, with a few special samples priced up to 16s.

Grains

The wheat market has been steady and prices little changed, except for a fall of nearly 2s. per quarter in Manitoba wheats. Persistent drought round the Mediterranean is affecting European

SALES OF BRITISH CEREALS

		Week ended	
		Apr. 16, 1938	Apr. 23, 1938
Wheat	cwt.	108,290	123,460
Barley	cwt.	7,046	6,665
Oats	cwt.	12,234	23,622

crops, but crop reports from America are favourable. There has been a better demand for maize at unchanged prices, and interest in foreign feed barley has revived, with some rise in prices.

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 Quarters)

	Week ended		Season to	
	Apr. 16, 1938	Apr. 23, 1938	Apr. 22, 1937	Apr. 23, 1938
From—				
N. America	311	292	20,510	17,154
Argentina and Uruguay	236	228	17,818	6,323
Australia	752	499	9,426	11,041
Russia	92	47	11	4,836
Danube and dist.	106	111	7,550	5,793
India	33	1,071	1,741	1,741
Other Countries	18	16	1,406	664
Total	1,515	1,226	57,792	46,952
To—				
U.K.	370	280	13,412	11,635
"Orders"	363	328	16,136	9,771
France	10	—	1,078	658
Belgium	51	91	3,632	3,894
Holland	20	76	1,422	2,513
Italy	18	12	4,466	816
Greece	36	41	1,589	1,692
Scandinavia	17	38	1,593	1,268
Austria, etc.	31	45	1,531	1,637
Other European Countries	123	69	1,185	3,028
Ex-European Countries	476	246	11,748	9,040
Total	1,515	1,226	57,792	46,952

Miscellaneous Commodities

Oilseeds and Oils.—The markets continue quiet and prices, where changed, are somewhat lower. There is only a small demand for linseed, and the quantity afloat for Europe is given as 83,000 tons, compared with 155,000 tons a year ago. Linseed oil and refined cotton seed oil are both cheaper.

*

Rubber.—The improvement in the market noticed last week has not continued, and prices closed somewhat lower than their mid-week level. World stocks in March increased by 122,936 tons, compared with March, 1937, and by 16,815 tons compared with a month ago.

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ended	
	Apr. 16, 1938	Apr. 23, 1938
Landed	2,775	3,479
Delivered	1,296	1,281
Stocks, end of week	78,745	80,943

'COMPANY MEETINGS

UNION-CASTLE MAIL STEAMSHIP COMPANY LIMITED

INCREASED AMOUNT OF PROFIT ON COMPLETED VOYAGES

DIVIDEND PROSPECTS OF THE ORDINARY STOCKHOLDERS

SATISFACTORY PROGRESS OF THE SHIPBUILDING AND RE-ENGINEING PROGRAMME

COMPANY'S IMPORTANT PART IN THE DEVELOPMENT OF SOUTH AFRICAN TRADE

MR ROBERTSON F. GIBB'S ADDRESS

PAYMENT OF PREFERENCE DIVIDEND ARREARS

At our meeting last year I indicated the board's hope to be able to deal with the arrears of dividend on the 6 per cent. preference shares out of the profits for that year. This expectation was fulfilled by the payment on December 31st last of the 18 months' arrears of preference dividend, together with the six months' dividend then due. These arrears, together with the dividend for the year on the six per cent. and four and a half per cent. preference shares, absorbed £295,000, leaving a balance of £301,000.

Here I think it desirable that I should reiterate the explanation I gave last year regarding the book loss unavoidably associated with our re-engineing programme. This programme involved the removal of engines which stood in the books at a proper figure but which after removal from the five vessels concerned are no longer of value as assets of the company. The total amount of book loss involved is approximately £435,000, and it was obviously necessary that this loss should be dealt with. For this purpose £200,000 was set aside in the 1936 accounts, and in the accounts before you to-day we have made provision for the balance of £235,000. This latter sum has been found by allocating £150,000 from the profit and loss account and by transferring £85,000 from insurance reserves. This completes the provision necessary fully to write off the value of the old engines of these ships. A credit balance of £151,000 remains in the profit and loss account, which we recommend should be carried forward.

Incidentally, I may mention that all our subsidiary companies continue to show a net profit.

BALANCE SHEET

As regards the balance sheet, there are not many items calling for special comment. On the liabilities side there is only one marked difference between the figures for 1936 and those for 1937—namely, that in respect of the amount of advances on account of new tonnage and re-engineing, which have increased from just under £2,000,000 to rather more than £3,000,000, the actual difference being about £1,100,000. During the current year this figure will be still further increased, involving, of course, a corresponding increase in the amount of interest payable. These advances have been obtained on favourable terms, and if only the question of the rate of interest had to be considered it would clearly be to the company's advantage to leave matters as they are. In addition to interest, however, we shall have to find large sums during the next few years to make the covenanted repayments, and in this connection your directors are still bearing carefully in mind the possibility of placing at least a proportion of these loans on a more permanent basis as and when a suitable opportunity occurs.

On the assets side of the balance sheet you will observe that the book value of the fleet has increased by rather more than £1,600,000 and now stands at £10,135,000, which sum includes expenditure on vessels under construction and being re-engineed. As in past years, depreciation at the customary rate of 5 per cent. has been written off, except in the case of the first of the vessels to be re-engineed, the only one which affects the 1937 accounts. In the case of all the five vessels involved in the re-engineing programme we have, after careful consideration, decided to adopt for the purpose of depreciation the basis of a 25-years' life—i.e., after writing off the book value of the old engines and adding the cost of re-engineing, depreciation will be calculated on the basis that the vessels be written off the books within the period from the com-

PROFIT AND LOSS ACCOUNT

Dealing first with the profit and loss account, I would draw your attention to the moderate increase shown in the amount of profit on completed voyages, after due provision has been made for depreciation on the fleet and on property and plant, for taxation, administration and other expenses, and after allowing for certain special outlays—in the case of the two mail vessels whose re-powering was completed in 1937—for alterations and renovations additional to the main re-engineing contract, which special outlays were in the opinion of the board properly chargeable against revenue.

To this profit on completed voyages of £510,000 has to be added the income from investments and properties, amounting to £110,000. The decrease in this figure of a little over £10,000 compared with the previous year is accounted for mainly by a rather smaller return from some of our investments in subsidiary or associated companies in South and East Africa.

From the total of these two items, amounting to £620,000, have to be deducted interest on loans and on debenture stock and directors' fees, which together come to £173,000, leaving a net profit of £447,000, or £11,000 more than in 1936. The increase of £14,000 for interest charges is due, of course, to the larger amount of advances in respect of shipbuilding and re-engineing during the year. After adding the balance of £149,000 brought forward, the total available for allocation is £596,000.

pletion of re-engining to the date of their reaching the extended age of 25 years.

You will observe from the report that there is a credit balance of £136,842, representing the difference between book values and amounts realised in respect of investments sold and tonnage disposed of. This has been applied towards writing down the cost of the two refrigerated cargo vessels now under construction. Notwithstanding the abnormally high price of new tonnage, these vessels were specially ordered to assist in carrying out our contract with the South African Government for the conveyance of perishable produce, and as they are costing us very considerably more than their four sister ships already in service I am sure you will agree that we have followed a prudent course in thus writing down their value more nearly to a normal figure.

INVESTMENTS

There is one other item to which you will doubtless expect me to refer on account of the marked change in the amount shown in the 1937 accounts compared with the corresponding figure for the previous year—namely, the value of our investments, which now appears in the balance sheet at £566,000, compared with £893,000. This decrease is mainly accounted for by the sale during the year of our holding of shares in the Durban Navigation Collieries, Limited. We obtained a controlling interest in that company many years ago, when it was felt desirable to provide specially for our large requirements of South African coal. Owing to the fact that all our newer vessels consume oil fuel and our coal requirements are now comparatively small, it was thought expedient to take advantage of a favourable opportunity of disposing of this asset.

I think you will agree that on the whole the accounts before you reveal a reasonably satisfactory state of affairs and that the company is in a much sounder position to-day than it was six or seven years ago, when, owing to heavy losses sustained on investments through its association with other companies, under the former regime, its assets were found to be much overvalued. As already mentioned, these losses were provided for in the 1936 accounts, and to-day our investments appear in the books at figures which fairly represent their actual value.

PROSPECTS FOR ORDINARY DIVIDEND—NECESSITY FOR RESERVES

Now that the arrears of preference dividend have been entirely paid off and provision has been made for the special depreciation arising in connection with our re-engining programme, you will naturally expect me to give some indication as to the prospect of our resuming the payment of dividends on our ordinary stock, which has not been possible since the payment made in respect of the year 1929. With regard to this, I may say that it is the hope of the board, if present conditions continue, to be able to pay a moderate dividend on the ordinary stock out of the profits of the current year. At the same time, the board intends steadily to pursue a sound financial policy, and with this object in view it will be necessary to establish and build up reserves appropriate to a company of this standing.

It must also be borne in mind that the company still has heavy obligations for repayments in respect of the advances obtained for its shipbuilding and re-engining programme, and that in order to maintain its position in the overseas trades which it serves it will be essential in due course to order further new tonnage or replace some of the existing older ships.

SHIPBUILDING PROGRAMME

Our shipbuilding programme is continuing to make good progress. During 1937 we took delivery of the cargo motor vessels "Rochester Castle" and "Roxburgh Castle," which are refrigerated throughout and are engaged in the conveyance of fruit and other perishable produce from South Africa to this country. The two further vessels of the same type now under construction are expected to be completed towards the end of this year.

In September last our newest mail vessel, the "Capetown Castle," was launched at Belfast by the Mayoress of Capetown at a very interesting and memorable ceremony, and was delivered to us at the end of March. She is due to sail from Southampton on her maiden voyage next Friday, and as the largest and finest vessel employed in the South African trade we feel confident that she will prove very popular with the travelling public. While similar in most respects to the "Stirling Castle" and "Athlone Castle," she is 1,500 tons larger and embodies a number of improvements upon those fine vessels.

Work on the two intermediate vessels which we ordered at the beginning of last year is now well advanced, and the first of the

ships is due to be launched shortly and to be delivered in November. We are expecting the second vessel to be completed in March of next year.

PROGRESS OF RE-POWERING PROGRAMME

Satisfactory progress is also being made with the re-powering programme. The "Arundel Castle" and "Windsor Castle" have returned to the mail service and are performing the voyage between Southampton and Capetown in the reduced period of 13½ days. The "Carnarvon Castle," "Warwick Castle" and "Winchester Castle" are now at Belfast for re-engining and are expected to be re-delivered to us in July, October and December respectively.

With the delivery of the "Capetown Castle" we have now received ten of the fourteen new vessels ordered since the commencement of 1934. As I mentioned last year, these ten vessels were all ordered before the great rise in shipbuilding costs began. On the other hand, the four vessels now under construction are costing us considerably more, and we shall naturally be reluctant to place further orders until prices fall.

However, even if we do not embark upon further shipbuilding just yet, we shall be able in the course of the next twelve months to dispose of a number of our older ships which have served us very well, and thereafter our various services will be carried on almost entirely with modern tonnage. In the meantime, we have continued to keep all the units of our fleet up to a high standard of efficiency.

During the year we disposed of the coaster "Hansa," formerly engaged in our Continental feeder service, and the launch "Koodoo," these vessels being no longer required.

Unfortunately, two of our vessels were involved in serious accidents last year, although I am glad to say that in neither case was there any loss of life or serious injury. In February the "Llandoverly Castle" struck a mine off the Spanish coast and was out of service for about five months while the necessary repairs were being effected. In June the "Sandgate Castle," which was employed in our America-South Africa cargo service, was abandoned owing to fire and became a total loss. As the result of the recent Board of Trade inquiry into the circumstances attending the loss of this ship no blame was attached to the company in the matter.

Our mail, intermediate, East African and cargo services were all regularly maintained throughout the year, with the exception that the East African service was somewhat affected by the temporary withdrawal of the "Llandoverly Castle" on account of the accident to which I have just referred.

ACCELERATED MAIL SERVICE

The "Stirling Castle," "Athlone Castle," "Arundel Castle" and "Windsor Castle" are now performing the mail voyage to Capetown in 13½ days, as, of course, will the "Capetown Castle" when she sails on Friday. As I have indicated, the remaining three mail vessels that are being re-engined are expected to be re-delivered to us in the course of the next few months, and by the end of the year we expect to have the accelerated mail service in full operation. The service will then be maintained by eight vessels instead of by nine, as hitherto.

As our re-engining programme is completed the "Dunvegan Castle" and "Dunnottar Castle," which have been temporarily engaged in the mail service, will return to the intermediate service, for which they were originally built. They will shortly afterwards be joined by the two fine new intermediate vessels now building, thus enabling us to effect important improvements in our intermediate and East African services.

PASSENGER TRAFFIC

Whilst our passenger traffic last year as a whole might be regarded as satisfactory, seeing that our total earnings from this source showed a moderate increase over the figures for 1936, the results were a little disappointing in view of the fact that it was generally anticipated that the Coronation celebrations would attract much larger numbers of visitors from the Dominions to this country.

Perhaps the most gratifying feature in connection with our passenger traffic last year was a small but none the less welcome increase in our earnings both outwards and homewards in respect of our East African service. Our passenger earnings along the African coast also showed some increase.

CARGO TRAFFIC

The total volume of cargo moving from South Africa last year was considerably in excess of that in previous years, due principally to record shipments of manganese ore to the Continent, and to the large exportable surpluses of sugar and maize.

Seeing that rates of freight generally throughout the world

it might be thought that we and the other lines engaged in the South African trade must have had a very good year so far as the cargo side of our business is concerned. There were, however, several factors which prevented us from benefiting from these conditions. The lines were under contract to lift a great proportion of the cargo to which I have referred at low rates of freight and, as the regular berth tonnage was not adequate to cope with the quantities moving, it was necessary, in order to fulfil our contractual obligations, to charter a large number of additional ships, often at rates appreciably in excess of those received, with the result that substantial losses were sustained. Moreover, as the terms of our agreement with the South African Government restrict us severely in regard to our rates of freight on most of the commodities we carry, whether out or home, the general rise in freights did not benefit us materially. At the same time, the fact that full cargoes were frequently secured by the vessels regularly engaged in the trade was of some advantage, and, on the whole, last year may be regarded as a fairly satisfactory one from the point of view of freight.

Increases in the cargo earnings of most of our services, outwards and homewards and on the African coast, were recorded during the year, but it must be remembered that operating expenses were also mounting steadily, and continue to do so.

SOUTH AFRICAN FRUIT TRAFFIC

As in previous years, we conveyed from South Africa large quantities of perishable produce, especially fruit. This company has been associated with the development of the South African fruit industry since its inception, and has taken the leading part in providing facilities for the overseas transit under refrigeration of the various kinds of fruit exported from the Union.

In our regular mail and intermediate vessels we have, at great cost, provided the special cold chamber accommodation required, and, in addition, have built four wholly refrigerated fast cargo vessels for this service, whilst, as already mentioned, two similar ships are under construction. As necessary, vessels have also been chartered by us to go out in ballast to bring home fruit cargoes, often at considerable loss. The conditions under which these services are rendered are governed by an agreement between the South African Government and the company, and the charges made by us for the conveyance of fruit under the special conditions required are moderate, and compare favourably with those obtaining in other similar trades.

Unfortunately, there has been a fall in the prices realised for South African fruit in the overseas markets, which we hope will prove to be of a temporary nature, and it has been suggested that the rates of freight should be drastically reduced to meet the position of the fruit farmers. Whilst willing and anxious to do all we can to assist, we cannot, of course, contemplate undertaking this costly form of transport on an uneconomic basis.

In the American-South Africa trade it was found practicable last year to bring into operation a general increase in the rates of freight, and, although the year's working in respect of this particular service again resulted in a loss, this was less than that sustained in the previous year.

DEPUTY-CHAIRMAN'S SERVICE TO BRITISH SHIPPING

Towards the end of last year our deputy-chairman, Sir Vernon Thomson, paid a visit to South Africa and was thus enabled to obtain first-hand information in regard to numerous matters connected with our interests in that country. He also had the opportunity of meeting a number of Cabinet Ministers and other important men in Government and commercial circles. As all who know Sir Vernon will readily appreciate, the fresh knowledge which he has acquired from this visit will be used to the fullest advantage in connection with the company's affairs. The primary purpose of his voyage was to assist the recuperation of his health after the strain of his many onerous duties, particularly in connection with the Tramp Shipping Administrative Committee and the Tramp Subsidy Committee, of both of which he was chairman, and we are all glad to have him back with us restored to health.

I should like to take this opportunity of expressing on your behalf our cordial congratulations upon the recognition of his invaluable services to the British shipping industry during the past few years which His Majesty has accorded by graciously conferring upon him a baronetcy.

CHAIRMAN'S FORTHCOMING VISIT TO SOUTH AFRICA

I myself propose to sail for South Africa in the Capetown Castle next Friday in order to introduce this magnificent addition to our fleet to the South African public.

As well as presiding at a number of functions, when I hope to have the pleasure of meeting once again many of the leading

Government and civic officials and business men, I shall take the opportunity, as on previous occasions, of discussing various important matters with our agents at the ports and at Johannesburg. At the latter I shall also be able to see the progress that is being made with the erection of our new office building on our excellent site there, which will more worthily represent our interests in that most important city. The value of such personal visits on the part of responsible representatives of the company is increasingly manifest.

TRIBUTE TO THE STAFF

As in former years, I should like to express on your behalf, as well as on behalf of my colleagues and myself, our great appreciation of the work of our staff at home, abroad, and afloat. During the year under review they have continued to render efficient and willing service, and it is one of my pleasures, as chairman of this company, to receive numerous letters, more particularly from passengers, warmly commending members of the company's personnel for the assistance they have been able to afford in one way or another. When it is remembered that it is not uncommon to find satisfactory service regarded as nothing more than what is due and that only real or imagined shortcomings in this respect call for special comment, it is a matter of gratification to me that the letters and personal expressions of appreciation I receive greatly outnumber complaints.

THE OUTLOOK

The year 1937 was, generally speaking, one of continued prosperity in South Africa, and the other territories in southern and eastern Africa which are served by our vessels also enjoyed improved conditions and recovered much of the ground lost during the depression. In Rhodesia also good progress is being made in many directions.

Provided existing conditions continue, indications generally point to the present year proving a fairly satisfactory one for the company, although the increased expenses with which we are faced on account of wages, fuel, repairs, stores, victualling, insurance, taxation, etc., are bound considerably to affect our profits.

During the past four years we have been engaged upon a shipbuilding and repowering programme the magnitude of which is probably without parallel in the history of any shipping company, and, as you know, this programme is not yet at an end. Our primary object is to provide adequately for the requirements of the overseas trade of South Africa, and when, in the course of the next few months, our present programme is complete, it cannot be questioned that South Africa will be provided with shipping facilities second to none of their kind in the world. For over 80 years this company of ours has been running its ships to and from South African ports, and subject to the continuance of reasonably normal conditions it is now even better equipped than in past times to play its part in the continued development of the trade of that great Dominion.

I now beg to move: "That the Report of the Directors and the Statement of Accounts for the year ended December 31, 1937, now submitted, be and they are hereby received and adopted."

Sir F. Vernon Thomson, Bt., K.B.E. (deputy chairman and joint managing director), seconded the resolution.

THE MAIL CONTRACT

Mr J. H. Gosschalk asked if there was likely to be any serious loss through the letter mail being carried by air in future.

Mr F. Coward said it would be interesting, in view of what had happened during the last year or two, if the chairman could inform the meeting of the number of ordinary shareholders at the present time.

The Chairman, in replying to these questions, said that the carrying of letters by air did not affect the company. The latter had a mail contract, commencing last year, which had 10 years to run. It might not be generally known that although the first-class mail was now carried by air, the actual volume of mail matter carried by the company showed no diminution. In consideration for that contract the company had agreed to reduce the time of the passage from 16½ days to 13½ days, and that would be in full swing by the end of the present year. The number of ordinary shareholders on the books at the present time was something like 11,800.

The report and accounts were unanimously adopted.

The Chairman proposed that the Right Hon. Lord Catto of Cairncatto should be re-elected as a director of the company.

The Duke of Abercorn, K.G., K.P., seconded the resolution, which was unanimously approved.

The Chairman next moved the re-election of Mr C. L. Dalziel as a member of the board.

Sir Ernest Harvey, Bt., K.B.E., seconded the motion, which was carried unanimously.

On the proposition of Mr S. J. Jacques, seconded by Mr W. G. Glover, the auditors (Messrs Deloitte, Plender, Griffiths and Company) were reappointed.

SHAREHOLDERS' APPRECIATION

Lieutenant-Colonel A. E. D. Anderson proposed a vote of thanks to the chairman and directors and said he would like to assure the board, on behalf of many new shareholders, that they had the utmost confidence in the chairman and his colleagues. They had the finest fleet in the world, on what was possibly the best route in the world. The shareholders thought it was due to the board's foresight and courage that they had that fleet. They desired to thank the chairman and the other directors for the skill they had given to the company's business.

Mr D. C. Cooke seconded the resolution, which was carried with acclamation.

Mr A. Hunt, C.B.E., cordially supported the expressions of appreciation of the services of the board.

The Chairman, in replying, on behalf of his colleagues and himself, thanked the proposer and supporters of the resolution for their very kind expressions of appreciation. It was a great encouragement to the directors to know that they had the shareholders' confidence, and it was an inspiration to them to go on doing the best they could for the company. Owing to his life-long connection with the company he was very jealous of its traditions and reputation, and he was sure that his colleagues would endeavour not only to maintain that reputation, but to enhance it. (Applause.)

BREEDON AND CLOUD HILL LIME WORKS, LIMITED

IMPROVED POSITION

MR A. WOOLLEY-HART'S SPEECH

The fifth ordinary general meeting of Breedon and Cloud Hill Lime Works, Limited, was held, on the 27th instant, at 11-12 Pall Mall, London, Mr A. Woolley-Hart (chairman) presiding.

The Assistant Secretary (Mr L. A. Daly) having read the notice convening the meeting and the report of the auditors,

The Chairman said:—Gentlemen, I should explain that Mr Jordan, who has been the secretary all along, is not well, and he is not able to be present to-day. Mr L. A. Daly, his assistant, is taking his place.

There is very little I can add to the information given in the report and accounts. I will point out, however, that the balance sheet before you gives effect to the reorganisation of the company's capital as passed by the shareholders and approved by the court. This did not necessitate any alteration in the total capital, or in any way interfere with the rights of the division of profits between the two classes of shares as they had previously existed.

I might as well give some comparisons of the figures. Comparing last year's figures (1936-37) with those of 1937-38, the capital remains the same, although differently divided, and all the shares are now of a denomination of 5s. The debentures stand at £71,259, as against £74,674. The next item is the 5½ per cent. second debentures, amounting to £21,000. This issue was necessary to enable the finance to be properly carried on, as our bankers had kindly assisted us in a temporary matter in connection with large expenditures which we considered necessary to make in connection with houses for our workpeople. The overdraft remains at about the same figure as in the previous year. The creditors are about £2,000 more, namely, £22,238, against £20,131.

The net profit for the year is £24,124, against £24,862, but that is after providing £1,400 for National Defence Contribution and £2,119 for increased income tax. This, with the balance brought forward, leaves us with a larger sum available than in the previous year, namely, £28,527.

PERFECTLY CLEAN BALANCE SHEET

On the assets side the value of property stands at £188,419, against £176,022, showing a considerable increase. This is principally in connection with the housing scheme. In arriving at the present figure, £8,500 has been written off for depreciation, an increase of £700 on previous years. Sundry debtors are increased by £15,400, and this increase being necessary in view of the requirements for our road contracts for roads in course of construction. Preliminary expenses, which stood in our last balance sheet at £3,886,

have been cleared off out of the allocation of last year's profit, and this year a new item of £1,345 under the same heading will be cleared off by allocation from this year's profits. This leaves us with a perfectly clean balance sheet.

A few figures I have prepared will, I hope, be of interest to you. During the last five years to January 31, 1938, the gross trading profit has risen from £23,561 to £43,093. Out of the gross profits we have made we have paid £24,330 in debenture interest. We have paid off £13,741 on our debentures, written off depreciation to the extent of £37,175, paid off issue expenses including the present allocation, to an amount of £10,632, and are now proposing to carry to reserve £5,000, and to carry forward £4,129. These items, apart from the payments in reduction of debentures, amount to £56,936—all of which represents profit made on the business and left therein.

PROSPECTS FOR CURRENT YEAR

As to the prospects of the present year, and the future generally, we are of the opinion that the company will continue to more than hold its own—no political troubles intervening. It is the intention of the board not to increase the dividend unless the profits in the future exceed by far their expectations, but to increase the reserves and build up as large a fund as possible to consolidate our financial position, and to provide working capital for additions to plant, etc.

You will, however, realise that on the same profit basis as 1937-38 we shall have about £2,000 more available next year than at present, because of there being no further capital expenses to write off.

The chairman concluded by moving that the report and accounts be adopted, and that dividends of 14 per cent., less tax, on the non-cumulative preference shares and of 24 per cent., less tax, on the ordinary shares, be paid, that £1,345 10s. 4d. be written off expenses of capital reorganisation and discount on issue of second debentures, that £5,000 be transferred to general reserve account, and that the balance of £4,129 1s. 5d. be carried forward.

Mr J. H. W. Laverick seconded the motion, which was unanimously approved.

The retiring director having been re-elected and the auditors re-appointed, a cordial vote of thanks was given to the managers, staff and employees of the company, and the meeting closed.

BANK OF ATHENS

DIVIDEND MAINTAINED

The directors' report for 1937 was presented at the annual shareholders' meeting held on March 26, 1938.

The following were among the salient points: The steady improvement in the economic world since 1935 was even more marked during the first months of 1937, owing principally to fresh armament programmes which have become a most important factor in industrial activity.

High prices, together with the development of production, produced a feeling of optimism favourable for business which was accompanied by rising prices on the Stock Exchange.

Then, influenced by new unfavourable conditions, and accentuated by the disquieting change in the international political situation, forecasts soon began to lose their original optimism and the latter months of the year began to show significant symptoms of a new depression.

Moreover, exchange troubles which have characterised the post-war period continued and handicaps to trade were still enforced in many countries in spite of many efforts to abolish them.

In Greece important progress has been shown in all spheres of the national economy. Agriculture has been satisfactory owing to the stimulation given to it by the wise measures of the Government.

Industry had to face increased costs, due to world-wide rise in raw materials and other factors, so that it suffered more than usually from foreign competition. Nevertheless, it maintained its activity and, if exports are not very large at present, it has managed to consolidate its position in the home market.

Various legislative measures, among others, collective contracts, reduction of working hours, social insurance, agricultural laws, have been adopted and, although they entail inevitable sacrifices, they have been deemed necessary for raising the standard of living and the purchasing power of the working classes.

The results for the year 1937, after deducting the usual provisions and amortisations, amount to Drs. 20,958,659 as compared with Drs. 21,116,509 for the preceding year. This allows us to propose a distribution of a dividend of Drs. 12 per share, the same as for the previous year, and to carry forward Drs. 5,043,529, almost the same as in 1936.

IONIAN BANK LIMITED

FURTHER PROGRESS IN GREECE

INCREASED DIVIDEND

The ninety-ninth annual ordinary general meeting of the Ionian Bank Limited was held, on the 27th instant, at the offices of the company, 25-31 Moorgate, London, E.C., Sir John Stavridi (the Chairman), presiding.

The Chairman in moving the adoption of the report and accounts, said that apart from the fact that the accounts covered 12 months, as compared with 16, there was no special feature in the history of the bank, and the year under review had been one of quiet and orderly co-ordination of the bank's operations, coupled with such development as had been possible in the countries in which its activities were situated.

CONDITIONS IN GREECE

For Greece the year had been one of political and social stability, and the Government, in the application of its general programme of reconstruction, had made great progress. Public works, roads, and the productive works of Macedonia had also been pushed forward with energy. With a view to improving the standard of living of the working classes the Government had proposed a new and fixed scale of remuneration for each class of employee in the various trades and businesses, dependent on the years of service. In regard to their own bank, the increased salaries would cost over £8,000 per annum.

During the past 12 months there had been no relaxation in exchange barriers, but import quotas had been granted far more liberally. It was satisfactory to note that notwithstanding extra imports the final balance of payments had been favourable to Greece so that the gold reserve had increased to Drs. 3,489,000,000.

The Budget of 1935-36 had closed with a small surplus; that of 1936-37 was expected to close with a deficit of about Drs. 80,000,000, while as for 1937-38 it was expected that the estimated deficit would finally be reduced to Drs. 200,000,000 owing to the improving yield of taxation.

It was regrettable that no progress had been made in the negotiations for the settlement of the public debt. It was essential for the re-establishment of the credit of Greece that the question of her public debt should be settled without further delay.

EXPORTS AND IMPORTS

As to the export trade, the increased value must be attributed mainly to higher prices paid abroad for Greek products, and to certain special exports to Spain. Exports to Germany represented 30 per cent. of the total and to the United Kingdom barely 12 per cent. Imports from countries with which Greece had clearing arrangements had increased from 54.47 per cent. in 1936 to 64.54 per cent. in 1937. Industry had again been active under the protective tariff of high duties. The total area cultivated in 1937 had amounted approximately to 5,967,750 acres, and marked a new record. Greek shipping had been very active during the first months of the year, the Spanish Civil War having furnished excellent freights for the smaller Greek tramp steamers.

EGYPT AND CYPRUS

In Egypt the bumper cotton crop in America and consequent collapse of prices had come rather as a shock, but the general commercial position of the country was, on the whole, satisfactory. Local political questions had held up road and other construction called for under the Treaty with Great Britain, and constant pressure must be imperative to ensure that work of prime strategic importance would be completed within the specified time. Banking competition in that "overbanked" country had almost become a price war, and banking facilities were available to the public at levels below those of the leading financial centres.

The improvement in the economic conditions of Cyprus noticeable in past years had continued at an accelerated pace, due partly to the development of the mining industry. Good progress had also been made in the organisation of the citrus fruit trade.

PROFIT AND DIVIDEND

From the bank's accounts they would notice there was a net profit of £16,639 for 12 months, which was an improvement on the £21,176 for 16 months. The directors recommended a dividend of 2s. 6d. per share, or 2½ per cent., which was slightly in excess of the 3 per cent. paid for the 16 months, and compared with 2 per cent. per annum paid for the five preceding years.

The report was unanimously adopted.

ROYAL EXCHANGE ASSURANCE

ANOTHER GOOD YEAR

PREMIUM INCOME EXCEEDS £10,000,000

The two hundred and eighteenth annual general court of Royal Exchange Assurance was held on the 27th instant, in London. Mr Vivian Hugh Smith (the Governor), in the course of his speech, said: In our life department the year 1937 saw once again a further increase in our business, the total amounting to £4,734,000. The net sum assured was appreciably higher at £4,655,000. The total premium income of the life department was £1,352,000, which again shows an advance, while the total claims paid and outstanding were £781,000. The gross rate of interest earned on the life fund is £4 16s. per cent. against £4 19s. 2d. per cent. for the previous year. The life assurance fund now amounts to £13,239,000.

FIRE DEPARTMENT AND WAR RISKS

I am again able to report a good result of the year's business of our fire department. The total underwriting profit amounted to £177,000, an advance of some £6,000 over the profit for 1936.

After taking credit for approximately £48,000, being the net interest received there is available for profit and loss account a sum of £225,000. In the case of the home, the general foreign field, and in the United States of America, our loss ratios have been lower than those of the preceding twelve months.

You will, I know, wish me to refer in some detail to the changes that have taken place in our marine department this year. Following the resignation of Mr Magnus, the underwriter, we appointed Mr N. R. Jenkins, formerly deputy underwriter of the Sun Insurance Office, marine underwriter to the Royal Exchange Assurance. It was further arranged that Mr C. C. Turner, marine underwriter to the Sun Insurance Office, should be appointed joint underwriter to the Royal Exchange and likewise Mr N. R. Jenkins has been appointed joint marine underwriter to the "Sun." The two underwriters are now working together, and, as from March 25th last the marine underwriting for both offices has been carried on from our own offices at 37, Lime Street. I wish, however, to make it plain that while a close association and a common underwriting policy now prevails between the "Sun" and ourselves, yet each company will retain its own connection and will continue underwriting for its own account.

ACCIDENT DEPARTMENT

I am pleased to be able to record another good year in our accident department. The net premiums for the year amounted to £1,205,000 and the underwriting profit, together with net interest, has resulted in a sum of £102,500 being transferred to the general profit and loss account. This is the second year in succession that we have been able to transfer a sum in excess of one hundred thousand pounds to our general profit and loss account, and while I naturally hope that we may look forward to a continuance of these satisfactory results, yet we must not forget that there are some uncertain conditions which still persist in the business of writing accident insurance. A large section deals, as you know, with motor vehicle insurance, where the tendency to grant increasing awards by the courts in cases arising out of motor-car accidents shows no signs of abating.

The report of the departmental committee appointed by the Board of Trade to consider the question of compulsory insurance has now been issued and if the recommendations contained are adopted, it would appear that the result is likely to be additional cost of motor-car insurance. I can only assure you that every effort will continue to be made to keep premiums adjusted to the measure of risk.

Your directors have recommended a final dividend of 19 per cent. and this dividend together with an interim dividend of 11 per cent. paid in November last will amount to a total of 30 per cent., less tax, on the capital stock of the corporation for the year 1937.

For the first time in our history the premium income for the Royal Exchange group as a whole has exceeded £10,000,000, while our combined assets exceed £30,000,000. These figures, in the 218th year of the existence of the Royal Exchange Assurance speak, I think, very well of its virility. Dealing with the associated companies, he said: The Car and General Insurance Corporation obtained a net premium income for the year amounting to £1,540,000. The underwriting profit of £92,000 showed an increase of some £22,600. The total assets amount to £2,200,000. The Motor Union Insurance Company received a net premium income of £1,815,000 for the year, resulting in an underwriting profit of £143,000; the total assets of the "Motor Union" now amount to £2,971,000. The State Assurance Company and the National Provincial Insurance Company experienced a satisfactory year.

The report and accounts were unanimously adopted.

THE LONDON ASSURANCE

ASSETS EXCEED £20,000,000

RECORD LIFE BUSINESS

The annual general court of the London Assurance was held, on the 27th instant, in London.

Mr R. Olaf Hambro (the Governor), in the course of his speech, said: The year 1937 stands in many ways as being one worthy of something more than normal comment, and I would like to record the fact that we have now passed the £20 millions assets mark and, in addition, have well exceeded the figure of £5 millions in annual premium income.

LIFE DEPARTMENT

The life department exhibits that same healthy vitality to which I referred when I dealt with the previous year's account. In 1937—and for the sixth year in succession—we have a record in net new life business production, the figure being £2,956,153. The total net premium income of the year, which is after deduction of all re-assurance premiums, amounted to £853,476, and the total income of the department from all sources, which, of course, includes, in addition to the premium income referred to, interest and dividends, certain fees, and an amount of £122,228 being consideration for annuities granted, makes a total of £1,341,915. The fund has increased during the year by £523,547, and the total amount of the life assurance fund as at December 31st last stood at £9,985,741. The net interest yield has fallen from £3 17s. 8d. per cent. to £3 16s. 8d. per cent., but this fall is in large part accounted for by the higher rate of income tax.

The market value of Stock Exchange securities, as compared with book value as at December 31st last, shows a surplus of £493,862.

FIRE AND ACCIDENT ACCOUNTS

The combined fire and accident premium income shows an increase over that of the previous year of nearly £56,000, and this figure is arrived at after taking into account a decrease in income in the fire department of just over £30,000 and an increase in the accident account of £86,000. The fire premium income exceeds the £2,000,000 mark at £2,010,867. Whilst this is a lesser figure than that shown in the previous year, it calls for no comment other than that, in the main, it is brought about by underwriting restriction, which is self-imposed, and premium rate reductions. The virtue of the account from a profit-producing standpoint is evidenced by the underwriting profit being just over £9,000 in excess of that which was achieved in the previous year, and we are able to make a transfer to the profit and loss account of £181,327. The accident insurance account records a substantial increase in its income, the total premium for the year being £1,405,298. The profit emerging from this account is £98,077, representing 7 per cent. of the premium income, which is an exceptionally good profit percentage.

One of the major sections of accident insurance underwriting is the motor department. The business of motor insurance has been aggravated by unduly high awards granted by the Courts in third-party claims, and, furthermore, by claims arising as a result of the *Rose v. Ford* decision, given in the House of Lords last year.

MARINE BUSINESS

In the marine department the increase in premium income over that which obtained in the previous year amounts to £127,662, the total for the year being £774,850. The transfer made to the profit and loss account is £50,000, which compares with £74,928, after deduction of interest, in the 1936 accounts. Owing to the substantial increase in the premium income during 1937 the marine insurance fund of necessity is bound to show a reduction, looked at from a percentage standpoint, the comparative figures in this case being 122.7 per cent. in 1936, as against 115.1 per cent. in 1937, although the total increase during the year of account to the fund, which now stands at £892,155, is £91,642.

We have been concerned for some years with the setting-up of a scheme which will accord a benefit by way of a pension to widows of members of the staff of the "London" and its associated companies, and as a result of an examination of the matter by the actuary we are advised that it is necessary that an amount of £150,000 be allocated to it, and you will note that we are proposing a transfer of this amount. It is our intention that the scheme shall be contributory with a limit of annual contribution on the part of the corporation of £15,000 per annum, the staff affected by the scheme contributing, in the aggregate, a like annual amount. The pensions possible within the ambit of these two figures will be a minimum of £100 per annum and a maximum of £150.

The report and accounts were unanimously adopted.

GENERAL ACCIDENT, FIRE AND LIFE ASSURANCE CORPORATION, LIMITED

A SATISFACTORY REPORT

The fifty-second annual general meeting of this Corporation was held, on the 27th instant, at Perth.

Sir Francis Norie-Miller, Bt. (the chairman), said that all would have noted the Budget which had been introduced the previous day by Sir John Simon. That was most ably conceived, and was a very equitable Budget, which he was sure would be approved by the great mass of the people of this country.

FIRE DEPARTMENT

The report showed very good results, especially in the fire department, which for many years had been their mainstay for profit, and this year gave the handsome profit of over £183,000, or 25.42 per cent. They must not be too elated at that result, because fire insurance in every part of the world had been most profitable during the past four years—1934, 1935, 1936 and 1937. A bad patch might come, but he was of opinion that on account of all the precautions taken for fire prevention, the annual losses might be to a great extent stabilised, and, if that was the case, then the public might think a reduction in premium should be made. The public would not permit that companies should return in losses only about 30 per cent. to 35 per cent. of their premiums and spend over 40 per cent. in expenses.

The results shown by the corporation were obtained after they had by reduced premium or bonus policies received for their cover at least 15 per cent. less premium than was obtained by most of their competitors. They exercised every economy in expense, and would continue that economy and show to the public that it was in their best interests to support a company that charged the minimum premium, gave the best service and had funds of nearly £20,000,000 as security for its policyholders. They did not accept re-insurance in their fire department; therefore their income of £1,127,715 was direct business. They very properly re-insured a large amount of that, making their net income £720,800. He was most anxious to see that net income increased to one million pounds, and would appeal to all shareholders and connections to introduce fire business to their corporation.

OTHER DEPARTMENTS

Their accident and general account, which was the largest and most important of the corporation's departments of business, showed a very satisfactory increase in total premiums, an evidence of the vitality of their organisation. It required a great amount of work to increase an income of £8,021,000 in one year by £700,000, yet they were able to do that in a year which everybody would admit had been a very difficult one.

The directors were pleased at the fact that, notwithstanding a heavy loss ratio in their motor department, their total claims ratio had only increased to 56.94 per cent., as against 55.66 per cent. last year. Their commission and expenses—that was, the whole of their expenses in that department—only amounted to 35.88 per cent., and showed a slight reduction from last year at 36.01 per cent. After making most generous allowances for every outstanding liability they were able to transfer to profit and loss account £345,583.

Their life business, which was transacted by the General Life Assurance Company, continued to be most satisfactory, the funds having risen to £5,000,000. The new business had reached the substantial amount of about £3,000,000 a year, and they really did not want to exceed that sum to any great extent.

In the profit and loss statement they had brought forward from last year £646,411; the trading profits and interest earnings of £293,110 brought the total amount they had to deal with to £1,478,000; after providing for the full dividend, placing £10,000 to pension fund, carrying £45,000 to help the marine account, paying various directors' and auditors' fees, and paying an amount of £288,579 in home, Dominion and foreign taxes—he emphasised that amount because it was becoming a serious burden on all businesses—they were able to carry forward no less a sum than £805,886. Personally, he had always looked upon their carry-forward as a substitute for an equalisation of dividend fund. If they looked upon it in that way they would find that the Corporation had now nearly three years' full dividend in hand. If they would turn to the balance sheet shareholders would find that that was in addition to £2,000,000 of general reserve fund, the paid-up capital of £750,000 and additional reserves in the fire and accident accounts.

The report was adopted and the proposed final dividend of 2s. per share, making 3s. 6d. for the year, less tax, on the ordinary shares, was approved.

BRITISH TIMKEN, LIMITED

RECORD OUTPUT

INCREASE OF CAPITAL APPROVED

The eighteenth ordinary general meeting of British Timken, Limited, was held, on the 25th instant, at the registered office of the company, 65 Cheston Road, Aston, Birmingham.

Mr M. B. U. Dewar (the chairman), in the course of his remarks, said:—During the past year your works have been kept very fully employed and the output was the highest in the company's history. I think you will agree that the balance sheet shows a very satisfactory position, our current liabilities as at December 31, 1937, being more than covered by our cash alone.

BONUS SHARE ISSUE

We are proposing, as we did last year, to capitalise a certain part of our reserves, issuing one new share free for every five old shares held, the necessary meeting to authorise the increased capital having been convened to take place immediately after this meeting ends.

During the past year, not only has there been a very considerably increased demand for the usual applications of your company's products, but also for new applications which necessarily involve considerable capital expenditure on new plant and equipment and it appears to your board that the most satisfactory way of meeting this demand is out of profits if possible, and as I pointed out last year, when a considerable amount of profits is retained for capital expenditure, your directors consider that the nominal amount of capital should be increased and additional shares issued to shareholders.

Last year I mentioned that your company was becoming generally better known in the industrial field. I am glad to be able to report that this progress has been maintained and that our turnover in the railway machine tool and rolling mill fields has steadily increased. In particular, the demand for Timken bearings for railway axle-boxes showed during the year under review a very considerable increase over any previous year.

Our cash at the end of the year amounted to £162,403, which your directors consider an adequate sum to meet not only our dividend but our capital requirements in the direction of still further new equipment required to meet the demand for large rolling mill, railway and other industrial bearings.

INCREASING DEMAND

Last year I referred to anticipated raw material difficulties and suggested that this might have an adverse effect on our output. I am glad to say that this has been avoided, except in the case of railway bearings, where, during a year of increasing demands of the re-armament programme, our demand for machined axle-boxes necessary for our bearings has proved beyond the capacity of our suppliers, with the result that our customers have suffered. By reason of considerable capital expenditure both by ourselves and our suppliers we are confident that these delays are now things of the past whatever the demands may be.

One question which will be in your minds is how far the Government re-armament programme is likely to affect our company.

With regard to our own output, while we are not directly engaged on any actual munition work, nevertheless, the almost universal applications of the anti-friction bearing not only in modern war machines but in the actual equipment for their production, must mean a larger demand for certain of your company's products as the re-armament programme gathers speed.

The increasing development of anti-friction bearings during the past 10 years has been a very speedy one, and by endeavouring at all times to anticipate demand, I am happy to report that your works are now very fully and adequately equipped to deal with any demand that may be put upon them.

CURRENT YEAR

As regards the current year, we shall have to face the full effect of increased raw material and wage costs, and it must be borne in mind, as I pointed out last year, that your factory is a mass production factory, and consequently the rate of profit obtained can be very largely affected by comparatively small changes in the total output. However, the factory has been very fully employed during the first three and a-half months of this year, and we have no reason to look for other than another satisfactory year.

The report and accounts were unanimously adopted and resolutions authorising the increased capital were duly passed.

WORLD AUXILIARY INSURANCE CORPORATION, LIMITED

DIVIDEND OF 7½%

The nineteenth ordinary general meeting of this Corporation was held, on the 28th instant, at Winchester House, London.

Capt. the Rt. Hon. C. C. Craig, D.L., the chairman, said that in the fire account interest amounted to £2,460 and premiums to £88,642. After meeting all claims, etc., and transferring £5,000 to profit and loss account, there remained a fund of £49,184, equal to 55.5 per cent. of the premiums received during the year. In the general accident and miscellaneous account premiums were £78,484 and interest £3,557. After paying losses, etc., and transferring £12,000 to profit and loss account, there remained a fund of £126,000, which was 161 per cent. of the premium income.

The income of the marine account was increased by about £13,000, or 12½ per cent. over that of the preceding year, but claims had materially increased and amounted to 38.2 per cent. The claims for 1936 account were also somewhat higher than in former years, but the year should still leave a reasonable profit.

On the hull side of the business efforts had been made to obtain agreement, and in March last year an understanding had been come to between companies and Lloyd's that no further reductions in rates or values should be granted on renewals. That was supplemented in June by a further agreement to apply a general increase in premiums where the results over a period of years had made such an increase necessary. Those agreements and understandings had been loyally carried out.

The company's commitments were necessarily made some time ahead and policies on hulls generally ran for twelve months. As a consequence the improvements which he had mentioned had not become operative until the middle of last year, and then only to a limited extent. Whether those increases were sufficient time alone would tell, but the current year should show the result of the market's efforts to improve the hull position and was the first year in which they would obtain the full advantage therefrom.

In the profit and loss account, after paying sundry charges, reserving £12,000 for Government taxation and transferring £10,000 to investment reserve account, there remained a balance of £167,904, from which the directors recommended the payment of a dividend of 7½ per cent., free of income tax.

The report was unanimously adopted.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY, LIMITED

YEAR OF SUBSTANTIAL PROGRESS

The seventy-seventh annual general meeting of The Royal Mutual Insurance Society, Limited, was held, on the 26th instant, in London.

Mr J. K. Wiseman, the joint managing director, who presided, said:—The directors again have the satisfaction of reporting substantial progress. The total income for the year amounted to £8,539,424, an increase of £315,212 over the previous year. The total assets amount to £41,065,867, an increase of £2,854,698. The combined premium income of all branches amounted to £6,909,885, an increase of £271,811.

Our development is shown by the following remarkable figures:—

Year.	Total Premium Income		Total Assets.
	of all Branches.		
1907 ...	£990,000	...	£2,100,000
1917 ...	£1,650,000	...	£5,430,000
1927 ...	£4,450,000	...	£18,020,000
1937 ...	£6,900,000	...	£41,060,000

The premium income in the ordinary life branch for the year (including consideration for annuities granted) amounted to £1,836,489, an increase of £103,227 over the previous year. This branch of the Society's business has grown rapidly in recent years.

The ordinary branch fund amounted at the end of the year to £12,654,232, an increase of £1,088,402 during the year. The total amount paid in respect of claims amounted to £906,553, an increase of £89,975. The rate of interest earned (excluding the auxiliary life fund) was £3 19s. 5d. per cent. net, after deduction of income tax.

The directors have decided to continue the interim bonus during the current year at £2 per cent. per annum, the full rate allocated at the last two quinquennial valuations.

In the industrial life branch the premium income for the year amounted to £4,992,425, which is an increase of £159,375 over the previous year. The funds of this branch at the end of the year amounted to £26,670,965, an increase of £1,776,133. Claims and surrenders paid amounted to £2,335,741.

The increase of £1,776,133 in the Fund, which includes £1,124,552 interest on investments, is money put aside as a provision for future liabilities. Adding this item to the actual disbursement to policyholders during the year the total is £4,111,874. Thus the actual amount paid to policyholders, plus the amount added to the fund, which provides for future payments to policyholders, together make up a sum equal to 82½ per cent. of the premiums received. This figure serves to show the advantage of the system of industrial assurance.

A regular bonus system has been introduced in this branch on lines similar to the ordinary branch. The bonus at the last valuation under tables which participate at the full rate, where the qualifying period was completed, was £1 per cent. per annum.

The premium income in the fire account amounted to £76,566, an increase of £2,722.

In the accident and general account the premium income amounted to £32,996, an increase of £2,106. Both accounts are in a strong position and offer a high degree of security. The sum of £23,719 has been transferred from profit and loss to the general branch reserve fund, increasing it to £89,299.

In conclusion, I wish on behalf of the directors to thank the chief officials and the head office staff and all grades of the outside staff for excellent services during the past year.

The report and accounts were unanimously carried.

CITY DEEP LIMITED

INCREASE IN ORE RESERVES

PROGRESS WITH NEW SHAFT

DR HANS PIROW'S REVIEW

The annual meeting of the City Deep, Limited, was held, on the 22nd instant, in Johannesburg.

Dr Hans Pirow, the chairman, who presided, referred to the severe loss the company had sustained through the resignation from the chairmanship, owing to his departure from South Africa, of Mr C. L. Read. To his personal efforts the success achieved in surmounting many difficulties with which the company had been faced since 1931 had been largely due.

YEAR'S RESULTS

Moving the adoption of the report and the accounts, the Chairman said the benefits of the increase of 16,000 tons in tonnage milled and of 0.1 dwt. in yield per ton milled had been offset by the increase in working costs of 11d. per ton milled, and consequently the working profit had decreased by £9,370 to £240,658.

Capital expenditure during the year had totalled £172,683. Of this amount £12,549 had been provided from the proceeds of freehold property sales, leaving £160,134 to be taken from capital funds and reducing the balance of working capital to £159,696 at the end of the year.

Proceeds from the sales of freehold property, as set out in the directors' report, would, in due course, be shown as accruals to the capital funds of the company.

Practically the whole of the remaining freehold was being used or would in future be required for mining purposes.

It had been necessary to provide only £534 for taxation last year. As foreshadowed at the last annual general meeting, allowances for accumulated losses and for amortisation of capital expenditure had extinguished the liability of the company for Government taxation of profits derived from gold mining during 1937.

It was, however, estimated that, assuming the continuance of the present conditions, income tax assessed loss would be extinguished during the second half of 1938. After that date the company would therefore require to make provision for income tax on the basic rate of 3s. per pound of taxable income, but the present ratio of profits to revenue was not likely to create any liability for income tax under the formula during 1938.

PROGRESS WITH NEW SHAFT

Good progress had been made with the sinking of the new No. 5 vertical shaft, which had reached a depth of 3,524 ft., at the end of the year.

During the first quarter of the current year a further 797 ft. were sunk. If that satisfactory rate of progress could be maintained the first connection with the underground workings should be made about the middle of next month and the shaft sinking should be completed before the end of the year.

It was expected that before the end of the year considerable benefit would be obtained from the improved ventilation which the new shaft

would bring about. Unless unforeseen difficulties arose, the new shaft should be in commission by the middle of 1939.

Reviewing development results, the chairman said the percentage of payable South reef had been low, and, with the gradual completion of the development in known favourable areas in the upper levels of the mine, footage developed on South reef was being decreased. Exposures of the main reef leader had been generally satisfactory, particularly in the central portion of the mine, but less satisfactory towards the eastern and western boundaries.

ORE RESERVES

The available ore reserve at the end of the year was estimated at 3,532,200 tons of the average value of 5 dwts. per ton over the stoping width of 50 in.—an increase of 134,800 tons, with the decrease of 2.6 in. in the estimated stoping width and no change in the estimated value. In addition, 587,600 tons of the average value of 6.5 dwts. per ton were contained in the shaft and safety pillars not at present available for stoping.

"It must be borne in mind," said the chairman, "that the ventilation and transport difficulties, together with the fact that a number of higher grade ore reserve blocks are in the remnant stage, have exerted a detrimental influence both on our working costs and on the average grade of ore mined. In addition, the shortage of native labour during the latter part of 1937 and the need for new equipment to replace the obsolete and worn-out machinery and materials, which are usually found at a mine that has passed through a prolonged difficult period, have also increased our working expenditure."

FAVOURABLE FEATURES

"In the circumstances, the increase in available ore reserves, maintenance of the steady rate of development and the good progress made in sinking and equipping No. 5 shaft must be regarded as satisfactory features; and, although it cannot be said that our difficulties have been solved, there is good reason to believe that, with the completion of No. 5 shaft, a considerable improvement in underground conditions will be effected."

During the first quarter of the current year tonnage remaining to be extracted from old dumps on the surface had been practically exhausted. It was not expected that much additional ore could be obtained from that source.

The report and the accounts were adopted unanimously.

SAN PAULO (BRAZILIAN) RAILWAY, LIMITED

CONTINUED GROWTH OF TRAFFIC

The ordinary general meeting of this company was held, on the 26th instant, in London.

Mr Oliver R. H. Bury, M.I.C.E. (the chairman), said that the results of the year revealed a continued growth in the traffic of the railway. The receipts in currency of the railway as a whole, that was including the Braganina section, amounted to 136,307 contos of reis in comparison with 130,195 contos of reis in the previous year. In sterling those receipts were equivalent to £1,691,778, converted at the average rate of 2.97877d. to the milreis, a rate slightly higher than in 1936, when the equivalent in sterling was £1,550,096, or an increase of £141,682, or 9.1 per cent. The working expenses were 94,589 contos of reis, against 85,886 contos of reis, or expressed in sterling £1,174,000 in 1937, compared with £1,022,556 in the previous year. The net profit resulting, after deduction of London office expenses, interest on stores and pension fund Brazil, was £410,637, compared with £426,927 in 1936. The directors proposed a final dividend of 2 per cent., free of income tax, on the ordinary stock, which made 4 per cent. for the year.

With regard to the prospects for the current year, the traffic receipts to date were 40,720 contos of reis, or in sterling £450,635, compared with 38,644 contos and £479,669 for the same period last year. Their superintendent said they were at present entitled to expect that the gross traffic offering this year would at least be as great as that of last year.

An outstanding feature of the year had been the publication of the New Constitution which had come into force on November 10th last. Out of that far-reaching enactments had been put into force in relation to the freedom of the coffee and exchange regulations. It was not to be anticipated that regulations such as those would fructify without a lapse of time, and at present the low prices prevailing for commodities had undoubtedly led to the necessity of exchange restriction and strict control of all exchange by the Bank of Brazil. They were making daily their applications for exchange which were being met by the Bank of Brazil in the order of such applications as and when exchange was available.

The report was unanimously adopted.

RAND MINES, LIMITED

YEAR OF DIFFICULTIES AND ALARMS

PROGRESS AND PROSPERITY MAINTAINED

EXCELLENT RESULTS OF GROUP

MR W. H. A. LAWRENCE'S SPEECH

The annual meeting of Rand Mines, Limited, was held, on the 25th instant, in Johannesburg.

Mr W. H. A. Lawrence, deputy-chairman, presided owing to the unavoidable temporary absence of the chairman, Mr John Martin, on other business.

In moving the adoption of the annual report and accounts, the Deputy-Chairman said that the year that had passed since the last annual meeting had at different stages witnessed changes, difficulties and alarms.

Because of the world situation it had throughout seen nervous periods from whose anxieties South Africa had not escaped.

STRENGTH OF GOLD-MINING INDUSTRY

Nevertheless, he continued, South Africa had cause for gratitude that progress and prosperity had been so well maintained—a condition of affairs that was primarily due to the strength and stability of the gold-mining industry.

The producing mines, he said, had milled a record tonnage of ore and had achieved a record output of gold, both in quantity and in value, and an unprecedented amount of work had been done by many new companies that were still in the stage of prospecting and development.

YEAR'S PROFIT

Reviewing the year's accounts, the Deputy-Chairman said that the profit for the year, excluding profits derived from the sale of investments, had been £960,400. That profit was practically the same as that for the previous year and the rate of the dividend was unaltered at 160 per cent. per annum. In accordance with established policy, the profits accruing from investment realisations had not been utilised for dividend purposes, but had been reinvested in the undertaking.

The balance sheet disclosed that the amount realised by the sale of investments less their book value and the net amount written off investments generally had been £271,092. That sum, together with £154,654 from the appropriation account, being excess of expenditure on investments purchased over receipts from investments sold, had been added to the investment reserve account, which had thus been increased to the substantial total of £3,886,698.

The balance of the appropriation account showed a reduction of £44,474 at £564,606, represented by cash and cash assets less all liabilities except contingent liabilities. Contingent liabilities were considerably less than they had been at the end of the previous year and the resources of the company were fully adequate to meet all commitments of that kind as and when they matured.

VALUE OF INVESTMENTS

Investments in shares and debentures appeared in the balance sheet at £4,347,574, an increase of £433,438. All shares, interests and investments for which the share market quotations were available appeared in the books at or under cost but in no case above the market price at December 31, 1937.

It had been deemed expedient to write down the book value of certain holdings both below cost and below market value. Unquoted securities had been taken into account in accordance with conservative valuation fixed by the directors and in no instance at a valuation exceeding cost. It was evident from the schedule of investments included in the accounts that the market value largely exceeded the book value shown in the balance sheet.

The market value of the company's gold-mining interests at the end of the year had represented 84.2 per cent. of the market value of all its investments and of those gold-mining interests 89.6 per cent. had been dividend producing. The company was, of course, substantially interested in various gold-mining companies which had not yet reached the milling stage.

It must not be overlooked, the Deputy-Chairman went on, that the large proportion of the company's revenue which accrued in the form of dividends on its gold-mining investments contained an element which represented the return of capital. Gold-mining shares were wasting assets but, nevertheless, as had been pointed out at a

previous annual meeting, they had served the company well and would undoubtedly continue to serve the company well in future.

Regular reinvestment of some part of the revenue derived from them was in the circumstances an essential policy to be pursued by a company like Rand Mines.

PROSPERITY OF GOLD MINING

The gold-mining industry had continued to progress, and its prosperity had been well maintained. The industry's requirements of native labour had increased and would continue to increase steadily and substantially. Concurrently with that expansion of requirements, available supplies of labour had shown a marked falling off during the latter part of the year, due mainly to the improved agricultural position in the native territories. The mines as a whole had temporarily experienced a serious shortage of native labour. The inflow of natives had increased satisfactorily during the first few months of the current year.

The experimental employment of tropical natives from areas north of latitude 22 degrees south continued to give encouraging results in all respects, including health, which strengthened the prospects of the industry being able in due course to obtain substantial additional supplies of labour from such sources.

The decision of the industry to introduce the "closed shop" principle had been brought into effect without difficulty—a pleasing indication of the satisfactory relationship that had been maintained between industry and the recognised trade unions.

EMPLOYEES' PROVIDENT FUND

At the instance of the South African Mine Workers' Union, a conference had been held during the latter part of the year between representatives of that union and of the Gold Producers' Committee of the Chamber of Mines, presided over by the Minister of Mines, as a result of which already a large volume of existing phthisis legislation had been added to by another amending Act providing for certain further increases in payments made to beneficiary miners.

Since the inception of the Witwatersrand Gold Mines Employees' Provident Fund in January, 1934, the industry had subscribed £2,631,882 to it. The membership had increased from 26,321 at the outset to 37,628 in December, 1937, and benefits already awarded amounted to over one million pounds.

Following recent discussions with representatives of recognised unions, the industry had offered to establish a savings department of the fund into which mines would make payments at the rate of £13 per annum in respect of every adult European employee, to be credited to the individual employee's account and to be withdrawable by him under certain stipulated conditions. The offer was contingent upon existing agreements being brought up to date as covering present conditions affecting employees and industry.

MINING OPERATIONS OF THE GROUP

The Witwatersrand gold-producing mines of the Central Mining-Rand Mines group had milled 18,590,000 tons of ore, an increase of 458,500 tons on the previous year's record figure. The average yield of gold per ton milled at 4.104 dwts. showed a further small reduction of .087 dwt., but owing to the larger tonnage treated the working revenue of the mines of the group had increased by £262,280 to £26,921,008.

The last-mentioned figure included the amount of £82,639 in respect of special declarations made by the East Rand Proprietary Mines, Limited, and Geldenhuis Deep, Limited, in connection with certain abnormal recoveries of gold at their respective reduction plants. Working costs had been higher by 1.2d. per ton milled, and consequently the total working profit decreased by £269,453.

Dividend declarations totalled £4,990,519, as compared with £5,315,457 in 1936.

INCREASED ORE RESERVES

It was satisfactory to note that, despite the increase in total tonnage milled, the average residue value had been reduced to the

record low level of .204 dwts. per ton, as against .234 dwts. per ton in 1936. Although the development of footage totalling 693,555 ft. had been 52,281 ft. less than the previous year's record figure, available payable ore reserves of 11 producing mines had shown, according to latest re-estimates, a substantial increase of 3,573,960 tons, compared with the preceding year's total, and aggregated 74,653,580 tons.

It was gratifying, Mr Lawrence continued, to record that the mortality rate from diseases among groups of native employees had been the lowest in the history of the group, and the group mining accident mortality rate had decreased from 2.04 to 1.97 per thousand.

The present valuation of the outstanding phthisis liability of the mines of the group was practically unchanged at £4,963,501. The mines concerned had provided with accrued interest up to the end of the year the aggregate sum of £2,495,859 towards meeting that liability.

Non-producing companies of the group included the Blyvooruitzicht Gold Mining Company, Limited, which had been formed last year to acquire and exploit a mining lease which the South African Government had agreed to grant over an area of approximately 3,034 mining claims on the farm at Blyvooruitzicht No. 71, on the Far West Rand.

As was evident from the schedule of investments in the balance sheet, the company had important interests in a number of Witwatersrand gold-mining companies outside the Central Mining-Rand Mines group.

INDUSTRIAL INTERESTS

Various South African industrial concerns in which the company was interested had been maintained in a sound position and had earned satisfactory profits.

They included important coal-mining and lime, piping and cement manufacturing enterprises.

Before concluding, Mr Lawrence referred with deep regret to the death of Mr Frank Raleigh, who had been intimately associated with the gold-mining industry of the Transvaal for more than 50 years. Mr Raleigh had been appointed secretary of Rand Mines, Limited, in 1896 and had become in 1921 its managing director, the post which he had occupied with distinction until his death.

The report and accounts were adopted unanimously.

CROWN MINES, LIMITED

DIVIDEND DISTRIBUTION MAINTAINED

RECORD WORKING REVENUE

MR W. H. A. LAWRENCE ON DEVELOPMENT OPERATIONS

The annual meeting of Crown Mines, Limited, was held, on the 22nd instant, in Johannesburg.

Mr W. H. A. Lawrence presided in the unavoidable absence of other business of the chairman, Mr John Martin.

In moving the adoption of the report and accounts Mr Lawrence said that operations had continued on the same large scale as in the preceding year and that two dividends had been declared totalling 190 per cent., which equalled the record distribution of 1936.

After reviewing the accounts he said that the tonnage milled had been approximately the same as in 1936. The average yield per ton milled, at 4.803 dwts., had been .021 dwts. higher than the average yield of the previous year. The average price realised for their gold had been slightly higher than the average price in 1936; in consequence the total yield of gold—namely, 1,022,572 fine ounces, though 53 fine ounces less than the total yield in 1936, had produced working revenue totalling £7,184,957—£22,235 more than the working revenue realised from gold in 1936 and the highest total in the history of the company.

The total working revenue, including the proceeds from sales of silver and osmiridium, had been £7,195,059. Working costs had increased by £99,057 to £4,060,150, and the working profit, at £3,134,909, had been £76,964 lower than in 1936.

LARGER NET AMOUNT AVAILABLE

Expenditure on capital account, on the other hand, had been £88,907 less than in 1936. Consequently, after making allowance for the difference between other items of revenue and expenditure, the net amount available for distribution showed on balance an increase compared with the corresponding net figure in 1936; and it was possible not only to maintain the dividend at the rate of the

previous year but to increase the amount carried to the credit of the appropriation account by £35,886.

As already mentioned, the average yield of gold per ton milled at 4.803 dwts. had been .021 dwts. higher than in 1936. In that connection it was interesting to note that, following improvements to the reduction plant, the average percentage of extractions had increased to 96.1 and the average value of residues had fallen by .053 dwts. per ton to .195 dwts. per ton. It would thus be seen that if allowances were made for the improvement of .053 dwts. in residue value per tons, the yield would be .032 dwts. lower in 1937 than in 1936.

The improvements to the reduction plant had consisted of an addition to "B" section of four tube mills and accessories to achieve finer grinding and thus facilitate the treatment of a larger percentage of slimes. The reduction of .053 dwts. in average residue per ton milled represented saving—or addition to working revenue—of approximately £79,000.

CONTINUANCE OF NORMAL REEF CONDITIONS

Reviewing development operations, Mr Lawrence said that, in view of restrictions placed upon development by the shortage of native labour during the year, the results achieved might be regarded as very satisfactory. The percentage of payability (68.5 per cent.) reflected a continuance of normal reef conditions in the mine. The company drew its tonnage principally from two reefs—Main Reef Leader and South Reef. A small tonnage, however, had always been obtained from the Main Reef, varying from 1 per cent. in 1931 to 5.5 per cent. in 1937. Thirty years ago the tonnage drawn from that source had been as high as 25 per cent. of the total, but a considerable falling off in the value of the reef resulted in a rapid decline in the amount of payable ore obtainable therefrom.

Conditions since 1932, and particularly the reduction in the pay limit, had justified a revival of interest in the Main Reef and the tonnage mined from it had increased considerably. At the same time more activity in the exploration of the Main Reef had been undertaken, and in the vicinity of No. 4 Shaft down to the Sixth Level some encouraging values had been encountered. The work was being continued and might eventually result in a not inconsiderable tonnage becoming available for inclusion in ore reserves. The area in which those favourable indications had been found was, however, limited, and possibilities of any great extension of operations on the Main Reef must be discounted until more information was available.

Prospecting work on another reef—Bird Reef—had been started on a small scale in 1935. The results of the prospecting conducted in the vicinity of No. 12 Shaft had been consistently unpayable, and last year prospecting had been abandoned.

THE MAIN REEF LEADER

Much of the development on the Main Reef Leader during the year had been carried out in the far western section of the mine served by No. 17 Shaft. The reef disclosures in that section had hitherto been disappointing, but during the past year values encountered towards the western boundary had improved and a higher percentage of payability had been proved. In other sections of the mine developments on the Main Reef Leader had given generally satisfactory results.

The footage accomplished on the South Reef had been approximately the same as in the preceding year, and further considerable tonnage of payable, but low grade, ore had been proved. On both reefs the total ore developed and classed as payable had been 3,956,520 tons, with an average value of 4.8 dwts. per ton. The tonnage thus developed had been 263,460 tons less than the tonnage developed in 1936, and the value of the ore disclosed had shown a decrease of 0.5 dwts. The total ore reserve, as re-estimated at the end of the year, was 25,559,000 tons of an average value of 5.2 dwts. over the estimated stoping width of 48.8 in. This included 4,951,500 tons of an average value of 5.7 dwts. in shaft and safety pillars not at present available for stoping.

The available reserve was therefore 20,607,500 tons, which had an average value of 5.0 dwts. The available reserve showed an increase of 536,100 tons, the average value being fractionally lower.

NATIVE LABOUR

The shortage of native labour which had prevailed throughout the greater part of the year, and had been particularly serious in December, had been a limiting factor in mining and development operations of the company. It would be appreciated that for the company, as for all other mining companies on Witwatersrand, that maintenance and improvement of native labour supplies was of fundamental importance.

Various experiments with a view to economising in native labour had been made. The mechanical scraper equipment for lashing ore in stopes and mechanical devices for loading rock in drives had been

used on a limited scale, with results which afforded some encouragement for more extensive use of them in order to maintain development, footage, and tonnage output in the event of more serious shortage of native labour.

The report and accounts were unanimously adopted.

STATE ASSURANCE COMPANY, LIMITED

SATISFACTORY RESULTS

FURTHER EXPANSION OF BUSINESS

The forty-seventh annual meeting of the State Assurance Company, Limited, was held, on the 25th instant, at the Head Office of the Company, State Insurance Buildings, Liverpool.

Mr A. W. Willmer, J.P. (chairman of the company), presided.

The Chairman, moving the adoption of the report and accounts, said:—The total transferred to profit and loss account in respect of our trading operations for 1937 amounts to £61,856, a figure in excess of the average earnings of the company, and as expansion is indicated by the premium incomes of all departments I accordingly commend to you as satisfactory the report and balance sheet.

FIRE DEPARTMENT

The profit for the fire account is £40,148, the figure available for transfer to the profit and loss account. The premium income is steadily increasing, which justifies our hope in this direction expressed at the annual meeting last year. Our energies, directed upon the lines then indicated, have to some extent been nullified by the experience in the foreign fields where it is becoming increasingly difficult to counteract the unfavourable effects of world conditions.

The fire loss ratio of the company at 46.5 per cent. is some 4½ points better than in 1936, while there is little variation in the total expense ratio, including as it does the heavy incidence of foreign and colonial taxation.

ACCIDENT DEPARTMENT

The accident and general department continues to expand, and it is pleasing to know that this expansion is not confined to one particular type of accident business, but is very evenly distributed. The income has materially increased and there is a slight reduction in the ratio of expense.

The loss ratio at 53 per cent. is slightly higher than that for the preceding year, but cannot be considered unsatisfactory having regard to the effect of recent decisions in the Courts. I feel I must emphasise this latter point as it is difficult to anticipate how these decisions will affect the loss ratio of the current year. There is an amount available for transfer to the profit and loss account of £13,085.

Marine Account.—Last year the chairman voiced the anticipation that the anxieties and difficulties of recent times would reflect themselves in the underwriting accounts, and in the circumstances the transfer to profit and loss of £8,622 in respect of the year 1934 cannot be considered other than satisfactory. It will be observed that the premium income is £16,945 greater than the preceding year, which represents an increase of no less than 20 per cent.

PROFIT AND LOSS ACCOUNT

Reviewing our operations as a whole it will be observed that the transfers to the profit and loss account from the various trading departments aggregate £61,856; the addition of interest not carried to other accounts and other items makes the total amount available £84,871, against £69,331 for the previous year.

After deducting the various charges in the profit and loss account, providing £6,500 for accruing income tax and National Defence Contribution, £7,500 for general contingencies, and transferring £7,000 to the staff superannuation fund, there is a credit balance forward of £222,501. This represents an increase of £17,581 in the balance brought forward from the previous account.

THE INVESTMENTS

When addressing you three years ago the chairman told you of our cautious investment policy and indicated that in the substantial appreciation in the investments at that time we had the satisfaction that this figure provided a sum sufficient to meet any very considerable depreciation if and when this should take place. It is therefore with some measure of satisfaction I now tell you that, in spite of the severe fall in securities generally during the year 1937, the value of our investments exceeds by a substantial sum the conservative figure at which it appears in the balance sheet.

The total assets of the company standing at £3,216,254 reveals an increase of £87,615 over the preceding year.

The report and accounts were adopted.

CUNARD STEAM SHIP COMPANY

POLICY OF NEW SHIPS

BIG INCREASE IN ATLANTIC TRADE

The sixty-first ordinary general meeting of the Cunard Steam Ship Company was held, on Tuesday, the 26th instant, at Cunard Building, Liverpool.

Sir Percy E. Bates, Bart., G.B.E., chairman, presided.

The Chairman, in his address, said:—The Cunard profit and loss account, after providing the usual depreciation, is £1,700 better than last year. On paper the company is still marking time, but in fact there is real progress.

For the first year since the formation of our major subsidiary, Cunard White Star, Limited, both companies have a clean certificate from the auditors, and this is a fact of importance to you because, without it, making money available for dividend by either company is very difficult. The reason for the clean certificate lies in the Atlantic, where the 1937 results of Cunard White Star have enabled that company to retrieve a substantial portion of the past and the directors to present figures which should form a firm basis for the future. Operating expenditure is up by £623,315, due to increases in the cost of every item. As we have done more business on the Atlantic, carried more passengers and more cargo, operating receipts are higher by £1,340,722, and the working improvement amounts on balance to £717,407, showing a total operating profit of £1,305,829.

SUBSTANTIAL DEPRECIATION

Consideration of the figures encouraged the directors of Cunard White Star to try to set out on a policy of depreciation which would be sound; £135,143 has been written off the "Queen Mary" in respect of 1936 and £976,280 has been written off the fleet as a whole in respect of 1937. The balance of profit and loss account carried down is £146,351, against £546,659 last year, when no depreciation was written off the ships at all.

Dealing with the Cunard White Star balance sheet, cash is lower by £465,056, mainly because the whole of the money spent during the year on ships No. 552 and No. 1029 has been provided out of current cash. The amount so expended was £1,535,595, which during the year was gradually added to last year's fleet figure of £18,717,400. The gross total has been reduced; first by the depreciation written off in cash in the profit and loss account amounting to £1,111,423, and second by £6,348,662 from the share premium account, leaving a figure for ships and payments on account of No. 552 and No. 1029 of £12,962,148.

By itself this means little, but taken in conjunction with the profit and loss account it means a good deal. No. 552 and No. 1029 obviously will not be included in any depreciation account until they are delivered—No. 552 in 1940 and No. 1029 in 1939. If the company maintains a yearly allocation out of earnings of £976,280 in respect of the older ships and the "Queen Mary," the balance-sheet figures now reached for these ships will be reduced to scrap values when the "Queen Mary" attains the age of 25 years and when each of all the other ships attains the age of 20 years. We believe this to be an attainable target as well as a correct one in the sense that further annual shipbuilding of an order approximate to our annual depreciation figure should enable the company to maintain its place in the Atlantic.

MONEY FOR NEW SHIPS

There are other points on which you should be informed, notably that depreciation written off the "Queen Mary" has been remitted to H.M. Treasury in cash, to be held by them in accordance with the terms of the agreements and relative trust deeds. Such money is available on the application of the company, but at the discretion of the Treasury, to be applied in or towards the acquisition by purchase or otherwise of steamships or other vessels suitable for the company's business. We have not yet had occasion to ask for this money to be made available to the company for shipbuilding, and for the time being it is lying with the Treasury and will be invested for the account of the company. I am satisfied that on a slight adjustment of anticipatory arrangements already completed in respect of finance for No. 1029, the "Queen Mary" depreciation money remitted or to be remitted to the Treasury would be available to take its proper place with our free money or with finance provided by others.

To sum the matter up, the Cunard White Star profit and loss account and balance sheet provide £223,151 towards carrying on for 1938 a plan for depreciation on balance-sheet figures which have logic behind them, and for these we claim your commendation.

In the Cunard Company's own balance sheet the mortgage on our Liverpool building now stands at £300,000, £120,000 having been

paid off during the year and the remainder renewed at a lower rate of interest. Deposits with the company are lower at £691,019. On the credit side shares in other companies standing in the books at £119,346 have returned over 7 per cent. I have kept till the last the large figure for shares in subsidiary companies, £13,675,225. The pledged security, Port Line shares, T. and J. Brocklebank shares, and our Liverpool building can be relied upon to provide for our mortgage debt, and, I think, with a good margin. The book value of our Cunard White Star shares remains unchanged at £9,181,777.

LARGEST LINK WITH U.S.A.

This represents our permanent stake in the Atlantic, and we are concerned alone in what it can be made to yield. The figures show clearly what it produced last year; what it may produce this year depends mainly on factors outside the company. The company is the largest link between Europe and North America, and its prosperity is entirely bound up with the prosperity of these two continents. Up till recently the prospects have not been encouraging. There have been political disturbances in Europe and economic disturbances in the United States. I think in both respects matters are improving. There is still time for 1938 to make a good showing if conditions in Europe and the United States continue to improve.

I think you are in as good a position as I am to forecast the future. That you have a good organisation working on both sides of the Atlantic is shown by the large increase in the business handled in 1937 without corresponding increase in organisation expenditure. If the business is there we can get it.

The policy of building new ships is in no way responsible for the absence of dividends, and indeed, in my view, is the only policy which can lead to their resumption. Shipping of any kind is a highly competitive trade, and Atlantic shipping is perhaps more keenly competitive than any other form of it. We must continue building or our business will be taken by others. There are two ships building at the present time, No. 552, to be called "Queen Elizabeth," and No. 1029, to be called "Mauretania." Contracts for both ships were most fortunately placed before the recent rise in prices. Both ships are absolutely needed for the company's business, and, indeed, I am very glad that the new "Mauretania" will be in service next year.

The report and accounts were adopted.

JAMES W. COOK AND COMPANY, LIMITED

SATISFACTORY YEAR'S TRADING

The forty-first annual general meeting of this Company was held, on the 22nd instant, in London.

Mr W. J. Clarke (chairman and managing director), who presided, said: The year just passed has been one of unremitting pressure, which has been crowned with success because we have been able to redress the balance by somewhat increased dividends from our subsidiaries.

As I foreshadowed last year the gross profit on trading shows very little improvement, which is due to another short crop in dried fruit handled at our wharves and, in the case of lighterage, to rising costs which we were unable to recover by any commensurate rise in rates. I am glad to say that a revision upwards took place generally in the port but only at the end of the year, so that we could not feel the benefit we are enjoying in 1938.

I may say that the opportunities presented to us will require a substantial capital expenditure. How this will be met will be a matter of earnest consideration by your board so that it can be financed in the wisest possible way and of which you will hear at some later date.

With regard to the subsidiaries, the Bulk Oil Steamship Company has had another successful year. It has paid a dividend to the parent company and carries forward in their accounts more than they brought in.

Eastern Roadways—This company has continued its policy of enlargement. It again has been able to pay a dividend to the parent company, and after writing off its heavy depreciation carries forward more than it brought in.

Days Transport—This business works in the Ipswich and London area. They paid us this year their first dividend, and that has not absorbed the whole of their profit, so that they carry forward to this year more than they brought in last.

You will see, therefore, that in the main I can give you nothing but a satisfactory report of our activities which I hope and believe we shall continue to enjoy.

The report and accounts were unanimously adopted and a final dividend of 7½ per cent., less income tax, on the ordinary shares, making 10 per cent. for the year, was declared.

HUDSON'S BAY COMPANY

EFFECT OF FALL IN PRICES

The two hundred and sixty-ninth annual General Court of the Governor and Company of Adventurers of England Trading into Hudson's Bay was held, on the 26th instant, at Beaver Hall, Garlick Hill, London, Mr Patrick Ashley Cooper (the Governor) presiding.

The Governor, in moving the adoption of the report and accounts, said: When I addressed you last year I expected that our results this year would be no worse than last year, and, therefore, I am disappointed that I have to submit to you to-day a profit and loss statement which shows that our profits are £57,000 less than in the previous year. The reasons are not far to seek. Trading conditions in all countries in which we operate, with perhaps the exception of Great Britain, are now definitely worse than they were this time last year. During the earlier part of the year there was a general maintenance of trade, but, with falling commodity prices, a wave of lack of confidence spread over the world. We first felt it in the international markets of the fur trade, then in our operations in the United States, and finally in our stores department in Canada. It is there that we have our largest operations, and therefore, although the recession reached Canada last, we felt it sharply when it did arrive.

On the question of a dividend, we were faced with considerable difficulty. In the last two years we have paid to the preference shareholders dividends amounting to 37½ per cent. on their shares, wiping out the arrears and bringing payments of dividend up to date. We were thus clear to deal with the question of a dividend on the ordinary shares. This year we were faced with a much reduced profit, but after providing for the preference dividend we are left with a balance of £110,000 on the year's working, and in all the circumstances we felt justified in recommending to you a dividend of 3 per cent., less tax, from trade on the ordinary shares. On the land account you saw that we had only earned £13,000, but we felt justified in recommending a dividend of 1 per cent.

GENERAL CONDITIONS

On the whole 1937, and particularly the earlier part of it, was a good year for Canada. With the single exception of wheat, the output of every major commodity was greater than in 1936.

But against this cheerful picture there were dark spots. Construction still lagged behind. The value of Canadian field crops was 10 per cent. lower.

When we look at the major crop disasters in Saskatchewan, we must not be too discouraged, for you will notice that, while 1937 was by no means a satisfactory year from the point of view of moisture, nevertheless Manitoba and Alberta showed marked improvement, and an extension of the better moisture conditions to Saskatchewan would, I have no doubt, bring similar sharp recovery.

Canada is dependent on conditions in other countries, and particularly in the United States, and if economic conditions in that country do not improve the outlook for Canada is not reassuring. If before long there is an improvement in the United States we may well be saved from a serious recession in our business activity, but at this moment it is impossible to foretell what may happen.

The set-back in our profits was mainly due to the fur trade. The sharp decline in the profits was due to the severe fall in fur prices during the year.

THE OUTLOOK

During the year the deputy governor and I visited Canada and had the opportunity of seeing Mr Allan and the other members of the Canadian committee and the principal officers. As to the future, as I have told you, up to the middle of the autumn the recession in business in the United States had not caused any serious decline in our Canadian business, but we cannot ignore the fact that events in that great country have a very direct effect on our operations. If there is an improvement in the United States, then we may be able to sustain our progress. If, on the other hand, the recession in the United States should continue, or, as some fear, develop into a major depression, then our situation will indeed be difficult.

In these circumstances I cannot hold out to you any hope of marked improvement in the results of the current year and, indeed, I think we shall be fortunate if we are able to maintain even the reduced profit which we show to-day.

At the same time, taking the longer view, I believe that you can look forward to the future with confidence and with expectation of further improvement, efficiency and greater profits.

The report and accounts were agreed to.

OLYMPIC PORTLAND CEMENT COMPANY, LIMITED

DIVIDEND OF 7½ PER CENT.

TAXATION CONDITIONS IN U.S.A.

The twenty-seventh annual general meeting of the Olympic Portland Cement Company, Limited, was held, on the 22nd instant, at 7 Gracechurch Street, London.

Mr John Lawson (the chairman) said that the net profit for the year was about £12,000 less than in the preceding year, but the directors felt justified in recommending a final dividend of 5 per cent. (making 7½ per cent. for the year) as the distribution in the preceding year was on a conservative basis.

Last year he referred to the doubt which existed as to the method of charging the 10 per cent. U.S.A. Withholding Tax from dividends distributed to British shareholders. Two days ago they received a cable from their agents that the Inland Revenue authorities had now decided that the tax was applicable on net dividends and not on gross. The company would respond for the Withholding Tax on the present dividend, but it was expected that future distributions to United Kingdom shareholders would be subject to deduction of British income tax and 10 per cent. United States Withholding Tax. The directors had under consideration measures whereby somewhat more than 15 per cent. of the total profits of the company would be earned outside of the United States, which would free the company of its obligation to deduct 10 per cent. United States Withholding Tax on dividends distributed to British shareholders.

Work at the factory proceeded smoothly during the year. Mr Krabbe, the works manager, in his annual report, referred to the economies effected.

The company's first contract for deliveries of cement to Coulee Dam was almost finished in December last, and there remained only about 10,000 barrels still to be delivered. He was pleased to report that the quality of cement delivered on this contract had met with complete acceptance.

Cement business in the U.S.A. during 1937 was well maintained in comparison with the preceding year. Production and deliveries for 1937 showed a small increase of 3.4 per cent. and 1 per cent. respectively over the totals for 1936. It was noticeable, however, that in the last month of the year production was 21½ per cent. and deliveries 23½ per cent. lower than December, 1936.

CONDITIONS IN THE U.S.A.

Conditions in the U.S.A. had been for some years increasingly dominated by domestic politics. The full effects of the Undistributed Profits Surtax Bill passed in 1936 were not realised by industry until income tax returns were made at March 31, 1937, and the criticism by President Roosevelt in April of the rapid rise in the price of durable goods, including cement, was almost immediately followed by the "gold scare."

It seemed probable that the Undistributed Profits Surtax Bill would be substantially amended in spite of the President's protest, and only a short time ago his Administration Reorganisation Bill had been defeated, and it was not clear at the moment whether his latest proposal to spend several billion dollars in various relief measures would have the approval of Congress so far as the direction in which the money should be spent was concerned.

The President's reference to cement last year was followed up by his recent attack on what he called "administered prices" covering steel, cement or other materials with which the spending of Government money was concerned. It appeared to be aimed at collusive practices supporting building material prices, and it was proposed that all bids on Government work were to be based on the f.o.b. prices at the factory and the same price must be available to any contractors bidding on Government work. He did not think this would affect the company materially as their prices hitherto on Government work had been on an f.o.b. basis.

Having in view also the large spending programme proposed by the President, the company's agents indicated in their latest advices that they did not fear the completion of the Coulee project would not be proceeded with, and some weeks ago a meeting was held in Denver with the Bureau officials to discuss the quality and quantity of the cement required. It was then estimated that a total of about six and a quarter million barrels would be required, of which the company should get its fair proportion, but it was thought that it would be some time yet before bids were called for.

The same spending programme would no doubt include highway construction, but as to what proportion affecting the State of Washington their agents were as yet unable to say. They advise that the outlook in regard to general business in their territory should be about the same as last year.

The report was unanimously adopted.

ORIENTAL TELEPHONE AND ELECTRIC COMPANY, LIMITED

FURTHER EXPANSION

The forty-fourth ordinary general meeting of the Oriental Telephone and Electric Company, Limited, was held, on the 26 instant, at the Great Eastern Hotel, London.

Sir A. Henry McMahon, G.C.M.G., G.C.V.O., K.C.I.E., C.S.I. (chairman of the company), in the course of his speech said: The net revenue of the company for the year amounts to £114,147, as against a corresponding figure of £103,842 for the year 1936, or an increase of £10,304. The directors recommend a final dividend of 8 per cent. for the year (free of tax) on the ordinary shares.

The Singapore branch shows progress, having added 387 exchange lines during the year. I regret to say, however, that the application made some time ago for permission to introduce a message rate has again been refused by the Government of the Straits Settlements, although several modifications to its original suggestions have been put forward by the company. Your directors are, however, giving the matter further consideration, and I hope when I next address you that a solution of the difficulty will have been found.

The working of the Mauritius branch has again shown a loss. This has been our experience in Mauritius for some years past, and has been the subject of long and earnest consideration by the directors. The Government maintains a telephone system of its own, and the conclusion we have been driven to is that there is not room on the island for two separate telephone systems.

We decided, therefore, that the best plan would be for us to suggest to the Government that they should purchase our system, and some time ago we opened negotiations in this sense. I am glad to inform you that an agreement in principle has now been arrived at, and that during the course of the current year the Government will take over our system. Final arrangements have not yet been completed, and it is too early to lay details before you. I shall be in a position to do so next year. In the meantime I am sure that you will agree with us that the course we have taken is in the best interests of the company.

BOMBAY, BENGAL AND MADRAS

I come now to our subsidiary and associated companies. The Bombay Telephone Company continues to make good progress with the addition of 2,268 new exchange lines during the year. As I indicated last year, the chief preoccupation of this company has been to devise means for meeting the rapid expansion which has been taking place and which, I think you will agree, is by no means an unsatisfactory state of affairs. They are doing this very successfully, as is indicated by the additional growth of exchange lines to which I have already referred. They have paid the same dividend as for 1936, namely, 8 per cent.

The Bengal Corporation has also had a good year and has added 1,399 new exchange lines. That company has paid an additional 2 per cent. by way of bonus for the year ended June 30, 1937, making a total distribution of 10 per cent. and, although conditions are not quite so favourable at the moment as we could wish, there is reason to hope for steady progress and expansion in the future.

The Madras Company has put on 276 new exchange lines and pays the usual dividend of 8 per cent. plus a bonus of 1 per cent., or 9 per cent. in all. As already mentioned, a further issue of shares was made by this company during the year to meet the requirements necessitated by the expansion of its system, and generally this company may be regarded as being in a very healthy and prosperous condition.

RANGOON AND HONG KONG

The Rangoon Company has also made some progress, though not, perhaps, quite as much as could have been desired. But a new method of charging was introduced as from January 1st this year, incorporating a system of message rate and as the results so far have been decidedly encouraging, we may look for greater expansion as soon as the system and its advantages become more generally known and appreciated. The dividend is the same as last year, namely, 6 per cent.

The China and Japan Telephone and Electric Company and the Hong Kong Telephone Company.—The Hong Kong Company has made excellent progress during the year, with an addition of 1,085 new exchange lines, in spite of the conditions prevailing in China during the latter half of the year. The Hong Kong Company has paid dividends amounting to 12 per cent. and the company has enabled the China and Japan Telephone and Electric Company to make its usual distribution of 6 per cent.

The report and accounts were unanimously adopted.

CURRENT STATISTICS

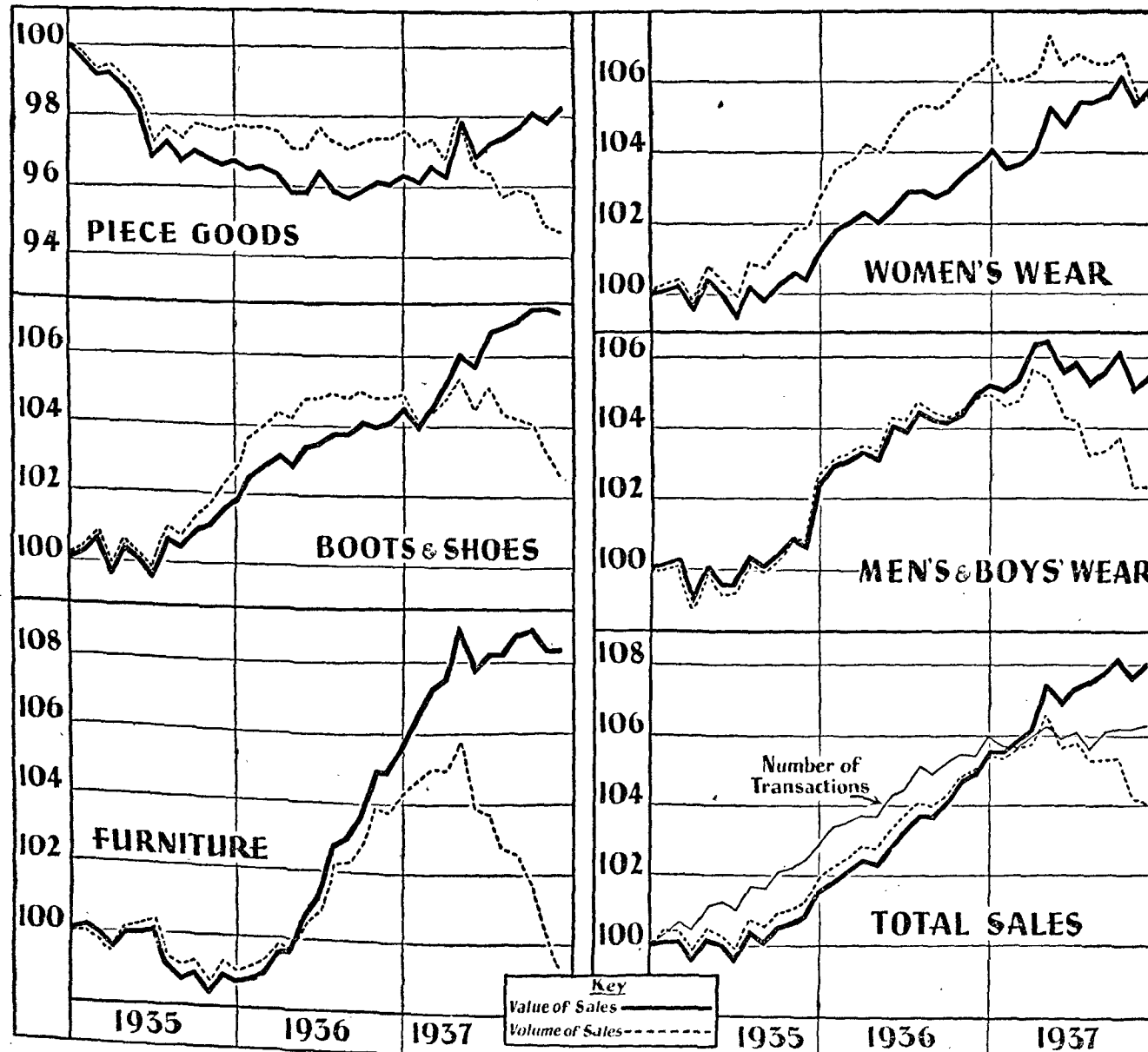
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Volume and Value of Departmental Store Sales

The following charts show the course of the volume and value of department store sales since 1935 on the basis of the indices calculated by the Retail Distributors' Association. The value indices relate to a constant sample of department store sales, and the volume indices have been obtained by correcting the value of sales by means of an index of prices. The first five charts show the course of the volume and value of sales in the principal sections of department stores, while the sixth diagram compares the course of total sales with changes in the volume of transactions. It will be seen that the volume of sales took a downward turn last year when their value was still rising. The trends of retail trade and general business activity are analysed in an article on page 243.



Finance

GOVERNMENT RETURNS

For the week ended April 23, 1938, total ordinary revenue was £13,594,000, against ordinary expenditure of £9,076,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £9,089,000, against a deficit of £1,937,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1, 1937, to April 24, 1937	April 1, 1938, to April 23, 1938	Week ended April 24, 1937	Week ended April 23, 1938
ORDINARY REVENUE				
Income Tax	8,174	7,291	10	47
Sur-tax	2,500	2,870	450	400
Estate, etc., duties	5,900	4,410	1,790	1,020
Stamps	730	480	160	150
N.D.C.	...	420	...	120
Other Inland Rev.	40	40	...	...
Total I. Revenue	17,344	15,511	2,410	1,737
Customs	16,485	12,944	5,362	3,670
Excise	8,500	8,100	2,200	6,000
Total Customs and Excise	24,985	21,044	7,562	9,670
Motor duties	2,535	2,559	...	...
P.O. (net receipt)	3,000	2,100	1,050	1,700
Crown Lands	...	150	...	150
Receipts from Sun. Loans	190	61	136	3
Misc. receipts	290	676	6	334
Total Ordinary Rev.	48,344	42,101	11,164	13,594
SELF-BAL. REVENUE est. Office and Broadcasting*	2,050	3,200	550	900
Total	50,394	45,301	11,714	14,494

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1, 1937, to April 24, 1937	April 1, 1938, to April 23, 1938	Week ended April 24, 1937	Week ended April 23, 1938
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	23,274	23,213	508	1,076
Payments to N. Ire. Land	248	...	248	...
Other Con. Fund Services	259	277	...	...
Total	23,781	23,490	756	1,076
Supply Services†	26,500	27,700	6,350	8,000
Total Ord. Expend.	50,281	51,190	7,106	9,076
New Sinking Fund SELF-BALANCING EXPENDITURE	...	305	...	70
Post Office and Broadcasting Votes	2,050	3,200	550	900
Total	52,331	54,695	7,656	10,046

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting.

After raising Exchequer balances by £318,569 to £2,944,358, the other operations for the week (as shown in the next column, but excluding £70,000 issued to the New Sinking Fund), reduced the gross National Debt by £4,130,000 to about £8,156 millions.

WEEK'S CHANGES IN DEBT (£ thousands)

NET REPAYMENTS, ETC.*	
Treasury Bills	693
Bank of England Advances	1,500
Public Department Advances	1,400
National Savings Certificates	50
Post Office and Telegr. (Money) Acts	350
North Atlantic Shipping Issues	137
	4,130

* There were no net increases in debt during the week.

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to April 23, 1938, are shown below:—

(£ thousands)	
Ordinary Exp. ...	51,190
Inc. in balances	580
Ordinary Rev. ...	42,101
Gross borr. 9,974	
Less:	
New S.F. 305	
Net borrowing ...	9,669
	51,770

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1937						
Mar. 31	674.6*	23.5	...	698.1	...	...
Apr. 24	515.0	170.7	18.3	704.1	189.0	...
Dec. 31	889.7*	39.4	55.7	984.9	...	...
1938						
Jan. 22	597.0	301.0	28.1	926.2	329.1	...
" 29	587.0	292.3	31.6	910.9	323.9	...
Feb. 5	572.0	281.7	33.6	887.3	315.3	...
" 12	557.0	276.9	31.9	865.8	308.8	...
" 19	542.0	275.5	31.3	848.8	306.8	...
" 26	532.0	273.1	39.2	844.3	312.3	...
Mar. 5	522.0	282.4	39.8	844.2	322.2	...
" 12	517.0	283.8	38.9	839.8	322.7	...
" 19	512.0	288.5	35.6	836.1	324.1	...
" 26	507.0	284.9	35.1	827.0	324.1	...
Apr. 9	512.0	304.9	30.6	847.5	335.5	...
" 16	522.0	306.8	28.6	858.9	335.4	...
" 23	532.0	296.1	27.2	855.3	323.3	...

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
Apr. 23	40.0	94.3	40.0	10 5.54	18
Dec. 31	50.0	80.5	50.0	10 11.59	47
1938					
Jan. 28	30.0	86.5	30.0	10 0.80	18
Feb. 4	30.0	88.4	30.0	10 0.88	18
" 11	30.0	87.7	30.0	10 0.89	18
" 18	35.0	86.6	35.0	10 1.04	23
" 25	40.0	92.0	40.0	10 1.39	33
Mar. 4	45.0	97.8	45.0	10 0.94	30
" 11	45.0	92.1	45.0	10 1.35	36
" 18	50.0	82.3	50.0	10 1.54	54
" 25	50.0	84.6	50.0	9 11.31	55
Apr. 1	50.0	77.0	50.0	10 3.24	71
" 8	50.0	85.2	50.0	10 2.65	56
" 15	45.0	85.6	45.0	10 2.82	41
" 22	45.0	88.5	45.0	10 2.95	41

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On April 22nd, applications at £99 17s. 5d. per cent. for bills to be paid for on any day of the following week were accepted at to about 41 per cent. of the amount applied for. Applications at higher prices were accepted in full. £45.0 millions of Treasury bills are being offered on April 29th.

NATIONAL SAVINGS CERTIFICATES

	Sales in	Number	Purchase Price
14 weeks to:—			
Apr. 10, 1937†	9,889,875	7,417,406	£
Apr. 9, 1938	9,790,446	7,342,834	
Week to:—			
Apr. 10, 1937	624,646	468,484	
Apr. 2, 1938	659,551	494,663	
Apr. 9, 1938	732,781	549,586	

† After adjustments to March 27th. N.B.—Net Exchequer receipts, 9 days to April 9, 1938: Dr. £350,000.

BANK OF ENGLAND RETURNS

APRIL 27, 1938

ISSUE DEPARTMENT

(£ thousands)	
Notes Issued:	
In circuln. 489,261,893	Govt. Debt 11,015,100
In Bnk. De- partment 37,145,267	Other Govt. Securities 188,602,945
	Other Secs. 373,168
	Silver Coin 8,787
	Amt. of Fid. Issue 200,000,000
	Gold Coin & Bullion 326,407,160
526,407,160	526,407,160

BANKING DEPARTMENT

(£ thousands)	
Props. Capital 14,553,000	Govt. Secs. 113,996,164
Rest 3,157,552	Other Sec. 7,063,685
Public Depts.* 10,889,533	Discs, etc. 19,378,536
Other Depts. 113,288,096	Securities 26,443,241
Bankers' 36,512,509	Gold & Silv. Coin 816,018
149,800,605	178,400,690

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

THE WEEK'S CHANGES (£ thousands)

Both Departments	Amt., Apr. 27, 1938	Compared with	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	489,262	+ 6,315	+ 20,446
Deposits: Public	10,890	+ 7,137	+ 15,272
Bankers'	113,228	+ 6,767	+ 18,895
Others	36,512	+ 387	+ 3,065
Total outside liabilities	649,892	+ 6,298	+ 27,771
Capital and rest	17,711	+ 8	+ 3
COMBINED ASSETS			
Govt. debt and securities	313,614	+ 3,620	+ 18,917
Discounts and advances	7,064	+ 1,168	+ 1,596
Other securities	19,753	+ 1,444	+ 5,236
Silver coin in issue dept.	9	Same	+ 2
Gold coin and bullion	327,223	+ 2	+ 12,553
RESERVES			
Res. of notes & coin in banking department...	37,961	+ 6,317	+ 7,892
Proportion of reserve to outside liabilities—			
(a) Bankg. dept. only ("proportion")	23.6%	+ 3.9%	+ 6.3%
(b) Gold stocks to deposits and notes ("reserve ratio")	50.3%	+ 0.4%	+ 0.2%

COMPARATIVE ANALYSIS (£ millions)

	1937		1938			
	Apr. 28	Apr. 6	Apr. 13	Apr. 20	Apr. 27*	
Issue Dept.:						
Notes in bank-	468.8	489.7	497.2	495.6	489.3	
ing dept.....						
Govt. debt and	44.8	36.7	29.2	30.8	37.1	
securities ...						
Other sec. ...	197.0	200.0	199.9	199.6	199.6	
Gold ...	313.7	326.4	326.4	326.4	326.4	
Deposits:						
Public ...	26.2	12.8	17.7	18.0	10.9	
Bankers' ...	87.6	112.4	103.9	106.5	113.3	
Others ...	39.6	36.8	36.0	36.1	36.5	
Total ...	153.4	162.0	157.6	160.6	160.7	
Bkg. Dept. Secs.:						
Government ...	97.7	111.9	116.1	117.6	114.0	
Discounts, etc.	5.5	10.1	9.6	8.2	7.1	
Other ...	22.0	20.2	19.6	20.8	19.4	
Total ...	125.2	142.2	145.3	146.6	140.5	
Banking dept. reserve ...	45.9	37.6	30.0	31.6	38.0	
"Proportion"	29.9	25.2	19.0	19.7	23.6	
Reserve ratio†	50.6	50.2	50.0	49.9	50.4	

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £8,787; capital, £14,553,000; rest, £3,157,552.

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Egypt appeared in The Economist of April 2nd; International Settlements of April 9th; Denmark, Norway, and Sweden, of April 16th; Belgium, Bulgaria, Canada, Greece, Hungary, Latvia, New Zealand, Portugal, Roumania, and South Africa of April 23rd.

U.S. FEDERAL RESERVE BANKS

	Apr. 29, 1937	Mar. 31, 1938	Apr. 21, 1938	Apr. 28, 1938
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treas.	8,843	9,213	10,642	10,642
Total reserves	9,142	9,696	11,104	11,103
Total cash reserves	289	472	453	452
Total bills discounted	11	12	10	8
Bills bt. in open mkt.	4	1	1	1
Total bills on hand	15	13	10	9
Industrial advances	95	202	142	132
Total U.S. Govt. secs.	2,526	2,526	2,564	2,564
Total bills and secs.	2,564	2,594	2,591	2,590
Total resources	12,445	12,901	14,383	14,327
LIABILITIES				
F.R. notes in actual circulation	4,177	4,122	4,121	4,120
Aggregate of excess mfr. bank res. over reqts.	1,640	1,560	2,490	2,580
Deposits — Member-bank reserve account	6,934	7,312	7,547	7,661
Govt. deposits	95	202	142	132
Total deposits	7,298	7,919	9,323	9,326
Cap. paid in and surplus	306	309	309	309
Total liabilities	12,445	12,901	14,383	14,327
Ratio of total res. to deposits and F.R. note liab. combined	79.7%	80.5%	82.6%	82.6%
U.S.F.R. BANKS AND TREASURY COMBINED				
RESOURCES				
Monetary gold stock...	11,782	12,794	12,841	12,860
Treasury and Nk. Bk. currency	2,541	2,680	2,688	2,690
LIABILITIES				
Money in circulation...	6,381	6,329	6,361	6,355
Treasury cash and deposits with F.R. Bks.	3,051	3,843	3,592	3,513

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

	Apr. 29, 1937	Mar. 31, 1938	Apr. 21, 1938	Apr. 28, 1938
Total gold reserves	3469.3	4099.1	4624.6	4718.3
Total bills discounted	4.5	2.7	2.6	2.3
Bills bt. in open mkt.	1	1	1	1
Total U.S. Govt. secs.	725.0	739.5	745.8	745.8
Total bills and securities	737.3	746.8	753.3	752.9
Deposits — Member-bank reserve account	3051.5	3475.0	3509.8	3636.5
Total res. to dep. and Fed. Res. note liab. combined	84.2%	86.2%	87.6%	87.7%

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

	Apr. 29, 1937	Mar. 31, 1938	Apr. 21, 1938	Apr. 28, 1938
ASSETS				
Loans, total	9,394	8,889	8,677	8,567
Investments	12,899	12,255	12,154	12,227
Reserve with Federal Reserve Bank	5,381	5,733	5,687	5,813
Due from domestic bks.	2,018	2,045	1,929	2,051
LIABILITIES				
Deposits: demand (adjusted)	15,249	14,335	14,274	14,425
Time	5,133	5,223	5,222	5,218
U.S. Government	351	725	630	627
Inter-bank	6,129	5,736	5,528	5,598

† In this item, comparison between May 20, 1937, onwards and preceding weeks is affected by a revision of the statement.

BANK OF FRANCE.—Million francs

	Apr. 23, 1937	Mar. 24, 1938	Apr. 14, 1938	Apr. 21, 1938
ASSETS				
Gold*	55,359	55,807	55,807	55,807
Advances on gold coin	1,099	1,099	1,099	1,099
Bills: Commercial	9,689	12,207	11,215	10,889
Bought abroad	1,114	805	790	790
Advances on securities	3,683	3,627	3,732	3,660
Thirty-day advances	835	725	778	718
Loans to State without interest: (a) general	3,200	3,200	3,200	2,300
(b) provisional	19,999	36,674	40,134	40,134
Negotiable bonds	5,642	5,575	5,575	5,575
Sinking Fund Depts.	3,884	3,925	3,981	4,055
Other assets	85,170	94,815	98,063	97,258
LIABILITIES				
Notes in circulation	13,323	2,218	2,210	3,175
Deposits: Public	13,323	2,218	2,210	3,175
Private	2,646	3,505	3,518	20,945
Other liabilities	55.2%	46.8%	45.8%	45.9%

* From July 29, 1937, based on franc at 43 (against 49) milligrams.
† Of which Frs. 18,050 millions under Convention of June 30, 1937 (permissible limit, 120,000 millions).

REICHSBANK

Million Reichsmarks

	Apr. 23, 1937	Mar. 23, 1938	Apr. 14, 1938	Apr. 23, 1938
ASSETS				
Gold	68.2	70.8	70.8	70.8
Of which deposited abroad	19.2	20.3	20.3	20.3
Res. in foreign currencies	6.0	5.6	5.6	5.4
Bills of exchange and cheques	4371.7	4921.8	5402.7	5067.8
Silver and other coins	272.3	239.8	181.1	242.7
Advances	38.6	44.2	48.5	41.3
Investments	428.3	423.0	397.6	417.8
Other assets	780.0	803.9	1519.8	1640.6
LIABILITIES				
Reserves	493.0	514.4	514.4	514.4
Notes in circulation	4389.5	4807.8	5524.2	5283.3
Other daily maturing obligations	763.6	832.2	1221.9	1318.2
Other liabilities	169.1	204.6	215.6	220.5
Cover of note circulatn.	1.69%	1.59%	1.38%	1.44%

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

	Apr. 12, 1937	Mar. 14, 1938	Apr. 11, 1938	Apr. 11, 1938
ASSETS				
Gold and English stg.	16.01	16.00	16.00	16.01
Other coin, bullion, &c.	5.31	5.33	5.17	6.32
Money at short call	26.33	25.36	24.91	25.46
London	6.71			
Short-term loans	77.06	91.45	92.00	91.67
Securities and Treas. bills	9.26	11.70	12.44	12.58
Discounts and advances				
Notes issued	47.29	49.03	49.03	51.03
Res. pm. on gold sold	7.75	7.75	7.75	7.75
Deposits, etc.	78.34	85.38	86.17	85.65

NATIONAL BANK OF CZECHOSLOVAKIA.—Million Cz. Kr.

	Apr. 15, 1937	Mar. 15, 1938	Apr. 15, 1938	Apr. 15, 1938
ASSETS				
Gold	2,580	2,652	2,659	2,658
Balance abroad and foreign currencies	143	509	493	464
Discounts and advances	2,017	1,817	2,426	2,619
State notes debt	2,018	2,008	2,007	2,007
LIABILITIES				
Bank notes in circulatn.	5,447	6,013	6,822	6,709
Deposits	697	650	400	659

BANK OF DANTZIG

	Apr. 15, 1937	Mar. 15, 1938	Apr. 15, 1938	Apr. 15, 1938
ASSETS				
Gold coin and bullion	1937	1938	1938	1938
Danzig subsid. coin	4.75	3.90	3.53	3.51
Balances abroad and foreign bills	3.21	3.72	3.28	3.14
Discounts	12.66	12.71	13.36	13.49
LIABILITIES				
Notes in circulation	28.80	30.73	34.18	32.16
Deposits on demand	15.97	16.60	12.84	14.87

BANK OF ESTONIA

	Mar. 31, 1937	Feb. 28, 1938	Mar. 31, 1938	Mar. 31, 1938
ASSETS				
Gold coin & gold bullion	34.18	34.22	34.22	34.22
Net foreign exchange	17.16	17.31	17.27	17.27
Home bills discounted	12.45	11.51	11.14	11.34
Loans and advances	13.67	13.51	11.12	13.75
LIABILITIES				
Notes in circulation	47.18	50.77	51.63	50.53
Sight dep. and current accounts, of which...	36.21	34.74	31.56	35.53
(a) Government	24.06	19.29	19.19	19.89
(b) Bankers	8.78	12.60	9.65	12.92
Reserve to current liabilities	61.6%	60.3%	61.9%	59.8%

BANK OF FINLAND

	Apr. 8, 1937	Mar. 8, 1938	Mar. 8, 1938	Apr. 8, 1938
ASSETS				
Gold reserve	603.1	602.6	602.5	620.5
Gold abroad not in gold reserve	213.2	32.0	32.0	
Foreign correspondents	1770.2	1228.3	2320.9	2339.3
Foreign bills, etc.	80.6	58.8	58.8	58.8
Int. bills and home loans	1105.2	1347.2	1456.2	1475.1
Finnish & foreign bonds	413.9	447.8	454.3	439.6
LIABILITIES				
Notes in circulation	1881.0	2194.2	2229.1	2276.6
Sight deposits: Govt.	601.9	807.0	884.9	1061.8
Ordinary cover to sight liabilities	75.4%	77.6%	75.4%	75.7%

BANK OF JAPAN.—Million yen

	Apr. 3, 1937	Mar. 26, 1938	Mar. 26, 1938	Apr. 3, 1938
ASSETS				
Coin and bullion: Gold	540.3	801.0	801.0	801.0
Other	38.9	31.8	34.8	34.9
Discounts and advances	892.7	532.3	522.3	523.2
Government bonds	708.8	1156.8	1032.2	1176.3
Agencies' accounts	91.9	120.2	143.1	131.0
LIABILITIES				
Notes issued	1500.2	1790.7	1823.8	1870.3
Deposits: Government	463.3	534.0	366.4	58.2
Other	62.9	66.2	126.7	99.2

RESERVE BANK OF INDIA

Million Rupees

	Apr. 16, 1937	Mar. 18, 1938	Apr. 15, 1938	Apr. 15, 1938
ASSETS				
Gold coin & bullion	444	414	444	444
Rupee coin	561	629	636	586
Balances abroad	245	91	55	53
Sterling securities	803	788	788	788
Indian Govt. rupee securities	274	274	274	324
Investments	78	67	70	71
LIABILITIES				
Notes in circulatn.	1969	1808	1,810	1,810
India	82	76	79	79
Burma	101	158	150	151
Deposits: Govt. Banks	250	149	143	123
Gold and sterling to liabilities	59.9%	57.7%	57.5%	57.5%

BANK OF JAVA.—Million florins

	Apr. 24, 1937	Mar. 26, 1938	Apr. 16, 1938	Apr. 23, 1938
ASSETS				
Gold and silver	126.45	136.67	136.09	136.3
Discounts, advances & other investments	76.35	73.57	74.84	75.5
Foreign bills	3.31	1.81	1.77	1.5
Other assets	71.71	70.38	64.84	60.58
LIABILITIES				
Notes in circulation	191.26	183.58	189.27	185.8
Deposits and bills	73.27	83.68	73.39	73.2

NATIONAL BANK OF JUGOSLAVIA

	Apr. 8, 1937	Mar. 8, 1938	Mar. 31, 1938	Apr. 8, 1938
ASSETS				
Cash reserve:				
Gold at home and abroad	1,658	1,731	1,782	1,785
Other foreign exchange	668	410	381	404
Discounts and advances	1,669	1,606	1,613	1,595
Government advances	2,249	2,240	2,240	2,240
LIABILITIES				
Notes in circulation	5,429	5,704	5,864	5,857
Sight liabilities	1,978	2,748	2,607	2,627

BANK OF LITHUANIA.—Million litas

	Apr. 15, 1937	Mar. 15, 1938	Mar. 15, 1938	Apr. 15, 1938
ASSETS				
Gold	76.64	79.11	79.12	79.13
Silver and other coins	7.92	14.10	13.60	13.42
Foreign currency	2.91	2.06	1.68	1.25
Discounts: (a) Home	82.86	93.29	100.53	95.42
(b) Foreign	3.19	3.16	3.14	
Advances	14.03	17.01	17.36	17.52
LIABILITIES				
Bank notes in circulatn	109.87	114.81	133.69	130.64
Current accounts	57.51	73.33	57.09	70.02
Deposits	24.32	20.56	22.32	6.60

NETHERLANDS BANK

	Apr. 26, 1937	Mar. 28, 1938	Apr. 19, 1938	Apr. 25, 1938
ASSETS				
Gold	1937	1938	1938	1938
Silver	94.5	146.5	148.3	149.0
Home bills, &c.	18.6	14.7	14.3	17.6
Foreign bills	20.6	9.1	9.1	9.1
Loans and advances	2.4	5.2	5.4	5.4
LIABILITIES				
Notes in circulation	177.9	298.0	321.1	320.6
Notes in circulation	795.7	899.7	908.4	900.7
Deposits: (a) Govt.	76.4	85.9	101.3	106.4
(b) Other	349.4	824.4	839.5	844.6

BANK OF POLAND

BANK OF POLAND				
Million zloty				
	Apr. 20, 1937	Mar. 20, 1938	Apr. 20, 1938	Apr. 20, 1938
ASSETS				
Gold	1937	1938	1938	1938
For. exch. and balances	407.5	438.0	438.7	439.0
Assets discounted	35.8	20.1	13.5	13.4
Reserves against securities	58.6	592.8	595.7	585.4
Reserves against securities	29.7	26.6	23.5	22.4
Securities, bills discounted	0.6	43.5	44.0	41.7
Reserves against securities	134.5	128.0	127.1	127.1
LIABILITIES				
Reserves in circulation	949.3	1062.3	1083.6	1041.0
Reserves in circulation	949.3	1062.3	1083.6	1041.0
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Reserves in circulation	949.3	1062.3	1083.6	1041.0
Reserves in circulation	949.3	1062.3	108	

EXCHANGE RATES—cont.

NEW YORK							
New York on	Par of each	Apr. 21, 1938	Apr. 22, 1938	Apr. 23, 1938	Apr. 25, 1938	Apr. 26, 1938	Apr. 27, 1938
London—	Old Par	4-98 ²⁵ / ₃₂	4-98 ²⁵ / ₃₂	4-98 ²⁵ / ₃₂	4-98 ²⁵ / ₃₂	4-97 ²⁵ / ₃₂	4-98 ²⁵ / ₃₂
60 days—	4-8666	4-98 ²⁵ / ₃₂	4-98 ²⁵ / ₃₂	4-98 ²⁵ / ₃₂	4-98 ²⁵ / ₃₂	4-97 ²⁵ / ₃₂	4-98 ²⁵ / ₃₂
Cables—	New Par	4-99 ¹ / ₄	4-98 ¹ / ₄	4-98 ¹ / ₄	4-98 ¹ / ₄	4-98 ¹ / ₄	4-98 ¹ / ₄
Demand—	8-2397	4-99 ¹ / ₄	4-98 ¹ / ₄	4-98 ¹ / ₄	4-98 ¹ / ₄	4-98 ¹ / ₄	4-98 ¹ / ₄
Paris, Fr.—	6-63	3-13 ¹ / ₂	3-03 ¹ / ₂	3-03 ¹ / ₂	3-11 ¹ / ₂	3-11 ¹ / ₂	3-11 ¹ / ₂
Brussels, Bel.—	23-54	16-87 ¹ / ₂	16-87	16-88	16-85 ¹ / ₂	16-85 ¹ / ₂	16-85 ¹ / ₂
Switz'd. Fr.—	32-67	23-01	22-99	22-99 ¹ / ₂	23-00	22-98 ¹ / ₂	22-99 ¹ / ₂
Italy, Lira—	8-91	5-26 ¹ / ₄	5-26 ¹ / ₄	5-26 ¹ / ₄	5-26 ¹ / ₄	5-26 ¹ / ₄	5-26 ¹ / ₄
Berlin, Mk.—	40-33	40-27	40-25	40-24	40-24	40-22 ¹ / ₂	40-22 ¹ / ₂
Vienna, Sch.—	23-82	32-67	32-67	32-67	32-67	32-67	32-67
Madrid, Pt.—	68-06	55-67	55-65 ¹ / ₂	55-67	55-72	55-63	55-69 ¹ / ₂
Amst'dm Gldr.—	22-30	22-30	22-25	22-25	22-30	22-25	22-27 ¹ / ₂
Cop'hgn, Kr.—	145-37	25-70	25-70	25-70	25-70	25-70	25-70
Oslo, Kr.—	25-70	25-70	25-70	25-70	25-70	25-70	25-70
Stockh., Kr.—	1-29 ¹ / ₂	0-91 ¹ / ₂	0-91 ¹ / ₂	0-91 ¹ / ₂	0-91 ¹ / ₂	0-91 ¹ / ₂	0-91 ¹ / ₂
Athens, Dr.—	99-515	99-470	99-470	99-500	99-430	99-470	99-470
M'treal, Can. \$—	84-40	29-09	29-09	29-09	29-08	29-08	29-08
Yokohama, Yen—	27-62	27-62	27-62	27-62	27-62	27-62	27-62
Shanghai, \$—	30-97	30-94	30-94	30-97	30-91	30-95	30-95
B. Aires, Peto—	11-96	5-90	5-90	5-90	5-90	5-90	5-90
Rio, M. \$—	5-90	5-90	5-90	5-90	5-90	5-90	5-90

Source: T.T. * Dollars per £1. † Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER
Week ended April 28, 1938

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD					
British W. Africa.....	292,724	£	Sweden.....	505,578	£
British S. Africa.....	1,368,495	...	Denmark.....	224	...
Australia.....	281,381	...	Netherlands.....	260,115	...
Netherlands.....	79,369	...	France.....	87,461	...
Belgium.....	1,799,551	...	Switzerland.....	30,408	...
Switzerland.....	39,103	77,394	Yugoslavia.....	28,200	...
U.S.A.....	87,500	...	Cent. & S. America.....	17,578	...
Total*.....	3,869,765	329,607	Total*.....	537,719	395,562
SILVER					
Eire.....	2,965	...	Palestine.....	1,280	2,925
Australia.....	13,528	...	Mauritius and Dependencies.....	...	5,000
New Zealand.....	2,572	...	Aden and Dependencies.....	...	10,383
Belgium.....	7,350	...	Bombay, other ports.....	8,970	...
France.....	11,373	85	Canada.....	11,313	...
Japan.....	7,850	...	Germany.....	8,945	...
Germany.....	2,302	...	France.....	14,774	...
Total*.....	40,654	11,947	Total*.....	50,147	19,906

* Including other countries.

TRANSVAAL GOLD OUTPUT

Statistics for March, 1938 (on basis of £6 19s. 6d. per fine ounce)

Name of Mine and Group	Tons Milled	Output Fine ozs.	Net Estimated Value	Working Costs	Profit	Working Costs Per Ton
Anglo-American Corporation						
Brakpan Mines.....	140,000	...	£248,444	£142,002	£106,442	s. d.
Daggafontein Mines.....	141,000	...	226,573	153,977	132,601	...
Spring Mines.....	152,000	...	298,213	149,929	148,284	...
West Springs.....	89,200	...	124,418	78,910	45,508	...
Central Mining—Rand Mines						
City Deep.....	105,000	20,862	145,653	...	20,055	23 11-1
Cons. Main Reef.....	167,000	30,132	210,053	...	49,513	19 2-7
Crown Mines.....	365,000	88,193	615,837	...	259,548	19 7-6
Durban Road Prop. Deep.....	192,000	21,141	147,577	...	35,366	22 0-0
East Rand Prop. Deep.....	215,000	47,307	330,281	...	98,014	21 7-3
Goldenhuis Deep.....	67,000	10,051	70,196	...	16,595	16 0-0
Modderfontein B.....	93,000	15,727	109,907	...	44,834	13 11-9
Modderfontein East.....	121,000	23,143	161,454	...	55,831	17 5-5
New Modderfontein.....	82,000	37,083	259,100	...	108,523	15 2-5
Nourse Mines.....	82,000	16,872	117,804	...	23,501	23 0-0
Rose Deep.....	75,000	12,627	88,179	...	15,673	19 4-0
General Mining						
Van Ryn Gold.....	63,000	...	58,676	...	7,553	16 6
West Rand Cons.....	175,000	...	241,397	...	99,832	16 6

Transvaal Output, Employment and Working Profit.—Gold output, March, 1938: Witwatersrand, 985,163 fine ounces; outside districts, 27,353 fine ounces; total, 1,012,516 fine ounces. Value for purposes of declaration, £6 19s. 6d. Total output, February, 1938: 929,531 fine ounces. The number of natives employed at end of March was: Gold mines, 312,922; coal mines, 17,162; total, 330,084. Total estimated working profit for March, 1938: Witwatersrand, £2,606,758; outside districts, £9,364; total, £2,616,122. Comparable figures for February, 1938: Witwatersrand, £2,425,163; outside districts, £9,021; total, £2,434,184.

THE ECONOMIST WHOLESALE PRICE INDICES

II.—SECOND INDEX, DECEMBER, 1910—NOVEMBER, 1928

In *The Economist* of March 26th, page 725, we gave a record of the original *Economist* index, from 1851 to 1910. The record of the second index, begun in *The Economist* of April 2nd (page 66) and continued on April 9th (page 126), is completed below.

Basis Average, 1901-05	Cereals and Meat	Other Foods	Textiles	Minerals	Miscellaneous	Complete Index
500	300	500	400	500	2,200	100
1924—						
January.....	909 ¹ / ₂	845 ¹ / ₂	1,349	789	4,662	211-9
February.....	899	839	1,308	819	4,663	212-2
March.....	897 ¹ / ₂	843 ¹ / ₂	1,313 ¹ / ₂	805	4,640	210-9
April.....	904	802 ¹ / ₂	1,364	788	4,637	210-8
May.....	912	736 ¹ / ₂	1,357 ¹ / ₂	753	4,527	205-8
June.....	914	736 ¹ / ₂	1,347	764	4,531	205-9
July.....	911 ¹ / ₂	732	1,423 ¹ / ₂	777	4,657	211-7
August.....	941	744 ¹ / ₂	1,395 ¹ / ₂	781	4,724	214-9
September.....	1,003	771 ¹ / ₂	1,395 ¹ / ₂	781	4,724	214-9
October.....	1,027 ¹ / ₂	786 ¹ / ₂	1,442 ¹ / ₂	782 ¹ / ₂	4,833	219-7
November.....	1,009	801 ¹ / ₂	1,424	797	4,855	220-7
December.....	992	789 ¹ / ₂	1,452	815 ¹ / ₂	4,855	220-7
1925—						
January.....	1,020	763	1,404	782 ¹ / ₂	4,768	216-7
February.....	1,001	746	1,436 ¹ / ₂	780	4,772	216-0
March.....	959	746	1,434	780 ¹ / ₂	4,680	212-7
April.....	944	724 ¹ / ₂	1,362	743	4,650	208-8
May.....	956	706	1,261 ¹ / ₂	736	4,458	202-6
June.....	885 ¹ / ₂	704 ¹ / ₂	1,234	736	4,458	202-6
July.....	908	698	1,274 ¹ / ₂	756	4,458	202-1
August.....	934	702 ¹ / ₂	1,235 ¹ / ₂	748	4,450	202-3
September.....	886	699 ¹ / ₂	1,203 ¹ / ₂	752	4,427	201-2
October.....	918 ¹ / ₂	704 ¹ / ₂	1,174 ¹ / ₂	737 ¹ / ₂	4,327	196-7
November.....	918 ¹ / ₂	704 ¹ / ₂	1,174 ¹ / ₂	737 ¹ / ₂	4,327	196-7
December.....	936 ¹ / ₂	679	1,120	733	4,251	193-2
1926—						
January.....	892 ¹ / ₂	694 ¹ / ₂	1,117	726 ¹ / ₂	4,189	190-4
February.....	884	699	1,058	736	4,139	188-1
March.....	880	688	1,025 ¹ / ₂	723 ¹ / ₂	4,088	185-8
April.....	884	678 ¹ / ₂	1,000	714	4,053	182-2
May.....	885 ¹ / ₂	681 ¹ / ₂	978 ¹ / ₂	718 ¹ / ₂	4,029	182-1
June.....	893 ¹ / ₂	682 ¹ / ₂	963 ¹ / ₂	735	4,035	183-4

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS									
Gross Receipts, week ended Apr. 24 (L'000)					Aggregate Gross Receipts, 16 weeks (L'000)				
Passenger	Merchandise	Coal & Coke	Other Goods	Total	Passenger	Merchandise	Coal & Coke	Other Goods	Total
L. M. & S.—	432	531	269	800	1,232	6,579	7,825	4,539	12,364
1937	478	410	182	592	1,070	6,772	7,676	4,502	12,178
1938	478	410	182	592	1,070	6,772	7,676	4,502	12,178
L. & N. E. (G)—	295	384	260	644	939	4,365	5,397	4,160	9,557
1937	324	294	202	496	820	4,443	5,371	4,215	9,586
1938	324	294	202	496	820	4,443	5,371	4,215	9,586
Great Western—	176	211	119	330	506	2,762	3,100	1,868	4,968
1937	216	142	75	217	433	2,842	3,096	1,896	4,992
1938	216	142	75	217	433	2,842	3,096	1,896	4,992
Southern—	280	69	30	99	379	4,280	961	552	5,793
1937	317	57	21	78	395	4,423	954	547	5,924
1938	317	57	21	78	395	4,423	954	547	5,924
Total—	1,183	1,195	678	1,873	3,056	17,986	17,283	11,119	28,402
1937	1,335	903	480	1,383	2,718	18,480	17,097	11,160	28,257
1938	1,335	903	480	1,383	2,718	18,480	17,097	11,160	28,257

(a) Week ended April 23.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+ 1,329	+ 1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross increase, first half 1938, over first half 1937	+ 7	+ 107	+ 104	+ 131
Weekly Figures				
Av. weekly increase, 1st half 1938	+ 0-44	+ 6-69	+ 6-50	+ 8-19
Latest week compared with 1937	- 162	- 119	- 73	- 16
Latest week compared with average 1927-30	- 311	- 222	- 164	- 26

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended April 22 (£'000)			Aggregate Gross Receipts 16 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	1·7	0·5	2·2	27·7	8·0	35·7
1938	3·7	0·3	4·0	29·2	7·1	36·3
Great Northern—						
1937	7·8	11·8	19·6	133·2	152·5	285·7
1938	14·9	7·1	22·0	138·0	139·2	277·2
Great Southern—						
1937	27·9	43·3	71·2	454·1	682·8	1136·9
1938	42·3	36·7	79·0	469·9	636·3	1106·2

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Deben-ture Interest	Amount Available for Distribution	Appropriation				Carried to Reserve, Deprecia-tion, etc.	Balance Forward	Correspondin Period Last Year	
					Dividend			Net Profit			Divi den	
					Prefce. Amount	Ordinary Amount	Rate					
Breweries												
Wilson's Brewery	Feb. 28	£ 89,402	£ 158,139	£ 247,541	£ 18,300	£ 86,975	17½	£ 50,465	£ 91,801	£ 148,373	17½	
Electric Lighting, etc.												
Calcutta Electric	Dec. 31	40,545	645,724	686,269	89,552	237,473	10	307,852	51,392	626,245	12½	
Financial Land, etc.												
Argentine Estates of Bovril	Sep. 30	7,979	50,865	58,844	22,500	...	...	14,173	22,171	29,517	Nil	
Ciro Pearls (Holdings).....	Mar. 25	22,501	20,448	42,949	8,437	9,375	5	2,500	22,637	23,321	7½	
Power Investment	Mar. 31	36,512	40,224	76,736	26,819	16,092	4	...	33,825	46,310	4	
Taylor's (Chemists) Trust...	Jan. 1	13,066	76,053	89,119	24,888	51,000	(d)	...	13,231	(a)	(a)	
Iron, Coal and Steel												
Babcock and Wilcox	Dec. 31	66,652	601,058	667,710	14,954	429,965	10	126,143	96,648	569,340	10	
Barrow Hematite Steel	Dec. 31	4,562	100,158	104,720	...	17,681	2½	75,000	12,039	32,321	Nil	
Lothian Coal	Feb. 28	38,112	78,136	116,248	10,950	44,200	10½	23,000	38,098	76,212	10½	
Union Steel (South Africa)	Dec. 31	32,400	163,242	195,642	20,000	48,000	8	96,095	31,547	108,318	5	
Oil												
Maritime Oilfields	Dec. 31	935	4,464	5,399	...	4,752	6	...	647	5,243	6	
New Brunswick Oilfields ...	Dec. 31	8,456	6,244	14,700	5,960	1,800	3	...	6,940	9,222	4	
Rubber												
Cheras	Dec. 31	12,047	11,226	23,273	...	9,100	14	2,000	12,173	5,589	10	
Doloswell	Dec. 31	5,404	18,159	23,563	...	18,432	8	...	5,131	9,627	4	
Dusun Durian	Dec. 31	37,793	27,344	65,137	...	12,330	6	14,990	37,907	12,039	4	
Dwa Plantations	Dec. 31	...	(n) 5,601	5,601	2,215	...	...	2,852	534	(a)	(a)	
Eow Seng	Dec. 31	872	6,652	7,524	...	4,600	5	1,700	1,224	5,670	5	
Gopeng (Perak)	Dec. 31	5,025	25,064	30,089	...	17,820	7½	5,000	7,269	9,024	7½	
Heawood	Dec. 31	5,182	16,932	22,114	...	11,000	11	6,000	5,114	12,949	10	
Hewagam	Dec. 31	630	15,638	16,268	...	10,800	4½	4,870	598	7,640	3	
Junun	Dec. 31	Dr. 2,508	9,839	7,331	...	2,672	4-16	3,992	667	6,727	Nil	
Kapar Para	Dec. 31	6,516	15,489	22,005	...	11,250	7½	...	10,755	13,549	10	
Lendu	Dec. 31	729	11,378	12,107	...	4,500	3	6,250	1,357	5,988	2½	
London Asiatic	Dec. 31	81,220	176,517	257,737	...	87,181	12½	88,500	82,056	120,646	10	
Lower Perak	Dec. 31	4,686	6,353	11,039	...	2,650	4	1,650	6,739	4,046	5	
Mendaris (Sumatra)	Dec. 31	18,010	39,266	57,276	...	21,543	5	10,000	25,733	21,162	5	
Nagolle (Ceylon)	Dec. 31	62	13,466	13,528	...	10,183	5½	2,774	571	4,853	3	
Sonosekar	Dec. 31	1,582	9,661	11,243	...	5,525	5	3,100	2,618	3,383	2½	
Sungei Purun	Dec. 31	12,711	9,298	22,009	...	7,800	12	...	14,209	5,601	10	
Telok (F.M.S.)	Dec. 31	2,793	3,018	5,811	...	1,950	10	1,250	2,611	(a)	(a)	
Ulu Rantau	Dec. 31	2,744	1,573	4,317	...	1,646	2½	1,500	1,171	2,138	6	
United Sumatra	Dec. 31	3,809	15,878	19,687	...	11,000	10	4,500	4,187	5,738	5	
Shops and Stores												
Civil Service Supply	Feb. 28	29,637	31,704	61,341	...	21,236	6	8,660	31,445	35,186	5½	
Selfridge Provincial Stores...	Jan. 31	8,526	(k) 48,640	57,166	...	33,750	1½	12,500	10,916	(a)	(a)	
Taylor's (Chemists) London	Jan. 1	5,825	(c) 58,792	64,617	21,234	27,000	7½ & 8	10,481	5,902	(a)	(a)	
Taylor's (Chemists) Midland	Jan. 1	12,224	(c) 43,623	55,847	8,148	28,859	12½ & 57½†	6,587	12,253	(a)	(a)	
United Drapery Stores	Feb. 28	19,057	41,925	60,982	...	37,500	5	...	23,482	41,917	5	
Whites (Timothy), etc.	Jan. 1	42,322	(c) 294,672	336,994	118,367	146,193	40	23,581	48,853	(a)	(a)	
Tea												
Ceylon Proprietary	Dec. 31	5,883	12,138	18,021	1,306	9,000	10	2,200	5,515	7,943	7½	
Craig	Dec. 31	4,486	4,466	8,952	...	2,500	5	2,000	4,452	1,391	2½	
Craighead	Dec. 31	6,198	9,514	15,712	407	5,476	9	3,500	6,329	4,601	6	
Darjeeling Co.	Dec. 31	5,110	15,922	21,032	...	10,157	7½	5,000	5,875	10,722	6	
Lethenty	Dec. 31	665	2,213	2,878	...	2,500	5	...	378	779	Nil	
Lunuvu (Ceylon)	Dec. 31	74,228	122,271	196,499	...	83,549	12	36,948	76,002	72,570	9	
Panawatte	Dec. 31	889	18,455	19,344	...	10,350	6	8,000	994	10,389	4½	
Ragalla	Dec. 31	1,575	13,938	15,513	2,100	7,800	10	4,178	1,435	10,263	7½	
Yatiantota	Dec. 31	431	13,642	14,073	2,700	5,512	3½	2,500	3,361	7,887	Nil	
Tramways and Omnibus												
Red & White Untd. Trsport	Dec. 31	...	(e) 71,349	71,349	6,820	36,871	11	6,453	21,205	(a)	(a)	
Trusts												
U.S. & S. American Invest.	Apr. 4	67,128	67,047	134,175	18,750	35,625	9½	35,000	44,800	64,486	9	
W. Lon. & Prov. El. & Gen.	Mar. 31	3,255	21,862	25,117	7,200	9,652	6½	2,500	5,765	20,129	6½	
Other Companies												
Allied Dairies	Feb. 2	Dr. 296	Dr. 548	Dr. 844	...	...	...	...	Dr. 844	Dr. 572	Nil	
Alpha Cement	Dec. 31	41,550	214,282	255,832	28,713	95,250	12	87,191	44,678	194,433	12	
Amalgamated Metal	Mar. 31	28,872	365,511	394,383	54,000	310,505	7	...	29,878	365,081	7	
Ault and Wiborg	Mar. 31	6,611	55,028	61,639	5,981	22,500	15	25,639	7,519	61,012	17	
British Thermostat	Jan. 31	10,166	30,431	40,597	...	27,750	18½	...	12,847	32,061	17½	
Cakebread, Robey and Co.	Dec. 31	9,117	19,376	28,493	7,500	9,375	12½	2,500	9,118	24,704	15	
Cerebos, Ltd.	Dec. 31	132,602	323,951	456,553	...	300,000	40	50,000	106,553	m406,567	40	
Garrard Engineering	Jan. 31	20,921	40,412	61,333	7,500	13,542	21½	22,384	17,907	37,601	16½	
Hill (Philip) and Partners ...	Mar. 31	29,855	362,915	392,770	46,875	199,219	25	100,000	46,676	(a)	(a)	
Hopkinsons, Ltd.	Jan. 31	17,510	127,833	145,343	18,375	32,812	12½	75,050	19,106	93,597	10	
Johnson and Phillips	Dec. 31	111,623	157,170	268,793	...	100,000	12½	66,145	102,648	136,093	10	
Lever Brothers & Unilever	Dec. 31	1,346,331	6,576,317	7,922,648	432,877	1,194,783	10	1,000,000	1,399,088	(a)	(a)	
Reckitt and Sons	Dec. 31	207,885	984,934	1,192,819	67,985	820,800	22½	100,000	204,034	1,020,010	22½	
Shanghai Elec. Construction	Dec. 31	25,392	80,252	105,644	...	46,900	7	35,000	23,744	75,981	13	
Spillers, Ltd.	Jan. 31	167,505	411,224	578,729	51,579	310,475	15	50,000	166,675	451,639	15	
Transparent Paper	Dec. 31	3,025	25,229	28,254	...	...	...	24,125	4,129	(a)	(a)	
Taylor's Drug Co.	Jan. 1	7,064	(c) 84,627	91,691	18,875	50,500	16-833†	15,177	7,139	(a)	(a)	
Union Cinemas	Dec. 31	...	(p) 55,158	55,158	46,419	...	...	...	8,739	(a)	(a)	
Wyman and Sons	Jan. 1	...	21,624	21,624	...	8,400	3	9,694	3,530	9,548	Nil	
Total Profits, 1938, in £000's												
To April 23	No. of Cos.	830	35,238	123,939	159,177	21,253	63,865	...	35,979	38,080	109,586	...
To April 30	886	36,780	129,444	166,225	21,745	67,351	...	37,465	39,664	114,713	...	

† Free of income tax. (a) No comparable figures. (b) Absorbed £238,130. (c) September 27, 1936, to January 1, 1938. (d) Represents 11-591 per cent. dividend on preferred ordinary shares and 14-166 per cent. on deferred ordinary shares. (e) May 19, 1937, to December 31, 1937. (f) Six months. (g) Includes £89,927 profit on sale of investments against £2,483 in 1937 accounts. (h) April 20, 1937, to December 31, 1937. (i) December 16, 1936, to December 31, 1937.

THE ECONOMIST

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operate from now onwards on the broad plane of European diplomacy remains to be seen; but neither Herr Hitler nor Signor Mussolini can safely ignore their manifest import.

Moreover, they have had a sequel. The Italo-French Pact, also discussed in London last week-end, is apparently to be ready by mid-May. So Herr Hitler's discussions with the Duce would need to be firm, frank and fearless. Not, of course, bluntly intimidating like those he had had with Signor Mussolini's late *protégé*, ex-Chancellor Schuschnigg, at Berchtesgaden eleven weeks ago. In Rome, do as Rome does; the punctilio of the occasion should be preserved, if only to reassure Signor Mussolini and confound French and British observers. Besides, there was that telegram the Fuehrer sent when first he invaded Austria: *Mussolini, Ich werde Ihnen dies nie vergessen*. Perhaps the Duce would never forget it, either.

But even if these conjectures be not far from the truth, and even if Fuehrer and Duce plaster over the cracks in the Rome-Berlin axis, what of the divergences between that axis and the new one: the London-Paris axis? It is scarcely likely, as some reports aver, that the Fuehrer will demand a military alliance with Italy. To their Foreign Ministers, Herr von Ribbentrop and Count Ciano, will probably be left all detailed discussions, while the two principals take the limelight. The net result, however, would seem to be that the Duce's rôle must be that of "the daring young man on the flying trapeze," swinging between Berlin and London. For, since the Anglo-Italian Pact, a London-Rome axis is in process of being forged; and although the Anglo-Italian Pact will not become effective until Signor Mussolini is satisfied that General Franco has won in Spain, the London-Paris axis is already in process of prolongation to Rome.

Signor Mussolini, in his outwardly successful Abyssinian and Spanish adventures, has given valuable hostages to Herr Hitler. There was the Rhineland, which enabled Germany to push south-eastwards with impunity; there was the division of powers in Spain, which left Italy with the dangerous military and submarine operations while the Germans took over the organisation and the economic resources; there was the rape of Austria and the enforced betrayal of Schuschnigg by the Duce, because he was still at loggerheads with the Western Powers; and there was Abyssinia itself, which not only aroused Anglo-French hostility but let Italy in for great military and financial commitments far from home and Libya. In all these ways Signor Mussolini has been forced into a dilemma: to choose between a settlement with Britain and France or to pull down the Austrian dyke and let the National-Socialist flood beat across all Central and South-Eastern Europe even to the peaks of the Brenner.

The purpose of the English and French Italian conversations can only be realised if Signor Mussolini acts as a brake on unreasonable German pretensions; the Berlin-Rome axis is only useful to Herr Hitler if the fear of a possibly hostile Italy restrains Britain and France from offering effective opposition to German ambitions. Neither the Fuehrer in Rome this week, nor Mr Chamberlain and M. Daladier after their London talks, can be certain that the Duce will in reality perform the European rôle for which each of them has respectively cast him. This is not to impugn his intentions—in both European directions at once. It is an ineluctable fact, inherent in the European circumstances which Signor Mussolini himself, as much as Herr Hitler, has contrived to bring about.

Holidays With Pay

IT has long been a common distinction between the so-called black-coated workers and manual wage-earners that, whereas the former have received payment for their holidays, the latter have been left to budget for themselves. There have been notable exceptions: the large retail houses of London's West End have provided paid holidays for fifty years; and, even before the war, holidays with pay were granted to certain workers on the railways, in public utility service and newspaper printing. But, twelve months ago, when the Amulree Committee began its investigations of this problem, only 1,750,000 manual workers received holiday payments under collective agreements.

The present position, however, is very different from this. Since March, 1937, the number of manual workers receiving holiday payments under collective agreements has risen to about 3,000,000. Another 250,000 manual workers are covered by holiday arrangements other than collective agreements. Nearly half a million employees on standing wages (i.e. foremen and overseers) enjoy paid holidays. And some 2,250,000 clerks, draughtsmen, typists and shop assistants take their holidays with pay. Finally, there are about 1,750,000 workpeople in public administration, defence and miscellaneous services who receive holiday payments. In all, out of 18,500,000 persons not in receipt of more than £250 a year, the Committee estimates that some 7,750,000, or over 40 per cent., are already provided with paid holidays.

The Amulree Committee's task, therefore, was not to find a means of thrusting a novel reform upon industry. Their problem was to determine how far legislation might be useful in speeding up the existing powerful tendency, in order to provide the outstanding 10,750,000 wage-earners

with holiday payments. The desirability of a general extension of paid holidays was not questioned by any of the Committee's witnesses, though its practicability in specific cases was frequently questioned. There was, however, general opposition on the employers' side to enforcement by statute. It was strongly argued that payment for holidays "could not be divorced from the general question of wages"; and that legislation would in effect be State intervention in the terms of the wages bargain.

The Committee recognised that the establishment of paid holidays through the medium of collective bargaining was greatly to be preferred to statutory enforcement. Accordingly, their proposals, published last week, constitute a judicious compromise between voluntary action and enforcement by law. They recommend that an annual holiday with pay should be established, in due course, as a condition of employment, for all workers covered by the compulsory State insurance schemes, but not immediately. They propose that, during the Parliamentary session of 1940-41, legislation should be passed to make provision for paid holidays in industry generally. But they hope that, in the interval, paid holidays will be very widely embodied in voluntary wage agreements, and recommend that Trade Boards and Agricultural Wages Committees should be empowered by statute to incorporate holidays with pay in the wages arrangements they make.

But the critical question arises how this is to be paid for. Is it to be a net addition to the wages bill, or is it to be financed by spreading the wage payments more thinly over the remaining weeks of the year? The Committee have much to say on this matter, but, broadly, they hope that, by treating the problem in an elastic rather than a rigid manner, the cost can be absorbed from the rising

product of industry, and that some of the increasing share which would naturally go to the wage-earner will go in the shape of their additional holiday payments. In some industries, indeed, there may already be an available margin; in others, such as certain hard-pressed export trades, there is no such margin. In tiny concerns, again, with one or two employees, there are difficult problems. The additional cost cannot, therefore, be crudely and abruptly added to the wages bill forthwith. Hence, the Committee desire to see the problem tackled in the main by collective agreements, and in any case by special scheme adapted to different kinds of employment.

It will be recognised that the Committee's plan will involve considerable adjustments and carefully thought out administrative devices, particularly in cases where employment is intermittent or constantly changing; for holiday pay on the scale contemplated by the Committee involves over 3 per cent. of the wages bill paid to insured workers, or, say, £40 millions, of which existing arrangements account for £16 millions. The ease with which the remainder can be dealt with depends on economic conditions. The tempo of industrial activity, which until recently made it easy for many firms to absorb the cost of paid holidays, has lately been abated. Moreover, the incidence of holiday payments is not uniform over all industries, whose labour charges vary from over 70 to as low as 4 per cent. of total costs. Nevertheless, recent experience suggests that, in the absence of grave depression in trade, the relatively low cost of holidays with pay for all insured workers should be absorbed with comparative ease in the next few years. In

industries with intermittent or casual employment, such as building or port transport, it may be necessary (as the Committee suggest) to introduce some such system as the stamping of employees' cards, so that the cost may be proportionately shared by the worker's various employers. These are practical problems, and the goodwill of both capital and labour will be needed to solve them. But, in the last resort, the years proposed by the Committee for definitive legislation should, according to prophecy, be years of reviving trade, when the trend of wages will be upward.

The Committee's proposals echo the authentic voice of our times. A notably enhanced national interest in questions of health and physical fitness has added powerful arguments to the case for paid holidays; and industrial efficiency cannot but gain by their general provision. Indeed, the greatest obstacles to this most desirable reform may, in the event, prove to be outside rather than within the industrial field. There will be need for the Ministries of Labour and Education to encourage the spreading of holidays over the whole period between May and October to prevent congestion; and for local authorities and other bodies to supervise the cheap, efficient and adequate provision of holiday facilities.

Difficulties of this sort, however, are far from insuperable, and they should not be allowed to obscure the fact that paid holidays will probably provide as great a dividend of individual happiness for as low an addition to labour cost as any other social reform on the immediate agenda of politics. And to achieve it by agreement will be a triumph for moderation.

Scotland's Exhibition

ON Tuesday, amid the tumultuous cheers of an enthusiastic crowd, His Majesty the King opened the Empire Exhibition in the "Second City of the Empire." This is the fourth, and much the most ambitious, of Glasgow's exhibitions, surpassing those of 1888, 1901 and 1911 both in size and in the breadth of its conception. The Exhibition has a setting of rare beauty in Bellahouston Park, at the outskirts of Glasgow, and its design is a testimony to the skill of its organisers and the good taste of its architects.

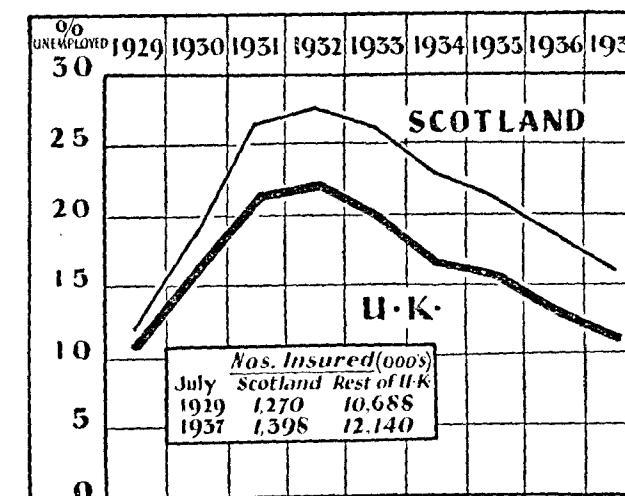
A multitude of modern pavilions (not forgetting churches and a Highland village) is grouped around a hill which dominates the Exhibition. Industrial products are displayed in three great palaces and in more than forty pavilions of individual manufacturers. Empire countries have their own palaces, with Eire's pavilion peacefully surrounded by those of the other Dominions. The Exhibition, however, is much more than a shop window for industry. In a Concert Hall visitors will hear some of the world's finest orchestras. In the Palace of Arts they will find masterpieces from many of the best of Britain's public and private collections. Some £10 millions have been expended on the hundred pavilions which house the Exhibition and on their contents. The organisers of the Exhibition expect an attendance of fifteen to twenty million

people; and if the Exhibition is as successful as it deserves to be, no small measure of credit will go to them for their zeal, their wide imagination and their skill in organisation.

On the highest point of the Exhibition grounds stands a 300-foot steel tower, the view from whose summit, extending over Glasgow's environs towards the mountains, will naturally turn the thoughts of many visitors to Scotland, past, present and future—to all for which Scotland has stood and yet shall stand. An economist seeking the appropriate symbols of her industrial greatness will find them in the gleam of furnaces, the whirr of machinery, the clang of shipyards. How far has Scotland shared in Britain's trials and prosperity in recent years? What are her peculiar problems to-day? And how can she best meet them?

To the first of these questions the accompanying chart provides an answer which, it must be admitted, is not wholly encouraging. The diagram compares the trends of unemployment in Scotland and in the United Kingdom as a whole, on the basis of the annual average proportion of insured persons unemployed since 1929. Clearly, the impact of the recession in business activity between 1929 and 1932 was more marked in Scotland than in the United Kingdom as a whole. During this period an increase of 11.7 per cent. in the proportion of insured persons un-

PROPORTION OF INSURED PERSONS UNEMPLOYED IN SCOTLAND AND IN THE UNITED KINGDOM (Annual Averages)



employed in the United Kingdom was accompanied by a rise of 15.6 per cent. in Scotland. And as yet, despite a substantial measure of recovery, Scotland has not regained all the ground she lost in 1929-32. In 1937, when the proportion of insured unemployed in the United Kingdom averaged 10.9 per cent., it was still 15.9 per cent. in Scotland. Nor can the persistence of a higher proportion of unemployment in Scotland be attributed to a relatively greater growth in her working population. Between July, 1929 and 1937, the number of insured persons aged 16 to 64 increased by 13.2 per cent. in the United Kingdom but by only 10.1 per cent. in Scotland.

That Scotland has been a laggard in recovery reflects in no way on the industry of her people or the skill of her workers. The causes are to be found largely in the balance of her trades and the nature of her chief markets. For the coal, iron and steel, metal and shipbuilding industries count for more, relatively, in Scotland than elsewhere, and an unusually large share of her prosperity depends on export trade. Moreover, in some of Scotland's leading industries—particularly coal—mechanisation has considerably increased the output of the average worker, but the extent of the market for the products of those industries has shown no proportionate increase. On the whole, the loss of exports is probably the most important single factor responsible for the lag in Scotland's recovery. Last year, for example, the volume of mercantile tonnage launched by Clyde shipyards was only 443,966 gross tons, against 588,336 gross tons in 1929. During the same period, the output of coal fell from 34.2 million tons to 32.3 million tons, while the average number of persons employed declined from 100,000 to 89,500. And the decline in exports of jute goods from £5.3 millions in 1929 to £3.3 millions last year, was, in fact, a reflection of increased competition from India's jute industry, which Scottish enterprise so largely fashioned in its early stages.

Scottish industrialists are well aware of these problems and their implications. Specialisation, profitable in the past, carried its own peculiar disadvantages, and the trend of world economic developments has accentuated them. Re-armament, admittedly, is only a palliative, which leaves unanswered the question whether events will not force upon Scotland, sooner or later, a broadening of her industrial structure. The implications of such a problem would be far-reaching, but this would not be the first time that Scotland had faced—and overcome—difficulties.

The first steps, indeed, towards increased diversification of Scottish industries have already been taken. The Exhibition itself is an excellent shop window for Scotland, and the recently established trading estate at North Hillingdon is designed to attract and facilitate the setting up of new enterprises, particularly in the "light" trades. But these major economic adjustments cannot be made in a day or a year. Scotland's basic problem is concerned not only with industries but with markets.

As Mr C. A. Oakley has shown in a survey of recent industrial developments carried out for the Scottish Development Committee,* formed during the depression, much has already been accomplished. Much more, however, remains to be done. Any large-scale economic re-adjustment is bound to cause much social distress and wastage of human and material resources. And the difficulties are all the greater when, as at the present time, the outlook for British industry as a whole is distinctly less confident. But Scottish industrialists are far from pessimistic, and, given the sterling qualities of the Scottish people, there is every reason for their hopefulness. If this week's Exhibition proves one thing more than another it is that the determination of the people of Scotland is as strong as ever and that their vitality is undiminished.

* "Scottish Industry Today." C. A. Oakley. The Moray Press. 292 pages. 7s. 6d.

Europe's Minorities

THE problem of minorities has always been with us. It was recurrent even in the early Middle Ages, when communities were nearest to uniformity. The mediæval church could never quite get rid of its heretics and Jews; and from the dark ages to the early modern age religious minorities were the victims of an intolerance which, to-day, is mainly directed against national minorities. In the sixteenth and seventeenth centuries religious uniformity, in the nineteenth and twentieth centuries national uniformity, has been the paramount aim of every sovereign Power in the sphere of domestic policy. The minorities problem as we have it in Europe arises from struggles to impose, and to resist the imposition of, the stamp of the dominant nationality upon the subject nationalities within the frontiers of this or that sovereign State.

Actually the term minorities is not very exact, for we are really concerned with a problem of subject and dominant elements in local sovereign States. For example, in the present United Kingdom the Welsh-speaking and Gaelic-speaking elements in the population are in the literal sense linguistic minorities, while the Scots as a whole and the Ulster Irishmen are two national minorities. Yet no minorities problem has arisen, because none of these minorities is conscious of serious grievances against which it is up in arms. There is only one minority in the United Kingdom which is to-day in this state of mind, and which therefore constitutes a minority problem in the practical sense. That is the Catholic minority in the Six Counties.

Conversely, of course, a minority problem in the practical sense may exist even though the aggrieved subject element in the population of the State happens to out-

number the oppressive dominant element. The Turks, for example, were numerically a minority in pre-War Turkey; so were the German Austrians in pre-War Austria, i.e. in the non-Hungarian parts of the pre-War Dual Monarchy. Yet in both pre-War Turkey and pre-War Austria there were minority problems in which not the Turks, and not the German Austrians, but the Greeks, etc., in the one case, and the Czechs, etc., in the other, were the aggrieved and discontented parties.

Thus the problem of minorities is really one of "where the shoe pinches." The shoes with which Europe is uncomfortably shod to-day are the four peace-treaties that were worked out, and imposed on the vanquished countries, in 1919-21 at the Peace Conference of Paris. The first test of the post-War political map of Europe is a comparison with the pre-War map. On this test the present map comes out well. The statesmen at Paris did make a genuine attempt to re-draw the map more in accordance with the principle of nationalities, which is recognised to-day by most people as the proper basis for the articulation of Europe into local States. The peace settlement brought back on to the map a number of nations (Poles, Czechs, Lithuanians, Hungarians, Finns, etc.) which for generations had possessed no independent national state of their own, while to others (Jugoslavs, Roumanians, etc.), which had been partitioned between different sovereignties, it gave national unity under their own flags. As a result, and it is an admirable result, the subject populations with a grievance—or, in the current term, the "minorities"—on the post-War map represent a much smaller proportion of the total population of Europe than they amounted to on

the pre-War map. More than that, the status of minorities has been juridically recognised, and their rights defined and guaranteed, in the minority treaties or declarations which a number of successor-States (the Little Entente countries, Greece, Albania, Poland and the Baltic States) have concluded with the principal Allied and Associated Powers or made to the Council of the League of Nations.

Unfortunately, however, there have been changes for the worse as well as for the better. While, on the one hand, the aggregate minority element in the population of Europe has been substantially reduced in numbers and has been given legal protection (on paper), on the other hand, the bitterness of feeling has been accentuated by an intensification of the national fanaticism of both the subject and the dominant elements. It has been further aggravated because there has been a widespread reversal of roles—the pre-War top-dog becoming the post-War under-dog, and *vice versa*; e.g. as between Magyars and Roumanians in Transylvania and between Germans and Czechs in Czechoslovakia. These new post-War difficulties have been aggravated by the rise of a totalitarian form of State with which the whole conception of toleration for minorities is virtually incompatible—as is forcibly illustrated by Herr Henlein's minimum demand of territorial autonomy under a Nazi dispensation for the German minority in Czechoslovakia, as part of the Czechoslovak State.

The German minority in Czechoslovakia is the largest and most dangerous piece of the largest and most dangerous minorities problem in Europe to-day: the problem of the German populations whom the peace settlement left outside the frontiers of the Reich. If we leave out of account the German-speaking Swiss and Alsacians, who are not Germans in national feeling or aspiration, the Germans outside the Reich on the pre-Anschluss map amounted to more than 13 millions, of whom nearly half were in post-War Austria (6,500,000). Of the remainder, nearly half, again, are in Czechoslovakia (3,123,000), while the other half is distributed between Poland (1,059,000), Roumania (713,000), Hungary (551,000), Yugoslavia (505,000), Danzig (306,000), Latvia (201,000), Italy (199,000), Memel (59,000), Denmark (35,000), Lithuania (29,000), Estonia (18,300). There are also remnants of once flourishing German settlements in Southern Russia, as far east as the Volga.

These German outlanders (*Auslandsdeutsche*) may be classified in several ways. The Germans in Italy (South Tyrol) have been perhaps the worst treated, those in Denmark perhaps the best treated, subject minority in post-

War Europe. Again, the Germans in Poland, Danzig, Memel, Denmark, Czechoslovakia, Italy and Yugoslavia have undergone the painful change of status from top-dog to under-dog, since all these minorities were formerly included in either pre-War Germany or pre-War Austria. The rest were under-dog before the War, when they were included either in pre-War Hungary or in pre-War Russia; yet even these have changed their status for the worse, since they used to be the next-most-favoured nationality after the Magyar or the Russian ruling race, while some of them—e.g. the Baltic German barons and the Transylvanian German burghers—used to be in a position of privilege. Finally, we may contrast the German minorities in Czechoslovakia, Poland, Danzig, Denmark, Memel and Italy, who are contiguous to the Reich, with the rest, who are scattered so thinly and flung so far and wide that they could only be united to the Reich through an outright annexation of the whole of Central and Eastern Europe.

Herr Hitler is using these German outlanders as Joseph Chamberlain used the British uitlanders in the Transvaal before the South African war. He is playing upon the feelings of the Reich Germans by harping on the misery of their brethren under foreign yokes. But he is not making the most of the really worst cases. He is silent on the grievous Italian oppression of the Germans in the South Tyrol and on the rather serious Polish oppression of the Germans in the lost Prussian Ostmark. He is vocal about the less unhappy Germans in Czechoslovakia, and he is also making trouble for Denmark, whose treatment of her tiny post-War German minority has been exemplary. For Herr Hitler the existence of the German outlanders is primarily a lever for the political aggrandisement of the Reich along the line of least resistance; and along this line Denmark and Czechoslovakia come before Poland and Italy.

Politically, Czechoslovakia is a splendid field for German manoeuvres, since there is a Hungarian and a Polish, as well as a German, minority within the Czechoslovakian frontiers. Thus, in browbeating Czechoslovakia, Germany can enlist the sympathies of two allies. There is also a Hungarian as well as a German minority in Roumania, and a Jugoslav as well as a German minority in Italy. In all these cases, Herr Hitler can, if he chooses, find associates in exploiting minority grievances. Indeed, in his hands, championship of minorities, in skilfully chosen order, may be the key to the establishment of Germany's domination over Europe.

Topics of the Week

Food and Aeroplanes.—Hardly a week passes without some new announcement of intensified preparations for war. The past week has seen two important stages in the British effort for preparedness. The need for more rapid production of aircraft has been officially recognised by the appointment of a Supplies Committee of the Air Ministry to organise and accelerate production. The Chairman of the Committee, it is perhaps significant to notice, is not Lord Swinton, the Secretary of State for Air, but Lord Winterton, the Chancellor of the Duchy of Lancaster. The other members include not only the heads of the departments directly concerned at the Air Ministry, but also the chairman of the Society of British Aircraft Constructors and a representative of the Treasury, who is to have authority to sanction expenditure. This Committee is part of a big scheme to work double shifts in the aircraft factories and to carry out, as rapidly as possible, an expansion of the metropolitan force of the R.A.F. from the present programme of 1,750 first-line machines to a figure almost twice as large. On the side of

passive defence, a report of the Food (Defence Plans) Department of the Board of Trade—the embryo Ministry of Food—shows that considerable progress has been made in building up a shadow control organisation. The chief lesson that has been learned from the experience of the last war is that control is necessary before a shortage of food appears. Accordingly, plans are being made for the institution of complete control over the purchase of foreign foodstuffs, imports, distribution and retail sales, including prices, in the first weeks of a war. These plans are being worked out in consultation with the trades affected and for every commodity or group of commodities, a shadow organisation is already being called into existence. These two developments of the week are, in the circumstances of the times, welcome evidence of the energy that is being devoted to the defences of the country. But they are not enough to allay the dissatisfaction with the state of the re-armament programme, which seems to grow rather than decline with time. The two chief points for criticism are the slowness of expansion in the air and the

continuance of muddle and delay in the preparations for ground defence against air raids. The Government will have to face a sustained attack on these points in the House of Commons in the next few weeks, and the critics will by no means be confined to the ranks of the Opposition parties.

A Long-Service Army.—Another stage has been reached in the reorganisation of the terms of service in the Army which Mr Hore-Belisha is carrying through. Last year's experiment of allowing selected men, after serving their seven years with the colours, to re-enlist for a further period to qualify for pension, is apparently deemed enough of a success to warrant a further step in the same direction. Men are now to be allowed to enlist for 12 years with the colours, with the absolute right of re-enlisting for a further nine years, and of then qualifying for pension. The age limits for enlistment are to be 18 and 30, so that the oldest of these long-service soldiers will be 51. The new recruit thus has two quite distinct alternatives to choose between. He can enlist in the new long-service army and make a life's career of being a soldier. Or he can enlist for a short period with the colours and a further period with the reserve. At present, these terms are seven years and five years respectively, but it would be a logical development of the new scheme for them to be somewhat shortened. The great defect of a long-service army is that it creates no constantly replenished reserve of young, trained soldiers. For this reason the number of long-service recruits is to be limited to 5,500 a year. But a shortening of the short-service term, with perhaps a corresponding lengthening of the reserve period (say, five years with the colours and seven with the reserve) would automatically increase the ratio of the reserve to the serving army. These changes provide further evidence of the existence in the War Office of a lively spirit of self-examination and of willingness to admit that changing circumstances may induce the need for alterations even in the well-tested principles on which the British army has hitherto been organised.

Labour's Policy.—After some weeks of cogitation, the leaders of the Amalgamated Engineering Union have decided to meet representatives of their employers to discuss the Government's recent appeal for co-operation in the speeding-up of rearmament. This is the latest phase of a confused campaign on the part of labour against recent developments in the Government's foreign policy, which found voice in vehement protestations by Labour Party spokesmen in Monday's Commons Debate; and furnished the occasion for demonstrations of protest on May 1st. Allied with Labour's uneasiness about foreign policy are doubts concerning the progress of air defence. The Trades Union Congress have requested the Prime Minister to discuss the international situation and the arms programme with a deputation; and, on Tuesday, the Labour Party issued a statement expressing anxiety about the Government's inefficiency and delay in the air. Apart from these official steps, proposals for a Popular Front or a Peace Alliance, embracing Liberals and even Communists, as well as Socialists, are rife. A conference of the Allied and Distributive Workers, for instance, last week expressed disapproval of the Labour Party's tactics in foreign policy, recommended that the Communists should be re-admitted to the official fold, and endorsed the idea of a Peace Alliance. Several trade unions, including the powerful Mineworkers' Federation, have called upon the T.U.C. to summon a conference to discuss Spain; and a militant minority has spoken of strike action against present trends in diplomacy.

The Labour Party and the T.U.C., however, are unmoved. No conference of unions on foreign policy will be called; and, while unrelenting in their opposition to the Government's policy, the Labour Party will only move alone. There must be no unauthorised strikes or

illicit affiliations with strangers from the Left or Right. The arguments on both sides of this controversy are familiar. Communist, Labour and Liberal are not one, either in ideas or ultimate intentions, and the Labour Party's status as His Majesty's Opposition is one which many of its leaders and personnel prize very highly. On the other hand, the Labour Party offers no likely alternative government, whereas the foreign policy of the diverse elements of the Left has not only its main objects in common, but is of over-riding importance to those who hold it. Misgiving is moreover widespread in quarters outside all party circles, and this critical opinion will be far more effective on the course of events if proclaimed from a common sounding board, rather than through a multitude of loud speakers in divergent keys.

Coal in the Lords.—The House of Lords has this week subjected the Government's Coal Bill to the ordeal of a three days' debate on second reading. An ordeal it has been, since the tone of the debate has been distinctly hostile. Lord Munster and the Lord Chancellor have been almost apologetic, and almost the only definitely favourable speech has come from Lord Samuel, who was able to lend his very great authority to a plea for the public interest. Other peers, such as Lord Crewe and the Archbishop of Canterbury, declared their regretful intention of supporting the Bill, but the great majority of the speeches have been definitely hostile and the fact that the Bill received its second reading is no augury of unscathed passage through committee. The Lord Chancellor, in a speech of most commendable frankness, suggested that the reason for this hostility was to be found in the fact that the peers, among whom royalty owners and mineowners are very heavily represented, were allowing their private interests to influence their judgment of the public interest. Unfortunately, there is only too much reason to believe that this is true. It is significant, for example, that Part I of the Bill—the part dealing with the nationalisation of royalties—which received less attention in the Commons than either of the two other parts, has almost monopolised the attention of the Lords. Titled royalty owners have attacked this conservative measure of a conservative government as a precedent dangerous to the established order of society. They have criticised the arbitral award of 15 years' purchase as the capital valuation of the royalties (forgetting that royalties have for many years been valued for purposes of death duties at considerably less than 15 years' purchase). They have even wished to withdraw the agreement of their representatives to the figure of £4,430,000 as the annual value of royalties. This sort of argument will, of course, carry conviction only to those who use it. In general, the three days of debate have done less damage to the Bill than to the Lords' own reputation for disinterestedness. Of the other important proposals in the Bill—those relating to compulsory amalgamations, for instance, or those continuing the monopoly selling arrangements—there has been almost no discussion at all. The Lord Chancellor did, however, make the admission that he did not think there was going to be much successful resort to the compulsory amalgamation proposals. This, of course, merely confirms the view of those who have criticised the Bill, not, like the Lords, because it gives insufficient ransom to the royalty owners, but because it provides insufficient hope of reorganisation in the public interest.

Italy, Germany and Britain.—The courteous and festive Italian people have given Herr Hitler a great welcome; but it has not been as warm as the official reports suggest. In a country where opinion is prepared in advance for major changes of policy, the very unexpectedness of Austria's destruction was proof that it had not been foreseen and approved in Rome, as was officially stated. An English visitor to Italy, lately returned, writes that Mussolini's reference to the Rome-Berlin axis as the only reason for his acquiescence was well received. But the

prestige of the regime in foreign affairs, as well as the popularity of the axis, suffered a shock—not merely in the North, where the Germans have never been liked. Signor Gayda, who attempted recently to address a gathering of students in Rome, was heckled; and when he finally observed that the Duce was pursuing a "personal" policy altercation brought the meeting to a premature end. In such circumstances the conclusion of the Anglo-Italian agreement had an easy and genuinely popular reception. The crowd which cheered the arrival of Lord Perth at the Palazzo Chigi was remarkable for the absence of the usual blackshirt claque; and the immense Press publicity lavished on Anglo-Italian relations to the detriment of the Rome-Berlin axis is sure evidence of the importance attached thereto for internal reasons. Though the visit of Herr Hitler is unlikely to mark the end of the German association, it is equally unlikely to lead to its permanent consolidation. As far as relations with Britain are concerned, the reactions to the Anglo-Italian exchange of letters on Spain have been somewhat curious. Although Italy reaffirms her adhesion to the British formula for the proportional evacuation of foreign volunteers under the auspices of the Non-Intervention Committee, nothing would cause more amazement in Italy than if the occasion for giving effect to this obligation should soon arise. The popular and official view is represented by Signor Gayda's description of the conditions to be satisfied before the agreement can come into force as "the withdrawal of the Italian forces from Spain, which is naturally being prepared together with the decisive victory of Franco and the British recognition of the Italian Empire." In fact, restoration of friendly relations with England has enabled the Press to be more blatant than ever in publicising the exploits of the legionaries. On the other hand, some surprise has been expressed at the explicitness of Count Ciano's assurance that Italy seeks no privileged economic position in Spain. Many people find it hard to believe that Italy will reap no other reward than glory for her vast expenditure of money, munitions and men.

Central Europe and the Powers.—Last weekend Herr Henlein, titular Leader of the Sudeten German Workers' Party, went one worse than the week-end before when he declared that his previous eight-point demands on Prague as a basis for discussion represented not a maximal but a minimal programme. He also reiterated that it was the only basis on which he would even negotiate. This has gravely embarrassed the British Government, which, after the discussions with the French Prime Minister and Foreign Minister at the end of last week, was preparing to put considerable pressure on President Benes and the Czechoslovak Cabinet to meet what Mr Chamberlain on March 24th called "the reasonable wishes of the German minority." As Herr Henlein's "wishes" include the virtual partition of the State, which in fairness would have to be followed by partition for the Hungarians and other minorities, the British Government, as controlling the French allies of Czechoslovakia, have placed themselves in an invidious position. They cannot want to force *felo de se* on the Czechoslovak State as a "reasonable" suggestion; but it looks as if nothing less will satisfy the Nazis, and even the mere announcement of British readiness to mediate has at once incurred the wrath of General Goering and his *Essener Nationalzeitung*. Meanwhile, the British representations in Prague and Berlin have caused the Czech Right-wing Agrarians in the Cabinet to call off even the most elementary measures for the protection of public order and individual citizens' rights in the Sudetenland—ostensibly to show London that they are actuated by goodwill. This is a dangerous, though comprehensible, policy, in present circumstances. We should feel happier—and certainly the Czechs would—if the British mediators would say openly what limit of concessions on the part of the Czechoslovak State they consider "reasonable," and what "unreasonable."

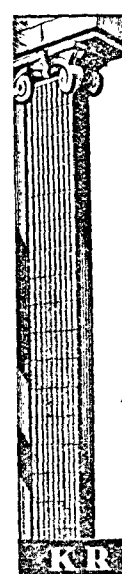
On Wednesday the Council of the Little Entente met at Sinaia. The President, on this occasion the Foreign Minister of Roumania, M. Petrescu-Comnen, said the Entente was prepared to envisage all measures to maintain European peace provided the sovereignty of the Little Entente States was respected. Though he added a friendly reference to Hungary, his earlier words may serve to remind the Hungarian extremist groups that, in the present critical state of Central and South-Eastern Europe entire, any Hungarian attack upon Slovakia, timed to coincide with an attack upon Czechoslovakia from any other quarter, would constitute the only *casus belli* specifically inscribed in the Little Entente Treaties. In this connection, the recent re-orientation of King Carol's domestic and foreign policy should not be overlooked in the West. Welcome news is provided from Prague, which announces that new negotiations with Berlin over the transport of Czech goods through what was Austria are to open next Monday. It is interesting to note that, at the same time, news from Warsaw indicates that a strong and growing movement for better relations with Prague has developed. The sponsors of this movement in the Polish Press, no doubt influenced by the recent organisation of all groups of the German minority in one organisation, have suggested that more favourable transit rates for Czech goods by Polish-Silesia to Gdynia might help both Poland and Czechoslovakia. The recent Polish and Roumanian developments need close scrutiny in Western Europe. They may prove to be decisively important if the situation deteriorates on the Danube.

New Party and New Policy in America.—The American political scene, already confused by the quarrel between the President and a large portion of his Democratic Party, has been further complicated by the foundation at the end of last week of the National Progressive Party. This new party is the creation of Mr Philip La Follette, Governor of Wisconsin, and his brother Robert, Senator from the same State. The La Follette family have long been the leaders of a Progressive party which has dominated the politics of their own State, and the brothers' father, "Old Bob" La Follette, was a candidate for the Presidency on the Progressive ticket in 1924. The new movement is thus little more than an attempt to repeat the previous sally of Progressivism outside the borders of its native State, and its political ideas clearly reveal its origin in a farming State. It is interesting, nevertheless, to inquire just why it has been revived at this precise moment. At first sight, the existence of a third party with liberal views might appear to weaken Mr Roosevelt. But the real effect may well be the opposite. The new party may attract more recruits of liberal views from the Republicans than from the Democrats, who, under Mr Roosevelt's leadership, obviously provide a much more effective way of writing the principles of

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progressive thought into the statute book than a third party whose ability to win votes is problematical. Moreover, the dissident conservative Democrats may think better of their revolt if the intervention of a third party makes it certain that the result would be to put the national Administration, with its powerful patronage, the life-blood of parties, into the hands of the Republicans. Thus it is difficult to say more at the moment than that the new party is clear evidence of the shifts that are going on in political alignments behind the façades of the two traditional parties.

It is not merely parties that are changing. Policies are also being revised. On the home front, the rapprochement between President Roosevelt and the embattled representatives of business continues to make very slow progress. The President has not been deterred from sending a message to Congress on the subject of monopoly (a word which business is inclined to interpret as meaning attacks on profits), but he has been persuaded to couch it in the mildest terms. In the foreign field, however, the change in policy is moving fast. The Administration has decided to lend its support to a Congressional resolution which would rescind the application of the Neutrality Act to the Spanish Civil War and thus open the way to shipments of arms to the Spanish Government. The fact of this resolution and its official support is hardly more remarkable than the circumstance that it is sponsored by Senator Nye, the author of the Neutrality Act and one of the strongest supporters hitherto of complete isolation. The policy of Neutrality is beginning to look very sick.

American Taxes.—For months past the spearhead of the opposition by the business community to President Roosevelt and the New Deal generally has been concentrated on the tax policies of the last five years, and particularly on the taxes on undistributed profits and capital gains. In the final version of the Revenue Bill, as it emerged from the conference between the two Houses of Congress, the principle of both taxes has been retained as a concession to the President, though their practical incidence is reduced towards the vanishing point. In the pre-Roosevelt era, undistributed profits of companies carried a lower burden of taxation than dividends, and a large amount of income undoubtedly escaped taxation in this way. The mistake was made, however, of imposing penalty taxes on sums put to reserve, the rate of tax rising with the proportion of earnings withheld from the shareholders (and incidentally from the tax-collector). This was done with the object of forcing the earnings of closely-held corporations out into private pockets where they could be taxed at the higher rates of the personal income tax. But it also had the effect of penalising the conservative policy of "ploughing back" earnings. In a new Bill, the tax on earnings of corporations is to be fixed at 16½ per cent., plus a small supertax of 2½ per cent., representing the President's "principle," on undistributed profits.

The objectionable features of the Capital Gains Tax are also due to an excessively zealous New Deal attempt to correct the obvious defect of the previous system by which capital gains were added to, and capital losses deducted from, taxable income, with the surprising result that eminent Wall Street figures, enjoying all the outward and visible signs of considerable wealth or income, actually paid no income taxes at all in the depression years. But instead of taking what would seem to be the rational course of entirely excluding capital gains and losses from income taxation, the New Deal remedy was, in effect, to tax all capital gains, but to prohibit the deduction of capital losses. This is now being altered. Only those capital gains which come from the sale of assets held less than eighteen months will be treated as ordinary income and subjected to the normal rates of income tax. Gains resulting from the sales of assets held between eighteen months and two years will be taxed at a flat rate of 20 per cent., or 15 per cent. if the assets have been held more than two

years. This is an improvement so far as the larger incomes are concerned. But it still leaves a rate of tax more than half the British standard rate of income tax on a source of "income" that is entirely exempt in Great Britain, except for special cases such as professional dealers or speculators.

The I.L.O. Loses its Chief.—The resignation of Mr Harold Butler brings to an end the second chapter in the history of the International Labour Office. During the first phase of that remarkable attempt to raise and bring some international uniformity into labour standards Mr Butler's great experience as a British civil servant was associated in happy combination with the drive and imagination of M. Albert Thomas. If that charming and vivacious Frenchman sometimes seemed to his critics to overstep the bounds of officialdom into the realm of politics, Mr Butler was at hand to smooth things over and to keep a hand on the administration of the great office set up at Geneva. Since 1932, when the partnership was broken by M. Thomas's premature death, Mr Butler has not merely shouldered the full burden of responsibility but has contrived to fill the gap left by his predecessor's dynamic personality. If the I.L.O. has not achieved the ambitious hopes placed in it fifteen years ago the reason is to be found not in the qualities of its loyal servants but in events, and in the short-sighted policies of the nations which have destroyed for the time the practice of international collaboration. Mr Butler was not merely a sincere believer in the experiment in world government to which he has given the best years of his life—he was one of its creators; for while at the Ministry of Labour he was largely instrumental in persuading the British Government to support the Labour Chapter of the Treaty of Versailles at the Peace Conference, he helped to frame the constitution of the new organisation, and went to Washington in 1919 to organise the first International Labour Conference. If the conventions of the I.L.O. have made little headway in the last few years, Mr Butler's annual reports have at least served to present to the nations a clear picture of the chaos into which their affairs had fallen and to suggest some of the ways out. Mr Butler, who is a Fellow of All Souls, will be warmly welcomed back in Oxford where he is to take up the headship of the new Nuffield College.

Australia's Defences.—Australia's re-armament plan, the biggest defence scheme adopted by any Dominion in peace-time, is gradually taking clearer shape. It is essentially related, as Mr Lyons told the House of Representatives, to the wider pattern of Imperial defence, its fundamental basis being sea-power. Its close connection with the Singapore base has been re-emphasised, not only in the naval plans, but also in the invitation to Marshal of the Air Force Sir Edward Ellington to visit Australia and advise on the problem of co-operation between all Empire defence forces in an emergency, and particularly on the co-ordination of the Australian air force with the Singapore defences. Among other noteworthy developments, a committee representing the Services, employers and the trade unions is to be formed to consider questions of manpower; and the Government will provide £1,000,000 towards the organisation of civil industry in preparation for war emergency, the plant thus erected remaining the property of the Government. The Labour Opposition, which in general supports the re-armament programme, has raised its voice against the creation of new vested interests in the armaments industry, and has proposed the utilisation of State railway workshops as a source of munitions supply—a proposal which the Government has promised to consider sympathetically. The re-armament scheme involves nearly £25 millions of new expenditure in the next three years and will raise the annual cost of maintenance from £6 millions to £10 millions. A Bill has been introduced authorising borrowing for defence up to £10,300,000. Of the £7 million loan raised in London this week (which is the subject of an Investment Note on page 308), some £2 millions is to be used for purchases of defence material from the U.S.A.

Bombs and Customs Receipts at Shanghai.—Last Sunday night a bomb-throwing incident brought Japanese armed forces into that section of the International Settlement at Shanghai south of the Soochow Creek which they have not yet occupied. The bomb was thrown at a Japanese naval truck in the Nanking Road. It missed its target and wounded, instead, a Sikh policeman and six Chinese civilians; but the Japanese sent in a detachment of police and posted sentries. A platoon of Seaforth Highlanders was then sent to the spot, and eventually the Japanese were induced to withdraw. On Monday, in Tokyo and London, a *communiqué* was issued announcing the result of "unofficial conversations," which have been taking place since February between the British Ambassador in Japan and the Japanese Government, on the disposal of China Maritime Customs receipts in Chinese territories under Japanese military occupation. It has been agreed that all Customs revenues collected in the ports in these territories shall be deposited with the local branches of the Yokohama Specie Bank, and that, out of these deposits, the service of foreign loans and indemnities will be paid as a first charge. (The implications of this agreement are discussed in an Investment Note on page 308.) The Anglo-Japanese arrangement has, of course, only been made "for the period of hostilities." Meanwhile the Japanese military positions in Shanghai have been gravely jeopardised by swift and unexpectedly strong Chinese troop movements. A big Chinese offensive is in preparation; and it would seem that Japanese mastery of the Lunghai railway is by now more remote than ever. On Wednesday, in Tokyo, an Imperial Decree inaugurated the new powers obtained by the Cabinet under the National Mobilisation Act. The new powers, which extend throughout the range of industry and trade, may be an earnest of the Prime Minister's, Prince Konoé's, speech last Monday, in which he declared that Japan would not cease military operations in China until the Chinese National Government had been crushed. It is gradually becoming obvious in Japan that the country has embarked on an incalculably long and costly adventure.

Replanning Britain.—Various departments of State have spoken with authority about the present position of Britain's industry and population to the Barlow Commission. The voice of industry and of politicians has been heard. This week it has been the turn of the reformers and planners. The Council for the Preservation of Rural England argued on Wednesday that existing powers of town planning were used too late when developments, which might be destructive of amenities, had already been begun or designed. What was needed was a breathing space, during which the development of new regions would be halted until their use could be comprehensively planned, in the widest interests of economic utilisation, social welfare and amenities. The Town Planning Institute, on the same day, endorsed this plea for positive planning; and, on Thursday, a noteworthy document, put in evidence by the Garden Cities and Town Planning Association, was discussed by the Committee. The Association's evidence surveyed, with all the latest devices of political arithmetic, the facts of urbanisation, described the consequent disadvantages, and recommended a closely reasoned and detailed programme of national planning and town development. The Association has an axe to grind; but this public statement of its proposals shows how sane, practical and free from romantic futility enthusiastic advocates of a better Britain can be. If the Commission are by now convinced by months of testimony that urban life has many evils, then this week's advice from the reformers must carry appreciable weight.

Profits: a Nine Months' Comparison.—In a leading article in *The Economist* of April 23rd (page 175) we suggested that, judged by the reports of some 646 companies, issued during the first three months of this year, the rise in British industrial profits which began in 1933-34 was still continuing, but was tending slightly to lose its momentum. This conclusion is broadly supported by the

results of a supplementary analysis of 1,532 company reports issued during the nine months ended March 31 last. The latter sample of corporate earning power showed total profits (after debenture interest) of £186,366,235, against £163,482,314 earned by the same companies in their preceding financial year. Thus, the rate of increase for the nine months' sample was 13.9 per cent., whereas the companies reporting in the last three months of the period (whose profits represented slightly more than half the nine months' aggregate) disclosed an average growth in earnings of only 9.4 per cent. Details of total profits and their distribution are given, for our nine months' sample, under numerous industrial group headings, in the following table:—

Group	No. of Cos.	Total Profits (after deb. interest)	Change since preceding year (same companies)	Division of Total Profits (= 100)			Av. Rate of Div.
				Prof. Div.	Ord. Div.	To Res., etc.	
Breweries	92	17,503,301	6.7	11.6	61.8	26.6	15.4
Canals and docks..	7	522,935	16.6	42.4	29.8	27.8	1.8
Electric lighting and power	33	12,227,753	8.5	15.9	36.3	47.8	7.6
Financial, land and investment	146	8,441,873	18.4	21.8	56.8	21.4	7.2
Gas	36	3,975,137	1.6	19.6	75.9	4.5	5.6
Hotels and restaurants	21	751,356	1.2	33.6	40.5	25.9	5.2
Iron, coal and steel	98	20,433,100	34.6	15.0	39.0	46.0	7.7
Motor, cycle and aviation	48	8,767,184	24.2	7.5	51.1	41.4	16.5
Oil	9	2,495,249	60.0	1.9	61.2	37.1	18.2
Rubber	210	4,716,150	105.6	3.0	65.7	31.3	7.9
Shipping	19	4,574,495	31.1	11.6	19.5	68.9	3.8
Shops and stores..	65	13,795,651	5.9	24.0	50.4	25.6	15.8
Tea	31	462,955	42.2	17.3	52.1	30.6	5.7
Telegraphs and telephones	4	433,507	13.8	6.4	67.4	26.2	10.2
Textiles	59	6,484,736	13.5	23.6	47.1	29.3	5.5
Tramway and omnibus	11	1,244,841	3.9	14.4	88.7	Dr. 3.1	7.2
Trusts	140	7,193,916	13.5	39.5	43.3	17.2	5.2
Waterworks	14	760,222	0.8	31.7	61.3	7.0	8.1
Building materials	48	6,273,338	5.0	12.2	53.0	34.8	15.2
Food, confectionery and drink	52	6,594,936	6.2	20.5	57.2	22.3	10.9
Electrical equipment	16	4,252,735	19.9	10.9	38.8	50.3	11.2
Newspapers, printing, etc.	45	4,781,145	6.1	32.1	33.7	34.2	8.1
Tobacco	12	21,228,342	3.8	9.1	85.9	5.0	20.8
Warehouse and trading	27	1,050,365	5.7	39.8	42.9	17.3	4.2
Miscellaneous	289	27,401,013	11.8	17.1	47.7	35.2	9.9
Total	1,532	186,366,235	13.9	16.5	53.5	30.0	10.2

The companies included in our nine months' analysis, like those whose statements we discussed last week, followed a conservative dividend policy; for they "reserved" nearly one-third of their latest earnings. The highest percentage rates of ordinary dividend were paid (in descending order) by the tobacco, oil, motor, cycle and aviation, retail trading, brewing and building materials industries; and the lowest (in ascending order) by the canal and dock, shipping and warehousing concerns. High earning power, in fact, is located mainly in the consumption trades and certain beneficiaries of re-armament and the building boom, while profits are lowest in textiles and in the "servicing" of foreign trade.

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United States

Influences at Work

NEW YORK, April 26.—The month of April brought not an upturn but a downturn in both production and commodity prices. The hope that April would bring definite evidence of revival has been cancelled. For all practical purposes our economy has continued on an extremely low but level plane for the past five months—about 30 per cent. below the level of the corresponding period of a year ago.

Recently, and mostly in April, a number of factors were introduced into our economy, which may be expected to exert an influence upon subsequent developments. All these were of political (legislative or administrative) origin; and four may be mentioned as outstanding. First, the revision of the Housing Act reduced margin requirements on cheap homes to 10 per cent., and provided more liberal mortgage terms to builders of multiple family dwellings.

Secondly, in the monetary and credit field, excess reserves, already very large, were increased by the release of all gold in the Inactive Fund, and by a reduction in reserve requirements. Thirdly, a spending programme, estimated at \$4,250 millions, and taking a variety of forms (including provisions for loans by the Reconstruction Finance Corporation) was introduced, and, for the most part, has already been made law. Almost one-third of this programme is to be covered by realisation of the Inactive Gold Fund, one-third by increase in the public debt, and the remaining third by taxation. The President's forecast given over the radio, estimated the increase in the public debt by the end of June, 1939, at \$1,500 millions.

Fourthly, a Joint Conference has reported a compromise Tax Bill which substantially follows the Senate Bill (see comment on page 292 of this issue). It is likely, although not yet certain, that the Conference's Bill will become law. This Bill all but eliminates, for a period of two years, the Undistributed Profits Tax on corporations, but probably raises the average effective rate slightly; and considerably reduces the Capital Gains Tax on assets sold eighteen months and two years after purchase.

It is, of course, too soon to expect tangible evidence of the consequences of any of these innovations. It is sufficient for the moment to recognise in them a more or less integrated Recovery Programme, reflecting a variety of recommendations from different quarters.

New Views on Money

In two major respects, this depression is unique. Other depressions have been marked by a great contraction in bank deposits. The demand deposits of the reporting member banks on April 20th were only 6 per cent. below the level at the corresponding date last year; but the turnover of those deposits, measured by the debits to individual accounts, has fallen almost 20 per cent. That is, there is, and has been, no shortage of money; there is, however, an absence of incentive to utilise available money.

Usually, during depressions, a scarcity of liquid capital is shown by high rates of return, whether on obligations or equities. At the present time, it is the unanimous opinion of Wall Street that there is an unusually large accumulation of free capital awaiting investment.

From the standpoint of monetary or economic management, these considerations are important. The whole corpus of theory about managed currency rests upon the assumption that velocity is a constant; and the emphasis in the technique of currency management has been laid upon the applications of quantitative controls. The dominant monetary fact which has lately emerged in the United States is that velocity is not a constant; with the supplementary fact that velocity does not lend itself to the type of control commonly advocated by sponsors of managed money.

Observation of these data has led to the formation in this country of a considerable body of theoretical opinion, which disputes the intrinsic desirability of "cheap money" or "low money rates," and thinks in terms of an "optimum" rate, not necessarily "low" or "high," but certainly not so low

as the prevailing quotable rates. This opinion goes so far as to think in terms of the "deflationary" effects of extremely low money rates, operating through the factor of velocity.

Taxation and Investment

If the low velocity of bank deposits is one side of the shield, the other side is the plethora of accumulated funds awaiting investment, which is the burden of Wall Street's complaint. Obviously, not all idle deposits are investment money; but idle investment money is included in these sluggish deposits. To borrow the current metaphor, this is the well capable of feeding the pump, which has been so vigorously primed in recent years, and which is being primed again. While pump-priming is usually specifically related to the spending programme, it is probably more accurate to think of the composite programme outlined above as being designed, as a whole, to tap these resources of idle capital and idle enterprise.

It is possible that other influences may be added before Congress adjourns. On April 25, the President sent a Message to Congress urging an Act to deprive future issues of Government securities (Federal, State, and local) of their present exemption from income tax; and also to subject State and municipal officials to Federal income tax. It is estimated that there are upwards of 4 million local officials, of whom a large proportion would be liable to file returns, who are now exempted from Federal income tax.

The Sixteenth Amendment to the Constitution (which gave authority for the Federal income tax) provides for the taxation of income "from whatever source derived"; but the Courts have always pronounced in favour of these exemptions, and the Treasury has provided, on its own initiative, specific exemptions for its own securities. All the Federal debt is more or less exempt from income tax, and almost half is wholly exempt. It has been argued that this situation could be met only by a Constitutional Amendment. The President proposes an Act of Congress. This would be subject to test in the Courts, and only in the event of the Court overruling the Act would an Amendment become necessary.

Enterprise or risk-bearing capital can only be supplied to an economy by those rich enough to afford the hazards of industry; but the conjunction of the Capital Gains Tax and high surtaxes has put so high a premium on the tax-exempt security that it has become an irresistible magnet to the capital of the wealthy. There are, therefore, strong reasons for believing that the abolition of tax-exemption would in itself induce an uncertain but probably substantial amount of risk capital to flow into industry, leaving the market for Government securities to those investors less capable of bearing the hazards of enterprise.

France

The Immediate Problem

PARIS, May 4.—The pressing problem in France is to find money for the Treasury, overwhelmed by various deficits, and for private enterprises, overwhelmed by "price" reforms and taxation. Dear money, scarce labour and diminished purchasing power have paralysed business. The first decree laws of the Daladier Cabinet are designed to prepare the way for the issue of a large loan for the Government, and to enable industry to increase production. The Treasury, and to

Two years ago, the slogan of the Left was to "revive business and restore budgetary equilibrium by a vast public expenditure. The new proposals are intended to secure these ends by the expansion of credit and a moderate increase in taxation.

The re-inclusion in the ordinary Budget of 3,700 million francs of expenditure (such as the fund for war pensions), previously taken out of it to secure an artificial equilibrium, added to the deficit for 1937, to secure an artificial equilibrium, makes up a total deficit of 1938, estimated at 4,000 millions, has been decided to levy, for 1938 and 1939, an extraordinary national contribution of 8 per cent. on all direct and indirect

taxes: this will cover the deficit up to 3,200 million francs. Later, new taxes to yield 500 million francs will be decided upon, mainly on the profits of civil and military manufacture. The balance of the deficit, amounting to 4,000 millions, will have to be met by an increase in fiscal receipts arising from the promised revival of business; and taxpayers will pay their taxes monthly instead of twice a year, in July and September. The Government hopes that this new budgetary effort will facilitate the issue of a great national defence loan by the *Caisse Autonome*, which was set up by the previous Cabinet to cover by borrowings all military expenditure not included in the ordinary Budget.

Increased Production Sought

Other measures deal with credit and production. Building and foreign trade will be assisted by fiscal reliefs; and the tourist industry by the issue of special cards to travellers, enabling them to obtain petrol and transport facilities at cheap rates—following the example of certain totalitarian States and the temporary measures adopted by France during last year's Exhibition. Fiscal relief will be accorded to enterprises which can prove that an increase in production or in exported manufactures has been obtained by their new investments in capital or their measures for social welfare.

In order to improve the financial position of private undertakings, a decree law authorises industrial and commercial concerns to draw on their debtors, who will be obliged to pay in this way. Finally, undertakings working for the State or public enterprises will receive their payments more promptly through the organisation of a more rapid procedure by the *Caisse Nationale des Marchés*, whose financial resources will be considerably increased. Previous delays of from one to two years in making payments prevented concerns of secondary importance from accepting public orders, and, together with the 40-hour week, made it difficult for the State to find firms to undertake armament work.

A decree concerning foreigners in France has been particularly applauded. Too many refugees are active in extremist political circles. The police, since the formation of the Daladier Cabinet, have already expelled a number of undesirables, who have been active in promoting strikes and riots in industrial centres.

The Outlook

The new decrees have been generally well received in business circles. The increase in taxation did not evoke any considerable protests. The need for further taxation had been widely expected, as a necessary result of the cost of re-armament. Indeed, the reproach commonly addressed to the Cabinet is that its reforms are too mild, notably in regard to the revision of the 40-hour week. Finally, the opinion is that international peace remains the best way of bringing about the repatriation of capital—which is still the main problem of the French economy.

The fresh increase of 4,500 million francs in expenditure on the army, navy and air force seems to be the sequel of the recent accords with London. Optimism would certainly prevail if the energy being spent on re-armament was applied to the revival of production. The necessary decrees, which will come next week, are therefore awaited with impatience, and will probably deal with strikes and production as well as the national defence loan. Their reception by the Stock Exchange, on the eve of the issue of the loan, will, moreover, mainly depend on two factors: the movements of the franc-pound rate; and the development of events in Prague after the Hitler-Mussolini meeting.

Germany

France, Britain and Germany

BERLIN, May 4.—The Anglo-French discussions were not well received here. The attitude to the "General Staff contacts" is, of course, formally unimpeachable. Great Britain is only committed to action in case of an attack on France or Belgium, but no German, it is declared, dreams of such an attack. These "contacts," however, envisage an armed conflict with Germany. Such a conflict could arise only out of Central or East European issues. But, in this case, the attack would have to be on Germany and by the Western Powers. Germany's view, made clear in her replies to the protests about Austria, is that Central and Eastern European issues do not concern England or France in any way.

No person who observes what is now under way can doubt that the Czechoslovak question will be solved in the Reich's way and ultimately by a second *Anschluss*. It is not

at all necessary to attack Czechoslovakia. The initiative lies with Herr Henlein's party. This party has become so powerful and audacious that it can, without any overt Reich assistance, provoke a crisis that can end only in one way.

Jews, Debts, and Foreign Interests

The Reich's latest economic measures will raise international questions. The ordinance requiring Jews to declare their property, for the purpose, according to some authoritative sources, of investment in the national interest, and, according to others, for seizure, concerns foreigners. "Jews of foreign citizenship" must declare and value their property within Germany. The official journal justifies this with the complaint that "foreign Jewry has so violently attacked National-Socialist Germany." The existing Anglo-German Treaty of Commerce and Navigation seems to forbid such differentiation between German subjects (Aryans, who need not declare) and any kind of British subjects, and consequently to forbid discrimination against one kind of British subject. Further, it is impossible to decide whether a foreigner in Germany, much less a foreigner resident abroad (who must also declare), is Jewish or not, in the German legal sense.

The question of Austrian debts will presumably also raise difficulties. In view of the unification of Austrian and Reich currencies, it was inevitable that the German veto on unsanctioned payments to abroad should be extended to Austria; and this was promptly done. But the Reich Minister of Economics, when announcing on March 18th that Germany's transfer regulations would be applied to Austria, added that (as summarised in the official *Beobachter*) "negotiations with foreign countries about the foreign loans given to Austria would be necessary."

By an ordinance of April 30th, which took effect immediately, the law of June 9, 1933 (together with two later laws), which declared a moratorium for long-term debt service, has already been applied to Austria; and the whole Austrian debt-service is suspended, in the sense that monies due must be paid into the Conversion Fund in home currency, wherewith the debt is discharged. That by no means excludes later negotiations with creditors. But, according to the letter of the ordinance, Austria's debts are already defaulted. The financial Press has almost entirely ignored this important measure; but the *Frankfurter Zeitung* interprets it in the above sense, declaring that, in particular, "the three foreign loans of the Land Austria which, under political pressure, contained extraordinary clauses," are already "embraced by the moratorium on interest and amortisation transfers. Imports of pig-iron are still heavy. Better reports from Belgium and Luxembourg are interpreted as promising for the international steel outlook.

Increased Revenue from Taxation

Gross Reich tax revenue in the financial year ended March 31st totalled Rm. 13,958 millions, against Rm. 11,492 millions in the financial year 1936-37 and Rm. 6,646 millions in 1932-33. Of the increase, approximately Rm. 2,000 millions came from direct taxes and taxes on business, and Rm. 500 millions from customs and excise. Since 1932-33, total tax revenue has risen 110 per cent., direct 119 per cent., and customs and excise 58 per cent. The more important figures are:—

	1932-33	1937-38
	(Millions of Marks)	(Millions of Marks)
Tax on Income.....	1,333	4,059
Corporation income ...	106	1,553
Property	330	366
Turnover	1,354	2,753
Customs	1,106	1,595
Tobacco	762	912
Sugar	286	350
Beer	261	315
Spirits (Monopoly).....	138	278

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The great revenue increase, it will be seen, was due to the business improvement and to the rise in company earnings and in incomes.

Industry's Social Policy

An unofficial publication contains statistics of voluntary social expenditure by industrial undertakings. Since 1933, there has been much official emphasis on the duty of business concerns to spend in excess of the compulsory contributions for the benefit of employees. The last Company Law prescribed, though only in principle, that such expenditure should stand in a reasonable relation to the share of profits going to directors and boards of supervision. Figures from the last available annual returns show that 26 companies, which paid out Rm. 187 millions in dividends and Rm. 145 millions for compulsory social contributions, paid Rm. 165 millions voluntarily for the benefit of employees.

In one company, a worker, after 35 years' employment, gets a monthly pension of Rm. 98 marks, which, together with his Social Insurance pension of Rm. 65 marks, makes up about 70 per cent. of his normal wage. Financial help for marriages and births is also given, and a good deal is spent on the improvement of housing and on stipends for promising workers. This aspect of the Third Reich deserves study. That the companies, after such voluntary expenditure on top of heavy compulsory contributions and taxation payments, can pay tolerable dividends indicates that their profits are large.

In addition to such taxes as count as a part of production costs, a company pays a 30 per cent. Corporation income tax on net profits. On what goes to the shareholder, the personal, progressive income tax, which may be anything up to 50 per cent., is levied, so that a very small part of the profits remains to him.

In Berlin, a shortage of office buildings is reported as a result of the reconstruction policy and the movement of business administration to the capital. Industry now depends so much on State permits and rationing that it has to be on the spot; and Krupps, Farbenindustrie, and other important provincial concerns are erecting imposing office buildings.

Ingot-steel output in March was 1,949,000 tons, and in the first quarter of the year it was 5,531,500 tons, against 4,643,100 tons in 1937. The quarter's iron ore output was 2,528,400 tons.

Italy

Employers' Individualism

TURIN, April 9.—Some view of the forces behind the corporate system is provided by the Report of the Senate's Finance Committee on the Budget of the Corporations Department for 1938-39. The following table summarises the figures relating to employers' membership of syndicates on December 31, 1937:—

	"Firms" represented by employers' syndicates (Numbers in thousands)	"Firms" actual membership ship (Numbers in thousands)	Contributions compulsory (Value in lire)	Voluntary (Value in lire)
Industry:—				
Industrialists	155.9	85.1	99,634.3	11,480.1
Artisans	798.4	349.2		
House proprietors	4,373.2	101.2		
Agriculture	4,168.9	991.9	78,667.9	4,676.4
Commerce	898.8	615.8	48,126.7	14,204.4
Credit and insurance ...	19.6	7.6	7,157.5	548.3
	10,414.8	2,150.8	233,586.4	30,909.2

Membership of the syndicates is free. But the various syndicates represent all the employers (or employees) working in their respective fields, and collective bargains, entered into by them, are binding upon all. Therefore, all firms (or, on the employees' side, all workers) pay compulsory fees, but only members pay voluntary contributions. The ratio between the number of employers and employees in membership and the number of employers or employees automatically represented by the syndicates is an index of the extent to

which the corporate system is permeating the various economic groups.

House proprietors seem to be the social group in which the associative tendency is felt least: only 101,227 owners have sought syndicate membership, compared with a total number of 4,373,157 proprietors of houses in cities and villages. There are, of course, no employees in this group, of which to take account; the great majority of proprietors live in their own houses and have no tenants.

Workers' Organisation

The associative tendency is, on the other hand, at its highest in the trade, industrial and artisan groups. There, employers' syndicates are daily in discussion with employees' syndicates about wages and conditions of labour. In all sections, however, voluntary contributions figure in a minor role, compared with compulsory fees.

On the employees' side the picture is somewhat different:

	Number of men represented by employees' syndicates (Numbers in thousands)	Men in actual membership ship (Numbers in thousands)	Contributions compulsory (Value in Lire)	Voluntary (Value in Lire)
Industry	3,667.9	2,633.4	48,609.0	20,026.1
Agriculture	3,087.0	2,595.0	33,195.5	23,251.9
Commerce	527.3	473.3	13,042.3	4,019.3
Credit and insurance ...	62.0	53.5	2,723.2	359.2
	7,344.2	5,755.2	97,570.0	47,656.5
Arts and professions ...	184.6	123.7	9,054.5	7,582.0
Co-operative bodies ...	11.9	10.1	11,560.0	

Arts and professions make up a special group, where there is no distinction here between employers and employees; and co-operative bodies have a membership mostly overlapping with employees' syndicates. The striking feature in the employees' syndicates is the much more complete identification between the number of men represented and the number of men in actual membership. In the commercial group almost all employees are also members; and in the industrial section only a strong minority still remains out of the organisation. In the employers' syndicates the voluntary contributions are less than 14 per cent. of the compulsory contributions, but in the employees' syndicates they are almost 50 per cent. over the whole field, and as much as 70 per cent. in agriculture.

The difference may be partly due to the greater age of employees' organisations. The workers were organised as far back as the 'seventies and 'eighties of last century; and the need of organisation was always more keenly felt by employees than by the more individualist employers. Membership of the syndicates, moreover, is, or is held to be, a legal pre-requisite, or at least a preferential condition, for employment. In so far as State intervention in economic matters and the need for keeping in touch with Government Departments is steadily increasing, however, membership is bound to increase on the employers' side.

Rising Import Surplus

In the first two months of 1938, the import surplus in foreign trade (not including colonial trade) increased compared with 1937. Imports were valued at 2,088.0 million lire, compared with 1,795.2 millions; and exports at 1,257.3 million lire against 1,105.2 millions. The surplus has thus risen, for January and February, from 689.9 million lire in 1937 to 830.7 millions. In trade with the Italian colonies, on the other hand, there was an export surplus of 400.6 million lire compared with 307.7 millions in the first two months of 1937. Exports to the colonies, however, are mainly paid for by the Government and are needed for civil servants and the army or for the economic development of the colonies.

Industrial employment is running at a high level. The general monthly index of industrial production (1928=100) was 105.2 in January, 1938, against 99.4 in January, 1937. Group indices were as follows: for textiles 84.7, against 78.8 in the corresponding month of 1937; for iron and steel and engineering 130.2, against 122; for paper 139.8, against 119.7; for gas and electricity 150.7, against 129.4; for mining 117.7, against 105.7; and for chemicals 127.6, against 94.8. The only exception to the general rise was in the building industry, where, owing to the abolition of the 25-year tax exemption and competition for iron and steel and other materials, the index fell from 95.1 in January, 1937, to 81.4 in January, 1938.

Jugoslavia

Slackening Trade

BELGRADE, April 11.—Although economic indices are still favourable, there now are signs that Yugoslav foreign trade is beginning to be affected by the general recession. This year, for the first time since 1932, exports in January and February were less than those of the corresponding period of the preceding year. They amounted to 508,882 tons, worth 750.9 million dinars, against 542,111 tons, worth 821.1 million dinars in 1937, a drop of 6.12 per cent. in volume and 8.57 per cent. in value.

Imports, however, have not suffered, but have increased to such an extent that the total volume of trade for the two months is larger than in 1937 by 5 per cent. Imports were 210,322 tons, worth 801.8 million dinars, against 129,260 tons, worth 655.1 million dinars in 1937.

This increase may be largely explained by heavy imports from Germany in order to diminish the clearing debt. Thus, imports from Germany in January and February, 1938, amounted to 112.3 million dinars and 150.3 million dinars, compared with 84.3 millions and 101.2 millions in the same two months of 1937. It is worth noting, however, that no similar influx of goods from Italy is taking place, the value of imports from Italy in the first two months being 68.4 million dinars in 1938, against 87.3 million dinars in 1937.

Industry Active

Industry has not yet felt the recession, except for a small halt at the beginning of the year. Mines, especially of pyrites and iron ore, foundries and metallurgical works are producing at an increased rate. The number of employed workers, which reached 718,285 in October, against 646,285 in October, 1937, has since dropped a little, but not more than is usual at this season. The timber industry alone may slacken, since Germany is likely now to cover more of her timber needs from Austria.

The financial position is satisfactory. Bank deposits in February reached 11,457 million dinars, against 10,455 millions in 1937. New money flowed fairly equally into State-guaranteed and private banks. State receipts during the first eleven months of the 1937-38 budgetary year were 11,652.2 million dinars, and expenditure was 9,475 million dinars.

In view of the prevailing easy money conditions, the Government is planning the issue of an internal loan of 4,000 million dinars, of which 1,500 millions is to be devoted to defence, 1,500 millions to the construction of new railways, and the rest to other public works. The loan will be issued in the course of the next four years, and would be the first internal loan floated since 1921.

Japan

Slow Progress in China

TOKYO, April 6.—Japan's present policy in China might be summed up in the tag *festina lente*. "Protracted struggle" has become a commonplace in speeches by Government leaders. Despite the fact that it has been generally assumed that Japan would aim at swift and overwhelming victory, because of the dangers of economic exhaustion and financial crisis, the Konoye Cabinet is acting as if Japan had unlimited time at its disposal—as if, indeed, time were on Japan's side rather than on China's.

This tendency to make haste slowly is visible in both the political and military fields. The contrast with the situation three or four months ago is striking. At that time, there was a spate of anti-British articles in the newspapers and periodical Press, and of anti-British mass meetings. There were widespread rumours of an early descent on Canton, with possible unpleasant consequences for Hongkong.

The Japanese armies had swept from Shanghai to Nanking with a speed that seemed to forecast easy and decisive success in any other theatre of operations. General Iwane Matsui, Commander-in-Chief of the Japanese forces in the Shanghai-Nanking area, was periodically throwing the essentially defenceless International Settlement at Shanghai into spasms of apprehension by intimating that he might feel obliged to take over complete control of the Shanghai administration. The high point of Japanese militant aggressiveness was perhaps reached immediately after the fall of Nanking, when the American gunboat "Panay" and two oil tankers were sunk by bombs from Japanese aeroplanes, several

British merchant ships on the Yangtze were bombed, and Japanese shore batteries fired on the British gunboat "Ladybird."

To-day the atmosphere has greatly changed. Public expressions of anti-British feeling have subsided. The much-publicised attack on Canton has failed to come off. There seem to have been several reasons for this: the miscarriage of an uprising in Canton which the Japanese attempted to stimulate; the reluctance of the Army to disperse its forces so widely; and the desire of the moderate civilian element in the Government to avoid threatened international complications.

The exuberant and politically minded General Matsui has given way to a new Commander-in-Chief, General Shunroku Hata, who has the reputation of being a soldier whose sole interest is in the military side of his duties. The pace of Japanese military advance has notably slowed up.

Chinese Resistance

To some extent, this slowing up of Japan's advance is attributable to causes outside of Japanese control. There can be no doubt that Japan's military leaders, while they correctly estimated the slight chances of foreign intervention on China's behalf, underestimated the strength and persistence of the resistance which China would offer.

Even now, one often encounters among Japanese the conviction that Chinese resistance would crumble immediately, if it were not for the alleged support of the Chiang Kai-shek regime by Great Britain and by the Soviet Union. Actually if one excepts a few hundred Soviet aeroplanes which have apparently been sold to China and provided with pilots on some kind of long-term credit basis, foreign help to China has been slight. It has been no more than any belligerent power might expect from countries not in alliance with Japan.

At the same time, it is doubtful whether there is any place in China, within geographical reason, which the Japanese could not take, if they were willing to mass enough men and guns and to incur fairly heavy losses. China's armed forces have improved since 1931 and 1932, but they are still almost hopelessly inferior to the Japanese in such respects as staff work, heavy artillery, training and equipment.

To some extent, therefore, the leisurely course of recent military operations may be considered deliberate, and it is apparently prompted by several considerations. The first of these is the necessity of consolidating the gains which have already been made. The area of the five provinces of North China which are nominally under Japanese occupation—Hopei, Chahar, Suiyuan, Shansi and Shantung—is almost 400,000 square miles.

But one advisedly characterises the occupation of these districts as "nominal," because only the Peking-Tientsin area, Inner Mongolia and East Hopei are under normal administration at the present time. The mountainous regions of Shansi are full of guerilla bands which frequently raid the Japanese lines of communication. Between the two main north-south railway lines, the Peking-Hankow and the Tientsin-Pukow, there are extensive districts which have never been brought under effective occupation.

War of Waiting and Attrition

Japan's present go-slow tactics are also partly based on the belief that there are forces of internal disintegration in the Chinese Nationalist regime, which will become increasingly apparent with the passing of time and greatly ease Japan's problems. There are high hopes of disagreement between the Kuomintang and the Communists. There is still some expectation of a separatist movement in Kwangtung Province.

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Meanwhile, Japan is preparing economically for a long struggle by enforcing a rigid balance between imports, on one side, and exports, *plus* newly-mined gold, on the other. This has apparently worked out pretty well during the first quarter, although it is hard to estimate the future effect on Japan's export trade of the severe restrictions on imports of cotton and wool.

Criticism of the Government's "too weak" policy *vis-à-vis* foreign Powers and demands for swifter action to bring the war to a close are sometimes heard. But the majority of the present Cabinet is apparently convinced of the final effectiveness of a policy which seeks to avoid sharp clashes with foreign Powers, and aims to sap Chinese resistance through processes of attrition.

India

Income-Tax Changes

BOMBAY, April 20.—The interest of business men will centre for some months round the Income-tax Amendment Bill, introduced in the Central Assembly at the beginning of April. The Bill is the sequel to the appointment of three officers, in 1935, to report on the income-tax system in all its aspects, its incidence and the efficiency of its administration. Their Report was published in January, 1937, and opinions were invited from Provincial Governments and commercial bodies. A special Session of the Assembly will be held in November to deal with the Bill.

There are several reasons, apart from fraud, which make the yield from income-tax very much less than it should be. First comes the state of the law about liability to make returns, which it is proposed to remedy under the Bill. Except in the case of companies, there has been no obligation on anyone to make a return, unless served with a notice to do so by an income-tax officer. Since the onus of notifying liability to tax was not placed on the citizen, there was no penalty for failure to make returns. This premium on evasion will be removed by requiring everyone who has an income liable to tax to notify the fact, as in Britain. There has also been a loophole in the fact that when an assessment was made it could only be for the year in question and the preceding year. Thus, many who escaped the income-tax officer's net for years were not adequately mulcted even when caught. Assessments will in future be legal retrospectively for a period of six years. The Bill will also limit drastically the scope offered to the wealthy to escape taxation by keeping capital (and income arising from it) abroad.

Europeans and Taxation

The preliminary views of the European group in the Central Assembly were put forward in the introductory debates by Mr L. C. Buss. Mr Buss pointed out that the Bill includes a new definition of dividends, and that this definition includes distribution out of accumulated profits made, on the liquidation of a company, to shareholders. A new formula has been devised for assessing allowances in respect of depreciation so that they shall not exceed written-down values instead of, as hitherto, the original cost. This change, according to Mr Buss, may have far-reaching effects, and care will be necessary to see that it does not result in heavier taxation.

Under the new Bill, the maximum allowance in respect of life insurance is to be limited to Rs. 6,000. Under the existing law, the amount of allowance is limited to one-sixth of the total income of the taxpayer. A clause in the Bill proposes that companies should be required to submit returns of the names and addresses of persons to whom they have paid annual interest of Rs. 200 and upwards, instead of Rs. 1,000 and upwards, as required by the existing law.

A point not dealt with in the Bill, which was put to the Finance Member for consideration during the course of the debate, concerns the exclusion of holding companies from participating in the benefits of super-tax exemption conferred upon investment companies. The business community has pressed for some time for the concession to be conferred upon holding companies. In December, 1933, the Government of India exempted from super-tax as much of the income of any investment trust company as was derived from dividends paid by any other company, which has paid, or will pay, super-tax in respect of the profits out of which such dividends have been, or will be, paid. Representations have been made to the Government that it is unjust to exempt investment trust companies, which are new to India, while the older holding companies, which have contributed largely to Government revenues in the past, continue to bear double taxation.

Argentina

The Government's Majority

BUENOS AIRES, April 16.—Biennial elections were held in March for the replacement of one-half of the Federal Chamber of Deputies, except in the little province of San Luis, whose representatives are not due for re-election until 1940. The independent newspapers of Buenos Aires strongly condemned the manner in which the elections were conducted in the majority of provinces. In the case of San Juan, the Federal Government accepted the accusations, and sent a Federal Commissioner to take over the administration of the province.

The Government won everywhere, except in the provinces of Córdoba and Tucumán, and in the city of Buenos Aires. In the capital, rather unexpectedly, the Government won second place and the minority representation of five seats, as the result of a split in the Socialist Party. In the new Chamber, the *Concordancia* (Government Coalition) will have a majority of seven over the combined forces of the Opposition and Independents. This is a working majority, but not a very comfortable one, especially as parliamentary attendance in Argentina is not always good.

The Government should be able on important occasions to muster the greater part of their supporters. The recovery of the Government's majority in the lower Chamber is very important, in view of the number of Bills held up in the last two years, including those for the purchase of the Córdoba Central and Transandine Railways. In the Senate, the Government has a large majority. The parliamentary deadlock during the past two years forced the Government to rule mainly by decree, a procedure criticised in many quarters as contrary to the spirit if not to the letter of the Constitution.

Exports Still Falling

In March, there was another very sharp fall in Argentine exports, whose volume was only 627,732 tons, against 2,048,352 tons in the same month of last year. Their value was 118,274,495 pesos, compared with 281,070,585 pesos a year ago. The remarkable steepness of the decline in shipments is due not only to poor crops, but also to the tendency of Argentine producers of wool and hides, as well as of wheat and linseed, to refrain from selling, in the hope of better prices.

Maize, usually an important item in Argentine exports, has hardly been shipped at all this year, because there was practically no carry-over from last season after provision had been made for domestic requirements. The recent collapse of Argentine exports would have affected the national economy much more seriously, had it not been for the fact that prices are now much higher than in the worst years of the world depression. This is illustrated by the following table showing exports during the last ten years:—

First Quarter of each Year	Volume (tons)	Value (pesos)
1929	4,417,128	637,233,906
1930	2,888,153	431,788,286
1931	4,011,622	375,139,913
1932	4,874,005	399,429,102
1933	3,720,374	295,594,361
1934	3,973,621	397,883,118
1935	4,265,557	437,928,129
1936	3,418,126	410,404,665
1937	6,693,132	837,673,515
1938	2,313,803	391,982,527

Comparing the first quarters of 1937 and 1938, the total value of exports has fallen by 53.2 per cent. and the total volume by 65.2 per cent. Agricultural products declined in value by 65.4 per cent., and pastoral products by 24.6 per cent. (chiefly due to big falls in wool, hides and dairy products, both in price and volume). Comparison with 1937 is not altogether fair, since that was a boom year, when high prices coincided with huge exports.

The growth in the second half of 1936 and the first half of 1937 gave Argentina great purchasing power, which provoked abnormal orders abroad for goods which are still coming into the country, causing a dramatic change in the trade balance. The chief increases in imports have been in machinery, vehicles, building materials, textiles, tobacco and food, while falls have been recorded only in rubber, iron and drinks.

Depression Again

The first official estimate places maize production at 4,500,000 tons, which leaves an exportable surplus of roughly 3,000,000 tons, and confirms the most pessimistic calculations. Argentina exported 7,051,460 tons of maize in

1935, 8,381,690 tons in 1936, and 9,087,363 tons in 1937, while, in the current year, maize shipments will fall short of four million tons. Exports of wheat and linseed will be much lower in 1938 than in previous years, owing to smaller crops and the absence of a carry-over. Although events in other agricultural countries may bring a rise in prices, it is evident that Argentina cannot look for a notable improvement until the next crops are harvested—that is, until 1939.

One of the results of the return of depression, which may be only temporary, has been a general decline in railway receipts. Two British-owned railways, the Buenos Aires Pacific and Buenos Aires Western, have found it necessary to reimpose the wage cuts, instituted under the Presidential award of 1934, and removed following the prosperity of 1937. The railwaymen's unions protested, and a 10-minute strike occurred on the suburban section of the Buenos Aires Pacific Railway. The Government issued a resolution approving the action of the companies, and negotiations are still proceeding.

The value of the Argentine peso in the free market declined steadily, reaching 20.8 to the £, on March 28th, where it remained until April 2nd, after which there was a substantial recovery to 19.75 on April 11th. The decline caused fears that the value of Argentine currency in the official market might also be reduced, to the detriment of the railway companies, among others. The moderate recovery which has taken place is attributed to natural factors and not to support from the Central Bank, the previous decline having gone too far.

Australia

Anglo-Imperial Trade

MELBOURNE, April 8.—Discussion at the British Empire Producers' Conference at Sydney turned largely on the question of voluntary regulation or restriction by legislation of imports of primary products into the United Kingdom. The leader of the British delegation, Sir Reginald Dorman Smith, M.P., dwelt upon the need for the former alternative. He pointed out that Empire producers could not expand their British sales without limit at the foreigners' expense, because Great Britain had still to retain a certain amount of trade with foreign countries.

Letters to the Editor

Cotton Exports

TO THE EDITOR OF THE ECONOMIST

SIR,—The Manifesto against the Cotton Industry Enabling Bill draws attention to the increase in the cost of production which will result if the Bill is passed in its present form, and states that this will inevitably cause a further decline in the export trade. It proposes that costs should be reduced by financial assistance from the Government for the replacement of obsolete machinery, and the employment of specially trained technicians. Neither of these schemes, however, effectively deals with the export trade itself.

Both Germany and Japan have been able to expand their exports of cotton fabrics by coming to reciprocal agreements with the minor growing States, by which raw cotton is imported in exchange for preferential treatment of exports of finished goods. It is felt that it might pay Lancashire to look beyond the traditional cotton lands of the United States and Egypt, and to import supplies from South America if similar reciprocal agreements can be made.

Brazil is in process of changing from coffee to cotton—production of raw cotton has risen from 49,000 metric tons in 1929 to 200,000 tons in 1936—and other South American States have increased their output of cotton. It would pay Lancashire to take a larger proportion of her cotton from these new producers, if their local markets for British goods could be expanded in sympathy.

The recent imposition by Egypt of a penal tariff on imports of manufactured cotton goods provides an additional argument for the establishment of a strong organisation with power to bargain for the industry as a whole. In 1936, Great Britain took approximately 38 per cent. of Egypt's total exports (two-thirds of which consist of cotton), yet, in face

Sir Reginald stated that the British Government had announced its desire that the producers themselves should take the responsibility for regulating the market. As he put it to the Conference—were they going to attempt to regulate their own products or to leave the whole thing in the hands of the politicians? A similar question was also put by other speakers; and Mr Cleveland Fyfe (representing the National Farmers' Union of England and Wales) stated that legislation would probably be on the British Statute Book by the end of the summer at the latest to provide, among other things, for the control of imports of dairy produce.

Under that legislation, assistance to be given to United Kingdom producers would fall under two heads. There would be a price insurance scheme for butter and cheese, supported by the quantitative regulation of imports; and imports from the Empire would have no contractual claim on preferential treatment, as regards quantitative regulation, in the event of supplies being controlled for the purpose of restoring stable conditions in the United Kingdom market. Empire producers' preference would be the tariff preference which they now enjoyed.

Producers' Co-operation

While the Australian and New Zealand delegates were opposed to restriction in any form, Mr Cleveland Fyfe pointed out that the Dominions had no more right of free entry into the United Kingdom market than the United Kingdom had into the Dominions' markets—a statement which led to a lively discussion. Finally, after the matter had been considered by a sub-committee, a set of five resolutions was passed, the main point of which was in the fourth resolution, recommending that Empire producers' organisations should co-operate to establish such commodity councils as might be deemed necessary, controlled and financed by producers.

The Conference passed a resolution on tariffs, requesting the Governments of the Empire to re-examine their tariff policies in relation to their foreign and Imperial trade commitments. A resolution was also passed that Empire Governments should be approached to pass legislation to provide for the setting up of marketing boards, financed and controlled by producers. And, by another resolution, the Conference urged the setting up in Empire countries, where necessary, of a system of rural credits, designed to meet the needs of agriculture.

of the new tariff, the cotton industry seems devoid of any real bargaining power to gain more equitable treatment for imports of British finished goods.

The committee responsible for the Manifesto has taken the first step to rehabilitate the cotton industry by stating as its aim the reduction of costs of production. It is now necessary to organise the export trade, so that lower costs will in fact result in larger sales of Lancashire's goods abroad.

Yours, etc.,

"LANCASTRIAN."

Stockport.

Milk Distribution

TO THE EDITOR OF THE ECONOMIST

SIR,—It is not quite sufficient to leave this subject of recent comment by you blanketed in the theoretical statement of the theory of competition in Mr Kahn's letter in last week's issue. First, the actual price at which milk is sold is not fixed by the Milk Marketing Board. Only the minimum is fixed, and a majority of distributors in any area can decide to sell at prices below the minimum if they choose. In practice prices ruling are generally higher than the minimum, and a survey of 943 towns in England and Wales, representing 75 per cent. of the population, shows that in 1937 46 per cent. sold above the minimum prices.

There is no evidence to show that if the minimum provisions were removed the retail prices would be reduced, because when "competition" was free prior to 1933 the margin between the wholesale and the retail price in London was greater than it is now.

Neither is there any evidence to show that what you call "all manner of expensive and unnecessary additions to

distributive service" can be connected with the control of minimum retail prices, but these, as the trade knows full well, were the direct result of "competition," and they existed in most of their present forms before the introduction of the Milk Marketing Scheme.

It is difficult to understand, therefore, how this panacea of "free competition" can offer any real solution, and both the Government and the farmers must have taken this view in refusing the recommendations in regard to retail prices of the latest Reorganisation Commission.

There has been much investigation and criticism of the distribution of milk in recent years, which tends to show that the service is in need of more controlled planning than "free competition," which is undoubtedly responsible for the present chaos.

I am, etc.,

4 Campden Mansions,
The Mall, W.8.

J. L. DAVIES.

What are We to Do?

TO THE EDITOR OF THE ECONOMIST

SIR,—I am well aware how foolish it is to protest against a review, especially against one which was in many respects so generous as the review of my recent book, "What Are We To Do?" which appeared in your issue of April 23rd. Yet I want to protest against your reviewer's statements first, that I would wish "to court violence as inevitable," and, second, that "Mr Strachey is not afraid!"

Books and Publications

The Arithmetic of Population

WHEN the echoes of Mrs Wootton's lament for contemporary economics have scarcely died away, Professor Hogben has voiced another protest in the same cause. He is impatient of *la misérable philosophie de l'école* which, in his view, disfigures the work of academic economists and renders their researches sterile. He would go back to the vigorous days of the seventeenth century, when Boyle could write that he valued no knowledge "but as it had a tendency to use"—when the Royal Society emerged from the meetings of Boyle and Petty, Christopher Wren, Seth Ward the astronomer, and Hooke at Oxford, vowed to pursue the objectives of experimental philosophy laid down by Bacon.

"The roads to human power and human knowledge lie close together," and Professor Hogben believes that the metaphysical preoccupations of modern economists, within the scholastic tradition of our universities, have frustrated the usefulness of economic science, as launched by the political arithmeticians of the seventeenth century. Seeking to prove his point by demonstration, he has taken a problem of especial importance to any man "prudent in the affairs of State," and

Neither statement, I assure your readers, has the slightest foundation. In my view, anyone who courted violence to-day would be a criminal, and anyone who, in the present-day world, was not afraid, would be a criminal lunatic.

What I do believe is that our inevitable fears are not good counsellors; that we shall escape violence just in so far as we analyse its causes, and face with resolution those forces which have to be overcome if the causes of violence are to be eradicated. *The Economist* has played a fine part in attempting to persuade the nation to take the resolute course in international affairs, precisely, of course, because you believe that this was the one way to avoid international violence.

I only ask you to believe that those of us who plead with the Labour movement to be resolute, both in this field and in its other struggles, do so for exactly the same reason: namely, that violence may be avoided.

I am, Sir, yours, etc.,

JOHN STRACHEY

[Our reviewer expresses his deep regret if he has misinterpreted Mr Strachey's views; and would in no way quarrel with the gloss which Mr Strachey gives above on his own opinions. If, however, Mr Strachey believes that *the root and branch transformation of society for which he calls* can be accomplished without violence, through the regimented New Model Party which he advocates and without the compromises and concessions which he condemns, then he indeed shows more optimism than the Marxist books and History would seem to permit.—ED., *Econ.*]

called together a team of statisticians and sociologists to set down the conclusions of their skilled analyses.*

These modern political arithmeticians have done their work with conspicuous success and this collection of population studies by R. R. Kuczynski, Enid Charles, Pearl Moshinsky, D. V. Glass, David Morgan and Allison Davis is of outstanding value. Only a reader learned in statistical technique can fully assess the niceties of its excellence, but anyone concerned with social questions can easily see how ably the searchlight of science has been shed on a painfully practical and pressing problem. If it is true that "the goods of mankind may be much increased by the naturalist's insight into the trades," then Professor Hogben's demonstrators have, at the same time, served the society and their science well.

The burden of their story is familiar. Nothing can arrest a continuous decline in the total population of the Western world unless something happens to increase fertility above its present level—not even an increase in marriages or a change in the distribution of wealth. The background and the details of this problem are fully painted; the relations between fertility and employment, between population trends and economic changes, between reproduction and environment.

But the population's social milieu is by no means uniform. There are social classes and income grades; and this book turns in its second part to consider how the graded personnel of society is recruited from these different strata. What relation is there in England between ability and educational opportunity, between parental occupation and ability, between economic environment and chances of employment? How are the scales of opportunity weighted between rich and poor, educated and uneducated? No better analysis of the social structure of our country within this field has yet been done.

Professor Hogben has proved his point that realistic researches can afford a public justification for economic studies. But these essays stand rather apart from his assault on syllogistic economics. It is not, for instance, by any means certain that Professor Hogben's definition of plenty as "the excess of free energy over the collective calorie debt of human effort applied to securing the needs which all human beings share" is more useful or more endowed with meaning than Dr Hicks' derided "concession curves." This book has not revolutionised economic science. It is an invaluable and comprehensive collection of population studies.

* Political Arithmetic. A Symposium of Population Studies. Edited by Lancelot Hogben. Allen & Unwin. 530 pages. 30s.

Shorter Notices

"Biologists in Search of Material." An Interim Report on the Pioneer Health Centre, Peckham. Faber and Faber. 104 pages. No price stated.

A proposal to extend the medical services to cover the nation widely has been recently made. The biologists' work at Peckham is designed to show us, not only how such a service could be organised, but also how it could be efficiently and economically run. Their style and phraseology make remarkably difficult reading; but their comparative study of the physical processes of health and well-being will repay examination in these fitness-minded days.

"The Crumbling of Empire." By M. J. Bonn. Allen and Unwin. 432 pages. 15s.

Dr Bonn comes close to the heart of colonial problems in his cogent and comprehensive examination of the resources and economic vulnerability of present empires. He states the claims of Italy, Japan and Germany to colonial equality; and lays stress upon the extent to which the rational economic value of colonies has been exaggerated. He is sympathetic to German resentment, but not sentimental. The way to world peace is not through intensified empires, however divided, but by freer trade and migration. The mission of the European Powers in colonial places "implies the ultimate liquidation of domination."

Books Received

- Elements of Economics. Second Revised Edition.* By C. R. Fay and W. C. Bagley, Jr. (London) Macmillan and Company, Ltd. 562 pages. 7s. 6d. net.
- Directory of Swiss Manufacturers and Producers, 1937.* (Zürich) Swiss Office for the Development of Trade. 690 pages. No price stated.
- Studies in Income and Wealth. Vol. I.* By the Conference on Research in National Income and Wealth. (London) Macmillan and Company, Ltd. 348 pages. 10s. 6d. net.
- National Income and Capital Formation, 1919-1935.* By S. Kuznets. (London) Macmillan and Company, Ltd. 86 pages. 6s. 6d. net.
- Essays in Political Economy in Honour of E. J. Urwick.* Edited by H. A. Innis. (London) H. Milford. 236 pages. 11s. 6d. net.
- Rubber Producing Companies, 1938. Official Guide for Investors in Rubber Shares.* Issued by Mincing Lane Tea and Rubber Share Brokers' Association, Ltd. (London) "Financial Times," 72 Coleman Street, E.C.2. 607 pages. 7s. 6d. net.
- Public Utility Rate Making and the Price Level.* By E. M. Bernstein (Chapel Hill, North Carolina) University of North Carolina Press. 142 pages. 11s. 6d. net.
- An Introduction to Money.* By W. A. L. Coulborn. (London) Longmans Green and Company. 278 pages. 6s. net.
- The National Union of Manufacturers, List of Members, 1938.* (London) National Union of Manufacturers. 444 pages. 5s. net.
- London Statistics, 1935-37. Vol. XL.* London County Council. (London) P. S. King and Son, Ltd. 502 pages and map. 15s. net.
- The Liberal Year Book for 1938.* (London) Liberal Publication Department, 42 Parliament Street, S.W.1. 274 pages. 2s. 6d. net.
- Burial Reforms and Funeral Costs.* By Sir A. Wilson and H. Levy. (London) H. Milford. 248 pages. 12s. 6d. net.
- Labour's Battle in the U.S.A.* By J. R. Walsh. (London) Allen and Unwin. 293 pages. 10s. 6d. net.
- Foreign Balances.* By P. Einzig. (London) Macmillan and Co., Ltd. 186 pages. 8s. 6d. net.
- The People's Army.* By L. Clive. (London) Gollancz. 288 pages. 7s. 6d. net.
- Co-operation in Sweden.* By A. Gjöres. (Manchester) The Co-operative Union, Ltd., Hanover Street. 197 pages. No price stated.
- International Economic Position of Argentina.* By V. L. Phelps. (London) H. Milford. 276 pages. 14s. net.
- An Analysis of Price Behaviour during the Period 1855-1913.* By J. Pedersen and O. S. Petersen. (London) H. Milford. 268 pages. 12s. 6d. net.
- The Incorporated Accountants Year Book 1938. List of Members and Regulations.* (London) Society of Incorporated Accountants and Auditors, Victoria Embankment, W.C.2. 1,280 pages. No price stated.
- Handbook of Latin-American Studies.* Edited by L. Hanke. (London) H. Milford. 515 pages. 17s. 6d. net.
- Industrial Relations in Great Britain.* By J. H. Richardson. International Labour Office Studies and Reports. Series A, No. 36. (London) P. S. King. 290 pages. 4s. net.

Official Publications

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

- Colonial Report, No. 1822. Annual Report on the Social and Economic Progress of the People of Federated Malay States, 1936.* 2s. 6d. net. No. 1832. *State of Perlis (Unfederated Malay States) for the year A.H. 1355 (1936-37).* 1s. 6d. net. No. 1833. *Fiji, 1936.* 1s. 6d. net. No. 1834. *The Gilbert and Ellice Islands Colony, 1936.* 1s. net. No. 1835. *State of Kedah (Unfederated Malay States) for the year A.H. 1355 (April, 1936-37).* 2s. net. No. 1836. *Gold Coast, 1936-37.* 2s. net. No. 1837. *British Guiana, 1936.* 1s. net. No. 1839. *Cayman Islands (Dependency of Jamaica), 1936.* 9d. net. No. 1838. *Grenada, 1936.* 9d. net. No. 1840. *Ceylon, 1936.* 3s. 6d. net. No. 1841. *Leeward Islands, 1936.* 1s. net. No. 1842. *Nigeria, 1936.* 2s. net. No. 1844. *Seychelles, 1936.* 9d. net.
- Department of Overseas Trade. Report on Economic and Commercial conditions in Peru, October, 1937.* 9d. net. No. 691. *Brazil, 1937.* 3s. net. No. 692. *Tunisia, 1937.* 6d. net. No. 694. *Denmark, 1937.* 1s. 6d. net. No. 695. *Australia, 1937.* 2s. 6d. net. No. 696. *Latvia, January, 1938.* 1s. net. No. 697. *Hungary, 1935-37.* 1s. net.
- Civil Estimates, 1938. Class I, Central Government and Finance.* 1s. 6d. net.
- Navy Estimates, 1938.* 7s. 6d. net.
- Statement of the First Lord of the Admiralty Explanatory of the Navy Estimates, 1938.* Cmd. 5680. 6d. net.
- Navy: Supplementary Estimate, 1937.* 2d. net.
- Reports of the Unemployment Insurance Statutory Committee, 1937-38.* 7s. 6d. net.
- Army Estimates, 1938.* 5s. 6d. net.
- Memorandum of the Secretary of State for War relating to the Army Estimates, 1938.* Cmd. 5681. 2d. net.
- Army Supplementary Estimates, 1937.* 2d. net.
- Army (Royal Ordnance Factories). Estimate of Charge for the Year 1938.* 3d. net. *Accounts, 1936.* 3d. net.
- Customs Tariffs of the Colonial Empire, Palestine, Supplement to Part II. Eastern, Mediterranean and Pacific.* 1s. net.
- Report of the Commissioners of Prisons and the Directors of Convict Prisons for the year 1936.* Cmd. 5675. 2s. net.

WORLD FINANCE 1937-1938

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THE BUSINESS WORLD

The Daladier Franc

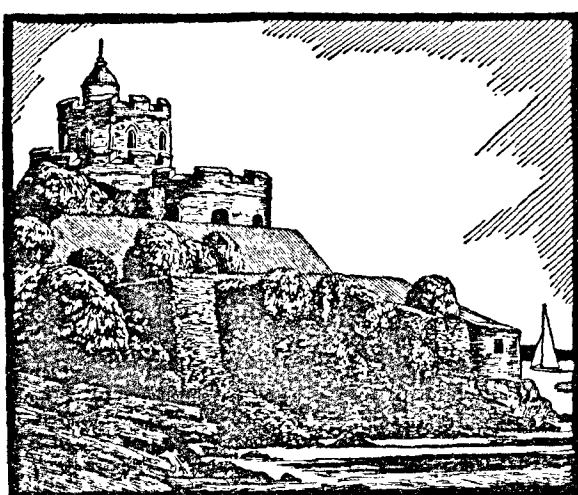
M. DALADIER has wasted no time since his return from London, and events in France have moved rapidly this week. On Tuesday evening, there appeared the first series of decrees issued by virtue of M. Daladier's special powers. These were in three groups, dealing, respectively, with public finance, the stimulation of production, and the provision of better credit facilities to the world of commerce. They are summarised by our Paris correspondent on page 294. Wednesday was a day of rumour in London, Paris and New York, but it was clear by then that a fresh depreciation of the franc was contemplated. On Wednesday evening, M. Daladier confirmed this in a broadcast address to the French nation, in the course of which he promised the stabilisation of the franc on a basis which would be defended effectively. All that day a new rate of Frs. 175 to the pound was expected, but on Thursday morning the Banque de France pegged sterling at Frs. 179, with the three months' rate at only 50 centimes discount. This foreshadowed M. Daladier's decision, announced at midday on Thursday, fixing the limit of Frs. 179 to the pound, below which the franc will not be allowed to fall. On Thursday afternoon, Sir John Simon informed the British House of Commons that the ultimate aim of French policy was a rate corresponding to the economic position and giving France no competitive advantage, and that the Tripartite Agreement continued "with full force and effect."

It is clear from the spirit of the decrees and also from M. Daladier's Wednesday broadcast that one of his principal objectives is an expansion of France's real national income. It has been currently estimated that no less than 40 per cent. of the total national income is absorbed by the needs of the Government. This percentage is probably too high, as the general disposition is to under-estimate the national income, but there is no doubt that French Government expenditure is an extraordinarily high proportion of the present value of France's national production. Nevertheless, the first step needed was a general clean up of the Budget, at the cost of swelling the total amount of ordinary expenditure to be covered out of revenue. This was necessary also because of the decision to accelerate re-armament expenditure. These changes in turn have forced M. Daladier to impose a general increase in taxation, and also to admit that the final balancing of the ordinary Budget must await an expansion in national production and the national income, and the consequent increase in the buoyancy of the revenue.

The concrete proposals comprised in the last two groups of decrees are designed to stimulate production. They embody specific encouragement to the tourist traffic, subsidies to building, the partial exemption from taxation of profits and overtime wages derived from any future expansion in production, and a promise of further decrees designed to modify temporarily the forty-hour week. Steps are also proposed to relieve creditors from the delays often experienced in collecting their debts, this being one of the consequences of the recent depression. The use of cheques is to be stimulated; debtors, including Government departments, are to be bound to accept bills of exchange presented by their creditors, and fresh funds are to be provided for the *Caisse Nationale des Marchés* to enable it to discount bills more freely.

The general impression left by this list of proposals is that they were palliatives which by themselves could not restore confidence and tempt the expatriated French capital home again. Still less could they raise the total volume of production to the point needed to make the present level of Government expenditure more tolerable. They did not solve the even more pressing problem of how the French Treasury was to obtain its immediate cash needs without further inflationary borrowing from the Banque de France. They did not in themselves replenish by one ounce of gold the depleted resources of the French Exchange Fund, or provide any guarantee that the franc would be held at its recent level of Frs. 160 to the pound. Last but not least, unless all these conditions could first be fulfilled, there was no prospect that the proposed Defence Loan could be successfully floated.

Many reasons, therefore, impelled M. Daladier towards undertaking a fresh and immediate depreciation of the franc. First and foremost, given an empty Exchange Fund and the reluctance of the expatriated capital to return to France, he was anything but a free agent in the matter.



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Electricity Companies

AN industry which, half a century after its birth, can show a growth, within a mere three years, of nearly 50 per cent. in its output and in the number of consumers which it serves, is clearly still in full vigour. In recent weeks we have reviewed in these columns the achievements of the leading electricity companies, and have given detailed consideration to their output, profits and dividends. We now propose to relate these results to a broader industrial and investment context, in which the possibility of important and far-reaching legislative changes necessarily plays a part.

With this object in view, we have analysed the results of nineteen important concerns, whose names are given in a footnote to the second table overleaf. Our sample includes all major companies, with the exception of the Edmundsons Electricity group, although the latter's important subsidiary, "Three Counties" Electric, is included. These companies, in 1935, accounted for 90 per cent. of the number of units sold by company undertakings. In our first table, which appears at the head of the next column, we have extracted particulars of consumers connected, units sold, and gross and net revenues in cases where such information is available. The scope of the particular samples is expressed as the proportion which the net operating profits of the companies concerned bears to the corresponding total for the whole group of nineteen companies.

Judged by consumers connected and by sales, the industry has continued to make handsome progress. Since the end of 1934 consumers have increased by 47 per cent. and sales by 48 per cent. in the case of the companies included in our survey. It is not surprising, therefore, that the rate of progress (as distinct from the absolute advance) showed a slight tendency to decline last year—though it is being maintained at a rate which the majority of other

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Next, the stimulus likely to be given to higher internal prices promised to bring about a speedy expansion in the national income measured in francs. This in turn would reduce the burden of outstanding debts, both public and private, and so would be tantamount to a general relief of debtors at the expense of their creditors. This would obviously help both the Treasury and industry generally, but whether it would restore the confidence of the investor is another question. Finally, M. Daladier probably wishes to ensure that the fresh rise in internal prices and costs—which his new taxation proposals alone are calculated to bring about—will not produce a serious risk of the franc's becoming over-valued.

If, however, a fresh depreciation of the franc was inevitable, it was equally imperative for M. Daladier to give to the world the assurance that this latest depreciation would be final. From the purely French point of view, this assurance of finality is the only way in which the expatriated capital can be induced to return home. Even here, it is not sufficient for M. Daladier merely to give the assurance. The French investor must be convinced of his ability to give practical effect to it, not for a short space of time, but for an indefinite period. Much, therefore, will depend upon the authorities' ability to hold the franc at its new level, especially during the next few critical weeks, while the French investor is deciding whether or not to risk repatriation. With an empty Treasury and Exchange Fund, this will not be an easy task. M. Daladier must maintain and enhance the prestige of his own Government at home, and, even so, he may need the active market co-operation of London and Washington. He has probably resigned himself to the impracticability of obtaining definite credits in either centre, but it would be of some help to him if, for a short time at least, the British and American exchange controls were prepared to buy and hold francs, without immediately using them to draw fresh gold from France.

M. Daladier's need for external assistance, however, at once raises the bearing of this fresh depreciation upon the letter and spirit of the Tripartite Monetary Agreement. It is clear that both London and Washington were made acquainted last week-end with M. Daladier's decision to make a fresh devaluation; and as we suggested last week, the onus must have lain upon M. Daladier to show that his decision did not imply competitive currency depreciation and so contravene the terms of the Tripartite Agreement. The difficulty of his task must have been increased if there is any truth in the general assumption that at Frs. 160 to the pound the franc had ceased—for the time being, at least—to be over-valued.

Obviously, with France in her present state of economic flux, it is impossible to make any valid calculation of the real purchasing power parity of the franc against sterling or the dollar. The answer is to-day, and must remain for some time, a matter of guess-work. No doubt both London and Washington needed some convincing, and no doubt M. Daladier himself in London and his representatives in Washington found it the easiest course to adduce some of the arguments hinted at above. The Agreement, however, stands, although upon a very different basis from that existing in the autumn of 1936 at the date of its conclusion.

The question to-day is whether M. Daladier can repeat the "Poincaré touch" under conditions which are much more difficult than those of ten years ago. If so, he will restore stability and bring the expatriated capital back home again—though if he follows the Poincaré precedent, the franc may once more be under-valued, notwithstanding the Tripartite Agreement. The resulting inconvenience to other nations, however, should be a small price to pay for a strong and prosperous France. Clearly, M. Daladier is keenly aware that if France is to keep level in the re-armaments race, she must produce more, tolerate a high level of taxation and postpone for the present her hopes of a higher standard of living for her people. To be successful, the action of the French Government must be drastic; and it can only be made drastic if the policy put forward simultaneously wins the active acceptance of the vast mass of the French people. These are the crucial issues for France to-day; and for their outcome the developments of the next few weeks will be anxiously awaited.

CONSUMERS, SALES AND REVENUES 1935-37

	1935	1936	1937
Consumers connected (68 per cent. sample):—			
Number	1,302,429	1,476,783	1,657,297
Increase (%)	15.4	13.4	12.2
Units sold (70 per cent. sample):—			
Number (millions)	3,719	4,292	4,882
Increase (%)	12.7	15.4	13.8
Revenues (63 per cent. sample):—			
Gross revenue	13,450,409	15,073,766	16,482,502
Net revenue	6,003,855	6,738,744	7,374,579
Net as per cent. of gross	44.5	44.8	44.7

industries might well envy. In terms of revenue, moreover, progress is still highly satisfactory. The rate of increase in gross and net revenues has been, in fact, 12 per cent. for 1936 and 9½ per cent. for 1937, in each case. Actual reductions of tariffs, and the general prevalence of systems of charge by which the average price per unit is reduced as individual consumption increases, explain why these increases are lower than those of output itself. The net revenue totals, however, include such items as miscellaneous income and dividends from subsidiary companies, and consequently the relation between gross and net revenues, which we have expressed as a percentage at the foot of the table, affords only a general indication of the movement in the industry's "operating ratio." But its relative stability last year, when the movement in gross revenue might appear to have justified a somewhat improved ratio, must evidently be attributed to rising direct operating costs, and perhaps to higher current expenditure involved in serving newer areas of supply, where an optimum load has yet to be built up.

In our second table we have set out the revenue and appropriations of all nineteen companies, deducting interest and preference dividends from total net revenue, and showing the percentage distribution of the residual revenue between depreciation, ordinary dividends and free reserves. The table strikingly illustrates the expanding profitability of the industry:—

PROFITS AND APPROPRIATIONS OF 19 COMPANIES* 1935-37

	1935	1936	1937
Net revenue	£ 9,766,351	£ 10,948,238	£ 12,008,369
Interest and preference divs.	2,646,603	2,787,263	2,909,605
Net rev. after fixed charges	7,119,748	8,160,975	9,098,764
Depreciation	3,606,408	4,008,468	4,663,874
Ordinary divs.	3,245,458	3,505,833	3,556,914
To free reserves or c.f.wd.	267,882	646,674	877,976

* County of London; London Associated; London Electric; City of London; Metropolitan; North Metropolitan; Bournemouth and Poole; Midland Electric; Midland Counties; Shropshire, Worcestershire and Staffordshire; Northampton British Power and Light; Mersey Power; Electrical Dist. Yorkshire; Yorkshire Electric; N.E. Electric; Lancashire Electric; Clyde Valley; Scottish Power.

Examination reveals, however, that the ordinary shareholder has participated to a relatively small extent in the recent progress of the industry. Throughout the three years, rates of ordinary dividend declared by the leading companies have remained unchanged. The only exceptions, indeed, are increased payments by Midland Counties in 1936 and British Power and Light in 1937, and a reduction of the "B" ordinary dividend by the Shropshire, Worcestershire and Staffordshire company. In practice, the increase in available earnings has been principally used to strengthen depreciation provisions, and to increase free reserves and balances carried forward. The allocation of net earnings, so far as it rests upon the discretion of directors, has been conservative. The provision for depreciation, in particular, might have seemed no less generous in 1937 if it had absorbed the same proportion of the disposable earnings as in 1935. Actually, ordinary shareholders last year received only 39.2 per cent. of disposable revenue, after fixed charges, compared with 45.4 per cent. in 1935, although revenue had itself increased by 28 per cent. in the meantime. If net earnings had been distributed in the same proportion between depreciation and free reserves on the one hand, and ordinary dividends on the other, in 1937 as in 1935, the amount applicable to ordinary dividends

would have been increased by some 16 per cent.—a result which would have represented a potential increase in the basic 8 per cent. dividend rate, paid by many large undertakings, to over 9 per cent.

The question of depreciation, however, is more complex than the summary figures suggest. For the nineteen companies as a whole, allocations for depreciation are approximately equivalent to the residual earnings available for the ordinary capital. But there is very considerable difference of practice between different units in the industry, and it is evident that the actual size of the provision in any particular instance has a close bearing upon dividend policy. In view of the possibility of legislation in future, it is desirable to obtain a closer estimate of the "true" level of earnings for individual companies. It is with this object that we have, in recent notes, attempted to obtain some degree of standardisation which, whatever its absolute validity, is of service for comparative purposes. The basis adopted is the scale of depreciation prescribed by the Electricity Commissioners for use in connection with the Electric Supply Act of 1926, by which the "Grid" was constituted. Insufficient data are available to make our "standard scales" precise; but it is unlikely that the scope for error is sufficient seriously to affect the conclusions.

In view of the importance of depreciation as a determining factor in dividend policy, the electricity shareholder is not usually in a position to assess future dividend prospects merely on normal economic considerations. There are, however, two matters which should be taken into account, on a near-term examination of the industry's outlook. The first is the prospective expansion in load. In the industry as a whole expansion will almost certainly continue, if not, perhaps, at the same pace as in recent years. But it is possible to distinguish between companies which are primarily dependent on the industrial prospects of a given locality and others with a more diversified load. Lancashire Electric, for example, serves an area in which cotton predominates, while the Clyde Valley and North-Eastern Electric undertakings are "heavy industry" suppliers, whose rate of growth is conditioned to some extent by fluctuations in the steel and constructional industries. Secondly, all companies are now forced to meet increased charges for coal, which in particular instances may constitute an appreciable burden. Yet the experience of 1937—in which a considerable increase was already being borne—is on the whole reassuring. This conclusion may be supported by a very rough calculation based on the nineteen companies whose reports we have examined. Their total sales (excluding sales to the Central Electricity Board) were probably of the order of 7,250 million units, and the cost of coal required for the generation of this amount of energy might be placed at £3 millions. An increase of 20 per cent. in the price of coal, therefore, would be equivalent to £600,000. Even if the whole burden of this increase were to fall on the companies, the effect would not be catastrophic. In fact, an appreciable part of the excess cost may be passed on to the consumer under bulk supply and power contracts. Indeed, if it is permissible to guess at the effective extra burden, a figure between £100,000 and £200,000 for the companies as a whole might well be representative. But it would still be true that certain concerns might be more considerably affected.

In estimating the longer-term outlook, the investor must needs take account of legislative possibilities. Legislation has been postponed a second time, and its ultimate nature may well be less drastic than that envisaged in the "draft proposals" circulated last year. But sooner or later the State is likely to enact the consolidation of undertakings into larger units, and the revision of franchises under which statutory powers are exercised. The method of consolidation may not, perhaps, embody the thoroughgoing compulsory provisions of the draft proposals, or even the less drastic recommendations of the McGowan Committee. The problem of franchises, however, is more complicated, and it involves careful consideration of the "true earnings" position we have already discussed. There are, of course, significant differences between the terms of existing franchises in many cases. And it is necessary to distinguish between the perpetual powers granted by separate Acts,

under which electricity companies give bulk supplies, and powers to give detail supplies for lighting and general consumption. In most instances a considerable part even of the typical power company undertaking operates under this second type of franchise. But these powers, with few exceptions, have limited periods of tenure, which are usually 42 years from the grant of the Order. At the end of their term the local authorities have the right to acquire the physical assets of the undertakings at a valuation which, as a rule, includes no provision for goodwill. Whether or not such powers are eventually exercised, it is reasonable to suppose that they would be taken into account in determining the level of earnings on the basis of which consolidated and extended franchises might be given, if they were decided upon. If, therefore, a substantial part of any undertaking is operated under special orders which have a short unexpired life, and the rate of return on the capital

expenditure is high, the investor would do well to satisfy himself about the possible effects of legislation standardising the tenure, permissible dividends, and termination clauses of franchises.

Such is the general prospect for the industry, from the economic and legislative standpoints. To-day there is less reason than a year ago to fear far-reaching changes prejudicing the position of shareholders (and particularly preference shareholders). But the eventual possibilities of legislation deserve separate treatment for every company. We have indicated, in broad terms, some of the main considerations which should guide the investor's judgment. Their general effect is to reinforce the considerations limiting the equity in electricity company shares, which have already been emphasised by the remarkable stability of ordinary dividends in a period when the size and scope of the industry have increased with phenomenal rapidity.

Finance and Banking

Strain on the Belga.—The strain on the belga, which has been apparent ever since the beginning of this year, has been considerably intensified this week. It has been apparent in a widening of the discount at which the Belgian currency has been quoted for forward delivery and in an acceleration in the outflow of gold from Belgium. The discount on three months' belgas has this week reached 35c., equivalent to a rate of interest of 4½ per cent. per annum. This, for a currency which is on a rigid gold standard, must be regarded as a wholly abnormal rate. Since the beginning of the year Belgium has exported £17,300,000 of gold to Great Britain. Over the same period the gold reserve of the National Bank of Belgium has fallen by some £13 millions, or by 12 per cent. The balance represents gold exported from the hidden reserves of the Belgian Exchange Fund. The pressure on the belga derives from two sources. The first is the psychological pull of the French franc, which, for some weeks past, has (for the first time in history) been at a discount in terms of Belgian francs. The creation of the belga—equal to five Belgian francs—was intended in part to sever the psychological and traditional link which has bound the two francs. But despite the growing political and economic independence of the two countries, the mutual bonds that link their currencies remain an appreciable factor in the exchange market. Most of the French money which found refuge in Belgium has now left that country. A moderate flight of Belgian capital has been confirmed by the recent announcement of a drastic increase in taxation, following the resignation of the former Finance Minister, M. De Man. The impression has gained ground that the national finances may be subject to a somewhat extensive process of overhaul.

The "Dego" Mark.—The newest member of the lusty and growing family of German marks is the "Dego" mark, whose name is formed by the initials of the Deutsche Golddiskontbank, the supplier of the new currency. Its creation is the result of the incorporation of Austria into Greater Germany and of the extension of the facilities for using Travel marks to the new province. Had the extension been made without any alteration in the arrangements for the creation of Travel marks, the whole benefit of the foreign exchange proceeds of tourist traffic in Austria would have gone, not to the Reich, but to its foreign banking creditors, who hitherto have been the sole providers of Travel marks. These foreign creditors, consequently, would either have been able to accelerate the liquidation of their standstill commitments and/or to obtain better rates for the registered or Travel marks which they received on the repayment of their credits. Such a condition would obviously have been unacceptable to the German authorities. It has, therefore, been decided, that, from May 1st (when the Travel marks became available for tourist expenditure in Austria),

Travel marks must be made up as to 75 per cent. from registered marks (the proceeds of standstill credit repayments) and as to 25 per cent. by Dego marks purchased against free devisen from the Deutsche Golddiskontbank at the current rate quoted for registered marks. The ratios chosen are at best a rough approximation of the proportion of tourist expenditure in Germany and former Austria, respectively. If the *Anschluss* results in a slump in tourist traffic to Austria, the demand for Travel marks will not increase sufficiently to compensate the creditor banks for the 25 per cent. share of the devisen proceeds of Travel mark sales transferred to the German authorities. Experience alone will prove whether the creditor banks have made a good or bad bargain. Messrs J. H. Schroeder and Company have been made sole agents for the sale of Dego marks in the London market, and dealings began this week on the basis of about 51 per cent. discount.

United States and Silver.—At the week-end it was announced that the Administration had revoked the regulation of 1934 compelling all American holders of silver (otherwise than in the form of coin or required for the arts) to sell their silver to the American Treasury at a fixed price of 50.01 cents per ounce. The revocation of this regulation in itself is of little significance, for it had already become obsolete. Also the American Treasury is still buying newly-produced American silver at 64.64 cents and other silver at 42½ cents an ounce. There are, however, further reports, as yet unconfirmed, that the regulations forbidding the exportation of silver or its transport within the United States are also being revoked. It may be that Washington is seeking to re-establish the New York silver market, though little can be done in this direction so long as the 50 per cent. tax on silver profits remains in force. More generally, the Administration is not displaying quite the same enthusiasm for silver as it did four years ago.

Silver in Canton.—It appears from recent reports from Canton that the Currency Control, introduced on November 7, 1935, to withdraw the 20 cent silver coins

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from circulation has not been entirely successful. The Mint authorities of Kwangtung estimate that there is still 250 millions dollars (Canton) worth of silver in the province. Fears were expressed before the conversion was attempted that hoarding of silver would take place on a large scale and that the 20 cent paper bills would not everywhere enjoy popular confidence. However, a 20 per cent. premium was offered on silver exchanged for notes and the Government banks of the province rapidly acquired over 100 million dollars of the white metal. After the first few months, however, the rate of conversion slackened greatly. By the beginning of this year the amount of silver

collected by the banks was 187 million dollars. Although the American silver purchase policy caused a marked drain on Chinese silver resources everywhere—even after the remedial measures to stop export—it is estimated that in the province of Kwangtung there is still 250 million dollars of silver hoarded by the people. The provincial authorities have recently started a campaign to mobilise this silver as a reserve to buy foreign exchange, of which there is much need in the present national emergency. It is still too early to tell the effect of the Government's appeals to the patriotism of the people, but moderate success is hoped for.

MONEY MARKET NOTES

Foreign Exchanges

THE depreciation and subsequent pegging of the franc, discussed in a leader on page 302, have made the London market very active. From Frs. 162½ ten days ago sterling gradually rose to Frs. 170½ on Wednesday evening, and on the following day the new rate of Frs. 179 took effect. All Thursday there was a very strong demand for francs, mainly from those anxious to cover short positions. The Banque de France sold francs heavily, and is estimated to have gained £40 millions of sterling by the middle of the afternoon. One month's francs strengthened to a small premium, for the first time for a very long time indeed. Three months' francs were at a discount of only Frs. ½-¾, and this narrow margin is easily explained by the higher level of interest rates in Paris. Belgas were weak as a result of the change in the value of the franc. The New York-Brussels spot rate was held inside the gold export point, but only through official support given to the belga in London. It is possible that Belgium lost gold to the British Control. Three months' belgas were offered at 80-85 cents discount. Swiss francs were also weak, partly because of sales against French francs and partly because of rumours that Switzerland would be affected by the depreciation of the French franc. Dollars were erratic. They were offered on Wednesday at \$5.00, owing to rumours that the dollar as well as the franc was going to be devalued; and they were bid down to \$4.99 on Thursday, when the absurdity of these rumours became apparent. Late on Thursday afternoon an official denial of any intention to devalue sterling or the dollar was given in the House of Commons.

The Bank Return

Last week's increase in the note circulation was only £1.2 millions which is less than that of the end of April in either 1936 or 1937. A year ago the note circulation was beginning to ex-

pand under the influence of the approaching Coronation.

	May 5, 1937	Apr. 20, 1938	Apr. 27, 1938	May 4, 1938
Issue Dept.:	£ mill.	£ mill.	£ mill.	£ mill.
Gold	313.7	326.4	326.4	326.4
Notes in circulation	475.2	495.6	489.3	490.5
Banking Dept.:				
Reserve	39.4	31.6	38.0	36.7
Public Depts.	16.4	18.0	10.9	10.7
Bankers' Depts.	97.2	106.5	113.3	117.5
Other Depts.	37.7	36.1	36.5	36.0
Govt. Secs.	103.1	117.6	114.0	117.8
Discounts & Advances	5.4	8.2	7.1	8.2
Other Secs.	21.0	20.8	19.4	19.3
Proportion	26.0%	19.7%	23.6%	22.3%

In the banking department, bankers' deposits are £4.2 millions higher than a week ago, mainly because of the May 1st dividend payments on Conversion and Funding Loans. It looks as if there had been some Ways and Means borrowing from the Bank in order to cover these payments, for public deposits remain at the low level of April 27th, while during the subsequent week there was an increase of £3.8 millions in Government securities.

The Money Market

Money remains easy, with very little calling by the clearing banks. Bond-money from outside lenders is once more quoted at ½-¾ per cent. The banks remain keen buyers of bills, but have only been able to secure July dates.

	May 6, 1937	Apr. 28, 1938	May 5, 1938
Bank Rate	%	%	%
London Deposit Rate	½	½	½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½-5½	1½	1½-5½
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	1½-9½	1½-9½	1½-9½

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

So far as maturities are concerned, the market has now reached its lean period. Three months ago, allotments of Treasury bills were only £30 millions, and only 18 per cent. of the market's applications were proving successful. It is

these bills which are now maturing. On the other hand, current allotments are £45 millions, and the market is securing 60 per cent. of its applications. Thus market payments for new bills are well in excess of maturities, a development which makes the market rather readier to sell bills to the banks.

The Bullion Market

The fresh depreciation of the franc, together with rumours that other currencies might be affected, stimulated a new demand for gold. On Wednesday purchases were very general, being made not only against francs but also against dollars, belgas, and even guilders. This demand was met from official sources. Thursday witnessed an unusually large volume of business, the amount dealt in reaching £1,178,000. About 25 per cent. of this sum represents offerings from hoards, the remainder again coming from official sources. The fact that this large quantity was absorbed at a premium of 6d. shows that, in spite of some dishoarding, the demand for gold from hoarders remained very keen. Indeed the price rose to 139s. 8d. soon after the fixing.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Dis- count *	Amt. dealt in	Cash	Two Mths.
1938	s.	d.	£'000	d.	d.
Apr. 29	139	6½	337	181½	18½
" 30	139	6½	2 pm	413	189½
May 2	139	6½	1½ pm	191	181½
" 3	139	6	1½ pm	273	18½
" 4	139	6	1½ pm	410	18½
" 5	139	7	6 pm	1,178	18½

* Above or below American shipping price. The New York price of silver remained at 43 cents per ounce .999 fine during the week.

There is little life in the silver market. The revocation of the American regulations, referred to in a Financial Note, on the whole had a depressing influence. Buyers were holding off, but sellers were not disposed to press silver on the market.

	1928-1932	1933-1937
Surplus earned during quinquennium	£ 1,281,442	£ 942,759
Brought forward	421,536	425,994
	1,702,978	1,368,753
Allocations:—		
Bonuses to policyholders	1,083,010	1,112,917
Shareholders	193,974	163,725
Carry-forward	425,994	92,111
	1,702,978	1,368,753

The amount of interim bonuses paid on claims during the past five years is not mentioned in the Report, and the allocation to policyholders, consequently, is greater, by its amount, than appears in the table. The rate of bonus is again 43s. per cent., calculated on the sum assured.

New sums assured increased from £3,761,000 to £3,849,000 and death claims showed a reduction of £71,000 to £451,000. The net rate of interest earned on the life fund was £3 19s. per cent. (allowing for special income tax items in the Revenue Account), against £3 15s. 7d. per cent. in 1936. Fire premium income was slightly smaller at £992,000. The underwriting results, while satisfactory, were not so favourable as those of the previous two years. Combined Accident, Employers' Liability and Miscellaneous premiums amounted to £323,000, against £311,000. It is the practice of the company to reserve 50 per cent. of the premium income for unexpired risk, but in arriving at the results below the more usual figure of 40 per cent. has been used. Marine premium income expanded from £326,000 to £387,000, but claims increased from £229,000 to £301,000 and no transfer is made from this branch to Profit and Loss. A transfer of £70,000 has been made from Profit and Loss to strengthen Miscellaneous Assurance Account.

The whole of the allocation to shareholders, as a result of the quinquennial valuation of the life and sinking fund branches, has been credited to Profit and Loss Account in 1937.

	1936	1937
Amount Percent- of age of Profit Premiums	Amount Percent- of age of Profit Premiums	Amount Percent- of age of Profit Premiums
Fire	134,008 13.4	115,841 11.7
Accident	3,623 14.9	4,815 21.6
Employers' liability	762 1.4	1,149 1.9
Miscellaneous	71,876 31.2	25,164 10.4
Marine	25,000	170,660
Life	89,993	265,003
Less items debited to profit and loss	89,492	73,772
Total net trading surplus	501	191,231

Last year the chairman mentioned that the heavy loss in 1936 in the Miscellaneous Branch was due to losses sustained in respect of bonds issued in guarantee of loans by banks to members of the medical profession. Probably the much smaller loss last year was due to a similar cause, but as the result of certain rearrangements the position should be more normal in future. Some £100,000 has been credited to the "Maritime" Reserve Fund. Total assets amount to £17,183,000. Loans are smaller at £1,544,000, against £1,740,000, but British Government securities again increased from £2,109,000 to £2,490,000, while Foreign and Colonial Government securities showed little change. Debenture stocks and Ordinary stocks were smaller at £3,513,000 and £298,000 respectively, but Preference shares showed an increase from £2,756,000 to £2,941,000. Stock Exchange securities have been taken at or under middle market prices on December 31st last. Reserve and Contingency Funds amount to £600,000 and there is a Profit and Loss

balance, after payment of the dividend, of £550,000. In addition, the departmental reserves are strong. The dividend is again 65 per cent. and costs £148,000, compared with interest earnings of £142,000.

Motor Union Insurance.—This company, like the Car and General, is controlled by the Royal Exchange, which, through these two subsidiaries, holds an important position in the motor insurance world. Total premium income, at £1,815,000, was slightly smaller last year, but the fall was more than accounted for by a reduction in the accident department from £1,615,000 to £1,562,000. The underwriting results of the last two years are shown:—

	1936	1937
Amount Percent- of age of Profit Premiums	Amount Percent- of age of Profit Premiums	Amount Percent- of age of Profit Premiums
Fire	24,504 13.2	27,914 14.3
General	146,265 9.1	114,709 7.3
	170,769	142,623
Less items debited to profit and loss account	89,845	90,028
	80,924	52,595
To general reserve	93,000	104,000

Out of total assets of £2,971,000 Stock Exchange securities amount to £1,964,000, with a market value on December 31st last of £2,308,000. An amount of £104,000 (against £93,000 in 1936) was transferred last year to general reserve, which now amounts to £690,000. The rate of dividend is repeated at 37 per cent. and costs £56,000, contrasted with available interest earnings of £80,000.

Atlas Assurance.—New sums assured in the Life Department last year amounted to £4,536,000. This figure, which was a record, was £221,000 in excess of the previous year's total. Annuity consideration moneys increased from £419,000 to £454,000 and premium income by £46,000 to £1,167,000. Death claims showed a substantial reduction of £47,000 to £307,000 and surrender values fell from £156,000 to £124,000. The net rate of interest on the Life Assurance and Annuity Fund was 8d. lower at 4½ 7s. 10d. per cent. An annual valuation of the liabilities is made, the results of which are published each year in the Report. The 1937 Report is of particular interest since it marks the occasion of another triennial distribution of surplus. The same rate of bonus has been declared as on the previous occasion, namely 42s. per cent. calculated on the sum assured and bonuses. The results of the triennial period are given below:—

	1935-37
Trading surplus	957,707
Profit on Investments	43,262
Brought forward	18,146
	1,019,115
To Policyholders	594,684
" Shareholders	86,072
" Actuarial reserve	290,000
" Carry forward	48,359
	1,019,115

Fire premiums at £1,802,000 were greater by £42,000 and premiums in the Accident Department, in which there was a distinct improvement in results, increased from £588,000 to £636,000. Marine premiums increased from

£127,000 to £154,000 and the Fund now amounts to £252,000.

The results of the various branches are shown below:—

	1936	1937
Amount Percent- of age of Profit Premiums	Amount Percent- of age of Profit Premiums	Amount Percent- of age of Profit Premiums
Fire	175,465 10.0	174,713 9.7
Accident	36,175 6.2	51,039 8.0
Life	28,720	30,198
	240,360	255,950
Less items debited to profit and loss	86,581	192,547
	153,779	63,403

The dividend is again 32 per cent., free of tax, and costs £176,000, compared with interest earnings of £128,000. The total assets of the company and its subsidiaries exceed £20½ millions and the General Reserve amounts to £2,000,000. Stock Exchange securities stood in the books at the end of 1936 at £1,637,000 below market values. By the end of 1937, however, the margin had been reduced to £851,000, equal to 10.4 per cent. of their book values. Mortgages and loans amounted to £4,380,000, compared with £3,481,000 a year ago, but British Government securities decreased by £197,000. Combined Foreign and Dominion Government securities showed little change in total. Debenture stocks, however, increased from £3,533,000 to £3,754,000, while Preference stocks rose from £1,056,000 to £1,079,000 and Ordinary stocks from £1,472,000 to £1,732,000.

London and Lancashire.—Apart from the Life Department, which is carried on by the Law Union and Rock, total premium income last year increased from £6,225,000 to £6,732,000. Of this increase of £507,000, some £26,000 is due to the Fire Account and £171,000 to the Accident and General Department. Marine premiums increased by £311,000, equal to 28 per cent. of the previous year's premiums. As usual, the Fire results were very satisfactory. The Marine results did not make the same excellent showing as before, and claims rose from £769,000 to £1,104,000. The underwriting results are given below:—

	1936	1937
Amount Percent- of age of Profit Premiums	Amount Percent- of age of Profit Premiums	Amount Percent- of age of Profit Premiums
Fire	357,202 13.0	366,720 13.2
Accident	107,025 4.6	100,629 4.0
Marine	129,520 11.5	35,852 2.5
Life	17,078	17,078
Capital redemption	1,379	1,060
	612,204	521,339
Less items debited to profit and loss	198,699	227,486
Net trading surplus	413,505	293,853

The departmental reserves are very strong. Apart from the usual reserve for unexpired risk, additional reserves, which are unchanged on the year, amounted to £2,400,000, £1,000,000, and £1,000,000 in the Fire, Accident and Marine accounts respectively. Total assets shown in the consolidated balance sheet, exclusive of the life assets of the Law Union and Rock, amount to £17,928,000, and there is a General Reserve of £2,000,000. The dividend is again 50 per cent. and costs £564,000, contrasted with interest earnings of £485,000. The Profit and Loss balance,

after payment of the dividend, is £2,680,000, against £2,461,000 in 1936.

World Auxiliary Insurance.—Premium income increased from £277,000 to £282,000 last year. Underwriting profits are shown below:—

	1936	1937
Amount Percent- Profit Premiums age of Profit Premiums age of	Amount Percent- Profit Premiums age of Profit Premiums age of	Amount Percent- Profit Premiums age of Profit Premiums age of
Fire	£ 349 ... 6,922 7.8	£ 349 ... 6,922 7.8
Accident and General	7,888 9.7 7,598 9.7	7,888 9.7 7,598 9.7
Marine	15,356 ... 10,667	15,356 ... 10,667
	23,593	25,187
Less items debited to profit and loss account ...	10,783	15,869
Net trading surplus	12,810	9,298

Total assets amount to £1,199,000. The aggregate market value of Stock Exchange securities is £1,030,000, com-

pared with a market value on December 31st of £1,057,000. A transfer of £10,000 to General Reserve (which now amounts to £200,000) is not included in the net Profit and Loss movement shown above. Other free reserves, including the Profit and Loss balance, amount to £205,000. The dividend is again 7½ per cent., free of tax, and costs £22,500, contrasted with interest earnings of £28,000.

Car and General Insurance.—This company, which is controlled by The Royal Exchange, obtains the great bulk of its premiums from motor insurance. In 1937 total premiums increased from £1,472,000 to £1,540,000, of which total £1,365,000 was derived from the accident department. The underwriting

results for the past two years are given below:—

	1936	1937
Amount Percent- Profit Premiums age of Profit Premiums age of	Amount Percent- Profit Premiums age of Profit Premiums age of	Amount Percent- Profit Premiums age of Profit Premiums age of
Fire	£ 13,628 14.1 15,597 15.4	£ 13,628 14.1 15,597 15.4
General accident	55,378 4.2 76,668 5.6	55,378 4.2 76,668 5.6
Marine	616 1.1 ...	616 1.1 ...
	69,622	92,265
Less items debited to profit and loss account ...	52,898	78,351
	16,724	13,914

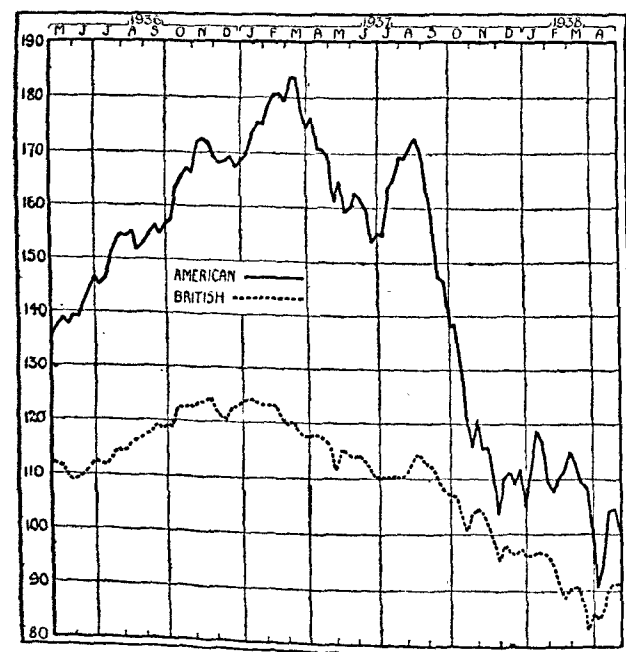
Some £24,000 has been transferred to general reserve, which now amounts to £533,000. The total assets are £2,203,000, of which Stock Exchange securities account for £1,606,000, against an aggregate market value on December 31st last of £1,713,000. The dividend is again 50 per cent., and costs £40,000, against interest earnings of £51,000.

Investment

Course of Share Values.—The course of prices for equity shares last month went far to confirm the view that, since the beginning of this year, politics rather than economics have determined the trend of the market. In London, as the accompanying chart shows, Sir John Simon, with his spartan Budget, did not upset the partially restored equanimity of investors, which originated with the announcement of the Anglo-Italian Agreement. Consequently, April produced the largest recovery in *The Financial News* ordinary share index that has occurred

BRITISH AND AMERICAN INDUSTRIAL SHARE VALUES DURING THE PAST TWO YEARS
(July 1, 1935=100)

British: "Financial News" Index of 30 Ordinary Shares
American: "Standard Statistics" Index of 50 Common Stocks



since the main downward movement began at the end of 1936. In New York, the recovery was also well marked though, in fact, its extent was not equal to that of the "false recovery" of the summer of 1937. Both movements, however, had lost their impetus before the end of the month and at present the markets seem altogether to lack the courage of their convictions. The absolute extent of the ground regained, moreover, is as yet relatively inconsiderable. Wall Street recovered in April about half its decline of March, while London recovered the whole, but

very little more. America's response, indeed, to the President's new pump-priming programme is not impressive, while British investors are now being confronted, each week, with accumulating evidence of cyclical trade recession. The possibility of a substantial secondary market revival in the summer still remains. More immediately, however, looms the possibility that any early and undue manifestation of Hitlerian interest in the affairs of Central Europe, might provoke a fresh falling away of share values.

Australia's New Loan.—Few borrowers could match the success of the Commonwealth's fourteen conversion offers to the British investor since 1932. This week Australia has appeared as a borrower of new money for the first time since the depression. Both the reason for and the nature of the latest loan are of more than ordinary interest. The issue consists of £7 millions of 3½ per cent. stock, dated 1952-56, issued at £99 per cent. Its terms are not significantly dissimilar from those adopted for the conversion issues of June and November last year, for this week's issue offers £3 16s. 6d. per cent. to redemption, compared with £3 16s. 3d. and £3 15s. per cent. respectively for the two conversion issues. Of the total, £2 millions are specifically earmarked towards financing the Australian defence programme (discussed on page 292), while the balance will be devoted to funding Australian Treasury bills at present held by the Commonwealth Bank in London, and will thus augment the Dominion's sterling resources. Thus Australia takes a leaf out of the British re-armament ledger by meeting part of her £24.8 millions programme for new re-armament expenditure by borrowing, and she has sought the funds in the country which will supply much of the essential materials. The market's response to the announcement was to mark down comparable Australian stocks by nearly a point, but the mid-week improvement in gilt-edged was generally considered to improve the chances of a warm, rather than a merely dutiful, response. The absence of Australian stocks from a general investment list must be rare, but this week's new loan has the advantage that, in the interval since the Commonwealth last appeared for new money, she has been able to build up satisfactory sterling reserves in London against any decline in her favourable trade balance.

Chinese Customs Agreement.—Following negotiations between the British and Japanese authorities since last February, "temporary measures" have been announced this week to protect the service of the Chinese Customs

loans during the period of hostilities. These arrangements do not imply recognition of Japanese claims in China, but they have been devised to protect the Chinese creditor in a situation where the facts are hard, and the solution necessarily calls for expediency. The agreement, which is subject to reconsideration in the event of a radical change in economic conditions, may be briefly summarised. All Customs revenues collected in ports now under the control of the Japanese forces will be remitted to the Yokohama Specie Bank. Foreign loan quotas will then be remitted to the Inspector-General of the Customs, sufficient to meet in full the service of foreign loans and indemnities secured on the Customs. These quotas will rank as a first charge on the revenues, after certain collection expenses have been allowed. The foreign loan quotas will be determined monthly, in proportion to the share of the port in the gross collections of the preceding month. Arrears on certain Chinese obligations held in Japan are to be met and balances now held by the Hong Kong and Shanghai Banking Corporation are to be transferred to the Yokohama Specie Bank.

The agreement contains no reference to the personnel or the administration of the Chinese Maritime Customs. In fact, the Inspector-General will now be a participant in the revenues from these ports, rather than the original receiver. Nor are the Salt and Railway obligations covered by its terms. The fact is, of course, that in the absence of such a compromise the bondholder would be dependent on the Chinese Government's ability—and willingness under heavy financial pressure—to meet the service from revenues collected from other ports still in Chinese control. Its importance may be assessed from the following table, which shows the principal sources and allocations of the Customs revenues last year:—

Customs Revenues	(In \$ millions)	Appropriations	
Shanghai	142.1	Foreign loans, etc.	76.9
Tientsin	33.4	American loans	8.7
Tsingtao	24.3	Domestic loans	129.1
Other Ports	143.1	Surplus to Government	128.2
Total	342.9	Total	342.9

The three ports named are all under Japanese control, and they accounted for well over one-half of the revenues last year. The figures this year, of course, will be largely affected by the course of trade in Shanghai—which shows a reduction of 70 per cent. for the first two months of 1938 compared with 1937. Calculations that the external and internal Customs obligations would be approximately covered on the basis of the receipts of the last five months of 1937 were, of course, irrelevant to a situation where a substantial part of the revenues was no longer being received directly by the Customs Administration. The new agreement holds out a promise of its own fulfilment, and appears to express a certain concern on the part of the Japanese Government to maintain amicable relations with other interested powers in China. The investor, therefore, will welcome the prompt response of Chinese issues to the news, although he may regret that the position of the existing personnel of the Chinese Customs Administration is not more clearly defined.

Foreign Bond Movements.—The recovery in the foreign bond market in April is reflected in each section of the index of bond prices compiled by Municipal and General Securities Company. After the heavy blows recorded in March some recovery was to be expected, and the calmer political atmosphere has been assisted by rumours and sometimes positive proposals regarding certain debt services. The measure of recovery in the component indices is shown at the head of the next column. Despite the over-all rise in the Far Eastern group, Japanese bonds were slightly lower at the end of April, but Chinese issues rose sharply in anticipation of the Customs agreement, which is discussed above.

AVERAGE JANUARY-JUNE, 1934=100.

End of Month	Europe	Near & Far East	Egypt	South and Central America	Complete Index	Under- failed Bonds	De- failed Bonds
				States Pro- vinces Total			
1937	(29)	(31)	(4)	(35)	(11)	(46)	(110)
March	100.3	120.8	97.8	126.2	120.1	124.7	115.7
April	100.9	120.2	97.1	124.7	122.7	124.3	115.4
May	101.6	123.1	98.3	124.3	120.7	123.4	115.2
June	101.3	125.5	98.1	124.8	118.2	123.2	116.6
July	105.9	117.6	97.9	127.8	117.5	125.3	116.7
August	103.1	95.3	98.5	122.4	118.4	121.4	107.7
September	101.9	87.2	99.5	116.1	111.8	115.0	102.4
October ...	(28)	88.1	98.3	105.1	108.2	105.8	(109)
November ...	97.7	81.6	97.9	82.4	74.2	80.4	98.5
December ...	98.4	81.6	98.6	82.6	75.0	80.7	85.3
1938							
January ...	97.9	71.7	97.8	75.5	67.1	73.4	79.3
February ...	96.2	74.7	97.6	75.4	63.8	72.4	79.5
March ...	83.4	73.9	97.2	61.3	49.4	58.2	69.6
April	88.9	77.3	98.5	69.8	51.4	64.9	5.1

N.B.—Figures in brackets denote number of bonds included.

Brazilian issues also responded to President Vargas' announcement that a "readjustment" of Brazil's economy is being carried out, which should permit of the early resumption of "all payments" on Brazil's foreign debt. Apparently, this intention is governed by the availability of a sufficiently large trade balance after the economic changes have been effected, and the alternative to the plan is to convert the foreign debt into Brazilian currency. Following the reduction of the Danzig Tobacco Monopoly payment to 4½ per cent., this bond had been transferred from the fully served to the defaulted group.

Accountants and the Investor.—Mr F. Lindsay Fisher's presidential address at the annual meeting of the Institute of Chartered Accountants this week tactfully surveyed the functions of the Institute and its members in relation to two matters which have engaged the attention of investors in recent months. The first, and most topical, of these matters is tax evasion, and here Mr Lindsay Fisher personally drew the distinction between legitimate tax avoidance within the law, and illegal evasion, with which, of course, no professional adviser would be willing to associate himself. But a more general and perennial issue was raised in the president's reference to company law reform. At previous annual meetings it has been disclosed that the Institute has examined the problem in order to be in a position to submit its views at such time when the Government considers that an inquiry has become necessary. It is clear, however, that there is no immediate likelihood of far-reaching amendment to the 1929 Act, although the need is generally admitted. It is interesting to speculate on the question whether the slow process of reform would be assisted by a more positive approach to the problem by the professional societies interested. A lead from these

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organisations might tend to reduce the inevitable delays between the discovery of holes in existing company legislation and their stopping-up by amending Acts. Such a lead, quite evidently, is not inimical to the accountant's position as a watchdog over the interests of the shareholder.

Company Notes

Disappointing Railway Receipts.—The recent trend of the weekly figures suggests that railway traffic receipts are among the first indices of the arrival of general trade recession. In view of the relatively optimistic tenor of some chairmen's speeches, little more than a couple of months ago, it would seem either that history's repetition of itself, in this connection, has taken the railway world by surprise or that the eminent spokesmen were not averse to a little whistling to keep their spirits up. The following table suggests that in the opening weeks of the year gross railway receipts under all headings were still running ahead of their counterparts in 1937, but that, except in the case of coal traffic, the excess was less, rather than more, than was accountable to last year's increase in fares and charges. Before the end of the first quarter of the year, however, it was evident that goods traffic, as a whole, was beginning to fall below the preceding year's level and only passenger traffic was being well maintained. The railways' experience during more recent weeks has confirmed this discouraging tendency:—

CHANGES IN 1938, COMPARED WITH 1937.
(Amounts in £'000).

	Passengers		Goods		Coal and Coke		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Four Railways								
1st to 8th week.....	+199	+2.4	+184	+2.2	+407	+7.2	+790	+3.5
9th to 17th week...	+303	+2.8	-432	-4.3	-380	-6.2	-509	-1.9
Total, 17 weeks...	+502	+2.6	-248	-1.3	+27	+0.2	+281	+0.6
Totals, so far*								
L.M.S.	+199	+2.8	-184	-2.2	-44	-0.9	-29	-0.1
L.N.E.	+70	+1.5	-31	-0.5	+49	+1.1	+88	+0.6
G.W.	+63	+2.8	-24	-0.7	+27	+1.4	+66	+1.0
S.R.	+150	+3.3	-9	-0.9	-5	-0.9	+136	+2.2

* 17 weeks to May 1st.

For the first seventeen weeks, aggregate receipts still show a modest gain, due entirely to a 2½ per cent. increase in passenger revenue; for receipts from coal and coke are back to last year's level and those from general merchandise show a decline of 1½ per cent. If the current tendency is maintained, what remains of the increase in total receipts will have been wiped out before the turn of the half-year. Expenses, however, will on balance be heavier than last year. Marginal stockholders, clearly, have a strong vested interest in the early checking of the present cyclical downturn in British trade activity.

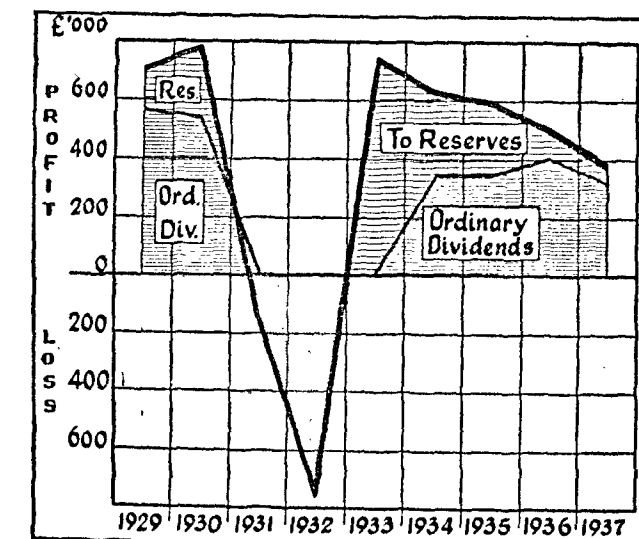
Marks and Spencer Progress.—A year ago, when costs were rising fast, many investors interpreted the fact as a bear point for fixed-price store shares. The preliminary profits and dividend announcement for the year to March last sets such fears at rest. Net profits have increased from £1,433,251 to £1,602,450, after providing £351,891 for depreciation and repairs, against £290,238 in 1936-37. Ordinary and "A" ordinary shareholders receive a cash distribution of 42½ per cent., against 40 per cent. in the previous year, and the customary 10 per cent. scrip bonus is maintained. Earnings are equivalent to some 73½ per cent., against 75.3 per cent. in the previous year, after making a provision of £325,699 for taxation, compared with £238,544. Two points of major interest to the investor stand out in these results. The first is that the rate of earnings on a constantly increasing share capital is being well maintained, despite the repeated fears of saturation and rising costs. Increasing popular purchasing power seems to have laid these bogeys

effectively. Secondly, the increased cash distribution, though not a radical departure, is a matter for pleasurable surprise. The rate was increased in 1931 and again in 1936, but most estimators would probably have guessed that 40 per cent. represented a "ceiling." Marks and Spencer ordinary have fallen severely over the past year. But on results of this kind, the present valuation of 57s. 6d. (which corresponds to an ex-all earnings yield of £7 2s. per cent.) does not appear extravagant.

Ford Motor Profits.—The Ford results present a contrast to those of Morris Motors. Trading profits have reached a new record of £1,576,966, against £1,558,990, but the dividend is reduced from 6 per cent. to 5 per cent. The ordinary capital has no gearing, but several of the charges on trading profit tend to produce the same effect. Taxation provision has been increased from £174,209 to £229,641, while depreciation and obsolescence has absorbed £815,065 against £749,571. In consequence, the amount earned for dividends is reduced somewhat sharply from £511,767 to £375,065, and the 5 per cent. dividend is covered by earnings of no more than 5.7 per cent. The latest profits are analysed below, while the company's sharp experience in depression and subsequent recovery is illustrated in the subsequent diagram:—

	1935	1936	1937
Gross profits, less fees*	1,392,787	1,549,524	1,565,465
Depreciation, etc.	714,370	749,571	815,065
Taxation	59,903	174,209	229,641
Employees' funds, etc.	77,517	116,412	145,296
Exchange differences	Cr. 63,106	Cr. 6,912	Cr. 176
Loan interest	6,950	4,477	574
Earned for ordinary	597,153	511,767	375,065
Paid	348,750	405,000	326,250
Earned (%)	8.6	7.6	5.7
Paid (%)	5	6	5

Carried forward 771,486 864,179† 912,994
* £7,000 each year. † After £14,074 net debit adjustments.



It may be mentioned that, between 1931 and 1935, exchange differences played an appreciable part in the determination of net profits.

As in previous years, the profits do not include any income on shares held in subsidiary companies, which have been transferred, where currency regulations permitted, to the Luxembourg Holding Company, or capitalised in share bonuses. The latter company, in turn, has made available cash resources for financing the expansion programme at Dagenham, on which £1,200,000 was expended last year. The Ford Motor balance sheet shows that loans from subsidiary and associated concerns increased last year from £77,984 to no less than £1,187,124. In sum, the past year's results appear satisfactory. The current state of business would not find all motor manufacturers ready to undertake large-scale

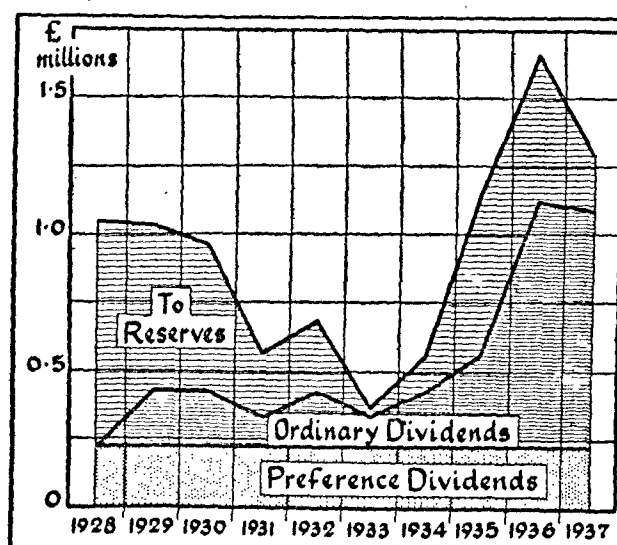
expansion schemes, but it is evident that the Ford undertaking, robbed by depression of its intended position in the European market, has found a secure place in this country. This fact appears to be readily recognised in a yield of £5 4s. 6d. per cent. on the £1 ordinary shares, which stand at 19s. 1½d.

Morris Motors Setback.—The reverse in the rapid growth of Morris Motors earnings since 1933 accords with general expectations that the profitability of the motor industry was lower as a whole last year. A reduction in gross profits from £2,372,082 to £2,168,530 is significant, but it is not serious, and even after providing £529,483 for taxation compared with £336,036 in 1936, the 45 per cent. dividend is still covered with a margin of over 10 per cent. The major problem for the investor, indeed, is the probable trend of profits during the current year, and he may regard the transfer of £200,000 to dividend equalisation reserve as a frank response to the problem of fluctuating earning power. In the following table we analyse Morris Motors profits during the past three years.

	1935	1936	1937
Gross profit	1,650,636	2,372,082	2,168,530
Maintenance	271,832	311,030	323,341
Depreciation	176,154	182,017	186,392
Net profit*	1,167,736	1,703,306	1,292,179
Preference divs.	225,000	225,000	225,000
Ordinary shares:—			
Earned	942,736	1,478,306	1,067,179
Paid	340,350	894,375	864,563
Earned (%)	41.5†	74.4	55.5
Paid (%)	15‡	45	45
Reserves	600,000	500,000	200,000§
Carried forward	238,531	272,462†	275,078

* Including other income, after charging taxation and staff pensions. † Tax free. ‡ After £50,000 staff pensions. § Dividend equalisation.

The chart below illustrates the profits and appropriations of the past decade:—



It should be pointed out that we have included under "reserves" amounts written off patents and goodwill from 1929 to 1932, in order to retain a more comparable basis for total profits.

The directors regard the latest results as satisfactory, for costs rose considerably, and the value of the company's products was increased more rapidly than selling prices. The effect of higher costs of materials, coupled with increased purchases intended to ensure continuity of production, are reflected in an advance of £855,700 in the value of stocks held by the company and its subsidiaries. The effect has been substantially to reduce the group's cash holdings from £2,621,611 to £1,112,885, although

the current position as a whole remains strong. In view of the trend of sales in recent months, the outlook for motor shares must be regarded with a certain caution. However, Morris Motors shares, which yield £8 5s. per cent. at the present level of 29s. 6d., have the benefit of a strong reserve position.

Canadian Pacific Meeting.—The many British holders of Canadian Pacific Railway securities in this country will welcome the frank and detailed comments of Sir Edward Beatty at the annual meeting, held in Montreal this week. Sir Edward's speech was mainly occupied with the physical condition of the railway system and its ancillary branches, which include steamships, hotels and communications. His case, made with customary vigour, was evidently addressed to certain critics who have misinterpreted the present position of the condition of the property, and its theme was that renewals expenditure has been made with the object of maintaining net revenue, and has succeeded in preserving the physical condition of the undertaking in satisfactory shape. The current earnings outlook, however, is of a rather different character. Gross earnings during the first quarter of 1938 are \$1,500,728 lower, owing almost entirely to the setback in industrial activity in the United States and Eastern Canada. Yet working expenses have increased by \$893,735—an increase which is more than accounted for by the full restoration this year of the residual 4 per cent. of the 10 per cent. cut in basic wage rates in 1931. If these rates are maintained this year, they may increase working expenses by \$5 millions (or 4.1 per cent.) over the 1937 figure. In sum, net earnings have fallen during the first quarter of the year by \$2,394,463. The complete restoration of pay cuts has given a hostage to the current year's crop prospects, which are fortunately favourable at the moment.

Rubber Trust Report.—Although it has substantial tea interests, Rubber Plantations Investment Trust earnings reflect, with a short time lag, the general tendency of rubber companies' profits. The Trust's latest total profits amount to £265,938—a trifle more than in 1929, and nearly double the level of 1936, after deducting an exchange loss of £42,814. The company has meanwhile disposed of its tea estates to Sumatra Tea Estates, whose purchase price forms part of a new item of £678,235 in the balance sheet, while the former entries for stocks and loans have disappeared. Results for 1937 are thus highly satisfactory, but the report does not refer specifically to N.D.C., which must be in part responsible for the sharp rise in provision for taxation from £20,647 to £60,664. The amount earned for dividend is thus only £88,000 higher at £189,805, but for the first time since recovery began, the dividend (raised from 7½ to 10 per cent.) is fully covered by current earnings, with a margin of some £7,500, which is added to the carry-forward. Owing to drafts made upon it in past years, the dividend equalisation reserve stands now at £50,000, and does not represent much more than 2 per cent. gross on the increased capital. The reserve account, however, totals £500,000, and, as in recent years, the market value of the investments exceeds book values. Since it is an investment company, the Trust's income for 1938 is to some extent protected by the operation of the time-lag, and rubber company results for 1937 recently published continue to show substantial improvements in profits. Tea companies, moreover, have made a better showing in their latest reports than a year ago, and including the holding in the Sumatra Tea Estates subsidiary, the



Trust had 28 per cent. of the book cost of its securities in tea as at December 31st last. On a short view, a current yield of £8 12s. 9d. on the £1 units at 24s. 4½d. appears adequate. Prospects for 1939 are, however, less cheerful, and it is useless to look further ahead than that until the outlook for both commodities is clarified.

* * *

Other Company Results.—Some seventy companies contribute to our usual analysis of profit and loss accounts appearing on page 340. This list includes a number of miscellaneous industrial companies, but the best represented group is rubber, while further investment trust results are also available. The results are discussed on page 315 under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—Reports of company meetings begin in this issue on page 324. The president's address at the annual meeting of the Institute of Chartered Accountants is referred to on page 309. Sir Frederick Pascoe Rutter disclosed that the profits made abroad by *London and Lancashire Assurance* had for many years been almost twice the amount earned in this country. During the last twenty years the company had paid over £2,500,000 in taxes out of the profits on foreign business. Shareholders in *Scottish Union and National Insurance* were informed by Mr H. Geo. Younger that he understood the combination of the new mortality table with interest at 2½ per cent. (instead of 3 per cent.) provided the most stringent valuation basis used by any British office. Mr H. J. Morland announced that owing to the severe setback in security values last year *Friends' Provident and Century Life Office* had decided to re-establish a margin of market over book values by transferring £250,000 to investment reserves. Improvement in sales and the reduction of power rates were discussed in Lord Meston's speech at the *Calcutta Electric Supply Corporation* meeting. Mr Charles V. Sale disclosed to members of *Amalgamated Metal Corporation* that returns of the constituent companies for the present year were about the same as for the corresponding period in 1936. Mr Philip

E. Hill announced that *Philip Hill and Partners* were pursuing a policy of spreading interests over a wide field of industrial activity. At the *Timothy Whites and Taylors* meeting Mr Hill referred to the possibility of seeking further capital in the near future. At the meeting of *Kasintoe Rubber Estates* Mr Eric Macfayden pointed out that the company would be helped by forward sales of 140,000 lbs. at 10½d. per lb., c.i.f. Mr H. J. Welch, at the *London Asiatic Rubber and Produce* meeting, discussed the board's policy of replenishing the general reserve. The company would benefit in 1938 from forward sales of 756 tons, although present prices, if continued, would seriously affect the profits. Mr H. A. Barrett informed members of *United Sumatra Rubber Estates* that the gross average price received during the year was 8.35d. per lb., compared with 7.94d. per lb. for the previous year. Addressing the *North British and Mercantile Insurance* meeting, Viscount Wakefield of Hythe referred to signs of increasing interest rates, and expressed the hope that the company might thus be able to invest its funds to greater income advantage. Mr A. A. Wallace Cowan, at the *Caledonian Insurance Company* meeting, recorded with satisfaction that the valuation of securities still showed an appreciation over balance-sheet values. Mr G. Leslie Wates informed shareholders of *Johnson and Phillips* that the rubber cable and engineering departments had been working to the limit of capacity. Sir John N. Barran reported to *Barry and Staines Linoleum* shareholders that an appreciable increase in returns from the main subsidiaries and higher selling prices had more than offset extra wages and raw material costs. The composition of the *English and Caledonian Investment* portfolio was discussed by Mr Henry S. Loeb. Some 73 per cent. of the capital was invested within the Empire. "The politico-financial policy of Burgos" in its relation to the company was criticised by the Rt. Hon. Sir Auckland Geddes at the *Rio Tinto* meeting. Mining had proceeded smoothly, but masses of pesetas had been immobilised. Viscount Nuffield informed *Morris Motors* shareholders that the companies' models continued in vigorous demand in spite of the decline in car registrations, and he reported continued progress in the export markets.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET	ACCOUNT
MAY 10	MAY 12

THE only distinction in this week's markets has been the continued firmness of the gilt-edged group during the first half of the period. The Rome talks and the Czech problem, coupled, perhaps, with restiveness regarding our position in aerial defence, made for caution, and the palpable shortness of stock in the gilt-edged market gave a heightened impression of the influence of small business. This has been in no sense a decisive week in the London market.

Gilt-edged stocks took the news of the Australian new borrowing calmly—indeed, its chances appeared to have been improved by the further gains recorded in trustee issues in the middle of the week. At first, the undated stocks made the major part of the running, but in mid-week the National Defence bonds reached 100½—the highest price recorded since the issue, and the possibility of a further instalment was naturally not being overlooked. The Australian loan caused a fairly sharp marking-down in existing issues, but they were later assisted by the firmness of the Funds, although the lists remained open all day.

Most prominent in the foreign bond

market were Chinese issues, which responded readily to the terms of the agreement covering the Customs loans service (discussed on page 308). The salt and railway loans were also affected sympathetically. Brazilian issues received little support at first, but conditions were firmer in mid-week.

Home rails have reflected the growing nervousness regarding the traffic outlook (discussed on page 310). The volume of selling was not large, but in the face of another poor list of traffics, it tended to increase slightly, the marginal preference issues being affected together with the ordinaries. In a dull Argentine rail group, Central ordinary was particularly flat.

The industrial market was generally uninteresting, although irregular movements gave place to a firmer tendency in mid-week. Iron and steel shares opened dull at first, with a steadier tone on Wednesday. Late last week and on Monday Richard Thomas were depressed by reports regarding conditions in the tinplate industry and the company's new finance, but recovered on Tuesday, the improvement becoming still more pronounced later, especially in the debentures. Babcock and Wilcox were firm on expectation of satisfactory statements at the meeting. Coal shares were dull, with small declines. Electrical equipment shares were inactive, while motors were irregular, though Ford was a firm exception. Aircraft shares, on the other hand, were

one of the brighter sections, and prices moved upward. Engineering issues followed the general trend, Laurence Scott responding to the excellent report. Textiles were almost consistently neglected. In the stores group there were some good features at first, Marks and Spencer being in demand, but the tone became easier. Brewery shares came on offer on Monday, but improved in mid-week on provincial support. The miscellaneous group was in undecided mood, with no specific trend in either direction. Shipping issues were dull on small realisations, while profit-taking affected Clan Line.

In the *oil market*, a dull start was followed in mid-week by a better tone. Unsatisfactory American prices over the week-end, coupled with Continental sales, depressed prices on Monday, but a reversal of these influences brought an improvement in mid-week.

Prices of *rubber shares* eased on Monday, though they resisted better than might have been expected the decline in the commodity. A firmer tendency followed its recovery, but business remained quiet. Tea shares shook off some of their early lethargy as the week progressed.

The mining market had some special pre-occupations apart from the tone of the markets generally. On Monday Kaffirs were listless, but interest broadened after a dull start and small gains were frequent. Business in mid-week was dominated by rumours about

the franc and, in particular, by fears that the sterling price of gold might be affected. Uncertainty, however, rather than belief in the more extreme rumours, was responsible for a weakening of quotations. Rhodesian coppers started quietly, but turned firmer later in the week. Tin shares, which were irregular at first, became prominent on Wednesday, and went ahead on the recovery in the commodity following reports that the Malayan referendum on the buffer pool might be held shortly. Other base metals also became more cheerful in mid-week.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Apr. 29	6,005	10,265	90.7	128.8
May 2	7,175	9,985	89.9	128.8
May 3	6,115	9,729	89.5	129.0
May 4	5,960	8,809	89.4	129.1
May 5	6,350	9,259	89.0	128.9
1938 High...	...	...	97.2	131.0
Low...	...	...	Jan. 12 79.4	Feb. 4 126.9
			Mar. 16 79.4	Mar. 17 126.9

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

ACTUARIES' INVESTMENT INDEX

Though it is of small extent, a fall has occurred in the Actuaries' index of 151 industrial equity prices, which on Tuesday last (May 3rd) stood at 68.7, against 69.3 and 65.0 a week and a month ago respectively. The corresponding yields are 5.42, 5.36 and 5.68 per cent. A selection of the component indices appears in the next column.

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1938 High
	Apr. 5, 1938	Apr. 26, 1938	May 3, 1938	
Banks, etc. (10)	111.3	115.1	114.4	117.0
Cotton (6)	27.3	29.3	27.9	37.1
Elec. light, etc. (16)	113.3	117.9	118.5	120.2
Iron and steel (17)	56.3	59.6	57.8	66.4
Oil (4)	68.5	74.7	76.0	84.9
Home rails (4)	58.3	62.0	57.7	71.0
Breweries, etc. (20)	121.1	127.3	129.5	133.6

Group	Yields %			Prices 1938 Low
	Apr. 5, 1938	Apr. 26, 1938	May 3, 1938	
Banks, etc.	4.19	4.05	4.07	111.3
Cotton	3.13	2.82	2.92	27.3
Elec. light and power	4.65	4.55	4.58	114.8
Iron and steel	7.59	7.37	7.76	56.1
Oil	7.29	6.72	6.62	67.1
Home rails	5.61	5.29	5.60	57.1
Breweries, etc.	5.49	5.23	5.14	119.8

New York

WITH turnover still sub-normal, Wall Street's movements this week have not been spectacular, although stocks have reached higher levels. The market, still of the opinion that pump-priming would be beaten by deflationary factors, at least in the immediate future, found little encouragement in the industrial situation, and the later improvement seemed to be due as much to technical as to other causes. Some section of the market interpreted the reduction in the value of the franc as an inflationary pointer and bought gold shares, but cheerless forecasts of the future demand for steel did not prevent steel stocks from sharing in the rise. Aviation issues

were also strong in the middle of the week. *Iron Age* estimates steel activity this week at 30½ per cent. of capacity, against 32 per cent. last week. Evidence of the effect of the current recession continues to accumulate. The National City Bank computes the profits of 280 leading corporations for the first quarter at \$100 millions, compared with \$309 millions for the corresponding quarter of 1937. Class One railroads in February showed a net deficit of \$44½ millions, against \$5 millions in February, 1937. Meanwhile the prospects for the automobile industry are not regarded optimistically.

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

	WEEKLY AVERAGES				
	1938		Apr. 20, 1938	Apr. 27, 1938	May 4, 1938
Low	Mar. 30	High Jan. 12			
347 Indls. ...	75.9	101.5	88.4	88.1	87.2
22 Rail ...	19.0	31.4	21.2	21.6	21.4
40 Utilities ...	57.7	78.8	65.4	67.4	67.0
419 Stocks ...	63.7	86.4	73.8	74.0	73.3
Av. yield %*	8.35	5.32	5.32	5.35	5.38
	High	Low			

* 50 Common Stocks.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)					
Apr. 28	Apr. 29	Apr. 30	May 2	May 3	May 4
96.3	96.2	95.4	94.3	97.0	98.6
1938 High: 116.9 January 11th. Low: 83.6 March 31.					

GENERAL MINING AND FINANCE CORPORATION, LIMITED

(Incorporated in the Union of South Africa)

ABRIDGED REPORT OF THE DIRECTORS FOR THE YEAR 1937. To be submitted at the Annual General Meeting to be held in Johannesburg on 7th June, 1938

Working profit for the twelve months ended 31st December, 1937, after deducting administration expenses, amounted to	£527,589	8	6
Unappropriated balance brought forward from 1936 was	130,694	12	2
Making the total available profit	£658,284	0	8
Which has been dealt with as follows:—			
Interim Dividend No. 23 of 10 per cent., equal to 2s. per share, paid to all Shareholders registered on the 25th September, 1937	£126,457	18	0
Final Dividend No. 24 of 15 per cent. (making a total of 25 per cent. or 6s. per share for the year)	189,686	17	0
Amount provided for taxation	10,000	0	0
Amount placed to General Reserve	200,000	0	0
	£26,141	15	0
Leaving a balance of unappropriated profit to be carried forward of...	£132,149	5	8

Investments are shown in the Balance Sheet at or under market prices ruling at the end of the financial year, in accordance with the usual practice. If valued at market prices a large surplus over Balance Sheet figures would be revealed. Stocks and Shares, British, South African and other Government and Municipal Securities, at the close of the year, amounted to £2,630,048, and exceeds the previous year's valuation by £735,323, representing additional investments made during 1937, mainly in gold mining shares.

Dividends have been maintained at a total of 25 per cent., and after providing for taxation, a further £200,000 has been placed to General Reserve. £132,149 has been carried forward to next year's accounts.

The principal interests of the Corporation are in the following companies: Van Ryn Gold Mines Estate, Ltd., West Rand Consolidated Mines, Ltd., East Rand Proprietary Mines, Ltd., Durban Roadport Deep Ltd., Phoenix Oil and Transport Co., Ltd., and Metal Traders, Ltd. The Corporation also holds various mining properties, real estate and leasehold property, &c.

DR.	BALANCE SHEET at 31st DECEMBER, 1937.	CR.
To Capital—		
Registered:		
1,500,000 Shares of £1 each	£1,500,000	0 0
In Reserve:		
235,421 Shares of £1 each	235,421	0 0
Issued:		
1,284,579 Shares of £1 each, fully paid	£1,284,579	0 0
Deposits (with interest accrued)	1,123,627	5 6
Sundry Creditors and Contingency Accounts	92,973	1 5
Creditors for Stock Bought not yet taken up...	10,042	3 8
Bills Payable	474	16 5
Unclaimed Dividends	19,955	2 11
Provision for Final Dividend of 15 per cent. on 1,264,579 Shares in respect of year 1937	189,686	17 0
General Reserve—Balance at 31st December, 1936, £800,000; add amount appropriated in 1937, £200,000	800,000	0 0
Appropriation Account—Balance at 31st December, 1937	132,149	5 8
Note.—There are Contingent Liabilities in respect of uncalled Capital on Shares.	£3,632,587	12 7
By Stocks and Shares, British, South African and other Government and Municipal Securities, including Participations at or below Market value as at 31st December, 1937 ...		
Note.—In the aggregate the Market value of the Corporation's Holdings in Stocks and Shares is very largely in excess of the value of £2,630,048 8s. 11d. shown above.		
Mining Properties, Claim Holdings, Real Estate and House Property and other Assets, less Reserves	70,190	15 9
Office Furniture		
Johannesburg and London		4 0
Sundry Debtors (including Advances to Mining Companies) less Reserves	457,225	16 0
Debtors for Stock Sold, not yet delivered	24,455	19 0
Advances against Securities (including Stocks and Shares taken in)	151,440	3 3
Cash at Banks and in Hand	299,228	5 8
	£3,632,587	12 7

Copies of the full Report and Accounts can be obtained at the London Office of the Corporation, Winchester House, Old Broad Street, E.C.2.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares	Bonds	
	000's	000's	000's
Apr. 28	540	4,450	111
" 29	540	5,000	108
" 30	148	2,210	34
May 2	350	3,580	75
" 3	470	4,220	98
" 4	550	4,920	106

* Two-hour session.

New York Prices

	Close Latest	Apr. 28, 1938	May 5, 1938
1. Rails & Transport			

Atchafalaya	251 1/2	27 1/2	18 1/2
Balt. & Ohio	5 1/2	5 1/2	4 1/2
B.M.T.	7 1/2	7 1/2	15 1/2
Can. Pacific	6 1/2	6 1/2	16 1/2
Ches. & Ohio	26 1/2	26 1/2	30 1/2
G.N. Ry. Pl.	14 1/2	15 1/2	7 1/2
Illinois Cent.	7 1/2	8 1/2	4 3/8
N.Y. Central	11 1/2	12 1/2	11 1/2
Norfolk Pac.	7 1/2	7 1/2	26 1/2
Pennsylv. R.	15 1/2	15 1/2	41 1/2
Southern Pac.	11 1/2	11 1/2	25 1/2
Southern Ry.	7 1/2	7 1/2	42 1/2
Union Pac.	59 1/2	61 1/2	139 1/2
Greyhound	9 1/2	9 1/2	65 1/2

2. Utilities and Communications			
Am. W. Works	7 1/2	8 1/2	39 1/2
C. & O. S.	1 1/2	1 1/2	71 1/2
Con. Edison	21 1/2	23 1/2	86 1/2
Col. Gas & E.	5 1/2	6 1/2	19 1/2
Ed. Bond & Sh.	6 1/2	7 1/2	40 1/2
Nat. Pwr. & Lt.	6 1/2	6 1/2	37 1/2
N. American	16 1/2	16 1/2	80 1/2
Pac. Gas & E.	25 1/2	25 1/2	56 1/2
Pac. Lighting	35 1/2	35 1/2	68 1/2
Pub. Serv. N.J.	27 1/2	28 1/2	11 1/2
Stan. Gas & E.	3 1/2	3 1/2	62 1/2
United Corp.	2 1/2	2 1/2	73 1/2
Un. Gas Imp.	9 1/2	10 1/2	18 1/2
Amer. Tel.	126 1/2	128 1/2	35 1/2
Internat. Tel.	7 1/2	8 1/2	13 1/2
West. Union	20 1/2	22 1/2	16 1/2
Radio	5 1/2	5 1/2	8 1/2
" B. Pref.	48 1/2	46 1/2	148 1/2

3. Extractive and Metal			
Am. Rol. Mill	16 1/2	16 1/2	47 1/2
Beth. Steel	46 1/2	47 1/2	86 1/2
Beth. Steel P.	85	86 1/2	131 1/2
Republic St.	13 1/2	13 1/2	44 1/2
U.S. Steel	43 1/2	44 1/2	97 1/2
U.S. Steel P.	97	10 1/2	95 1/2
Alaska Indus.	95 1/2	10 1/2	30 1/2
Am. Metal	30 1/2	31 1/2	36 1/2
Am. Smelting	36 1/2	39	27 1/2
Anacosta	27 1/2	28 1/2	19 1/2
Bonn Alum.	34 1/2	36	45 1/2
Cerro de Pas.	34 1/2	36	45 1/2
Int. Nickel	45 1/2	46 1/2	32 1/2
Kennecott	32 1/2	34 1/2	10 1/2
Parino Mines	10 1/2	9 1/2	29 1/2
Tex. C. & S.	29 1/2	29 1/2	54 1/2
U.S. Smelt.	54 1/2	55 1/2	15 1/2
Vanadium	15 1/2	15 1/2	21 1/2
Atlantic Refg.	21 1/2	22 1/2	33 1/2
Phillips Petr.	33 1/2	34 1/2	13 1/2
Shell Union	13 1/2	14 1/2	13 1/2
Shell Un. Pl.	100 1/2	102	13 1/2
Socoy Vac.	13 1/2	13 1/2	29 1/2
Stan. Oil Cal.	29 1/2	30	41 1/2
Stan. Oil N.J.	41 1/2	48 1/2	36 1/2
Texas Corp.	36 1/2	38	13 1/2

Paris

THE Bourse passed through a wide range of moods in April. The month opened in a mood of optimism, helped by rumours of an Anglo-Italian pact. Preceding M. Blum's resignation, the market adopted a waiting attitude, which was increased by an extension of strikes and by further borrowing from the Bank of France. This mood persisted for a short time after M. Daladier took office, but the votes of the Chamber and Senate transformed the atmosphere. The volume of business expanded, prices moved sharply upwards, and something like boom conditions were approached in the two days before Easter. After the holidays a further sharp rise helped by the week-end accumulation of orders invited profit-taking, and quotations then reacted. Uneasiness was increased further by

weakness in the franc, the exchanges being the dominating factor for some days. The new financial proposals, however, were well received, and this influence, together with the London talks, eased the tension. This week's stabilisation reports provided the signal for a boom in rentes and ordinary shares.

	Mar. 30, 1938	May 4, 1938		Mar. 30, 1938	May 4, 1938
3% Rentes	67-70	73-75	Chargeurs	400	524
4% Rts. '17	64-25	71-40	Reunis ...	1,938	2,530
Banque de			Rio Tinto	2,180	2,530
France	5,405	7,095	R. Dutch...	52,800	61,480
Credit			Char. Eagle	352	434
Lyonnais...	1,310	1,655	Shertwood	200	234 1/2
Suez Canal	21,250	23,900	Ford	54 1/2	73
Wag. Lits...	60-50	91-75	De Beers...	1,040	1,373
			"Johnnies"	425	496

Berlin

SHARE quotations moved in April within narrow limits, being stable or slightly upward until the last week, when there was a general but moderate reaction. The market was notable for substantial rises in specialities outside the category of standard industrials, in particular shipping issues (on somewhat vague dividend expectations for the two chief liner concerns), certain breweries, the hotel combine Hotelbetriebs A.G., and Westdeutscher Kaufhof. Most potash shares improved, though in a smaller degree. A sharp advance of General Electricity was not fully maintained, but certain engineering companies like Demag and Orenstein und Koppel were firm. Reichsbank and most of the commercial banks were slightly lower. The month closed with a minor recovery. Home fixed-interest securities were dull, reflecting the Reich Loan flotation, and ended slightly below the end-March level. The German section of the Young Loan, which had been very weak, recovered to 104.125. The decline of this loan, though it is in German currency, seems to have been due to apprehensions, since the *Anschluss*, of a general curtailment of the transfer service. The dollar-currency (certificated) foreign loans, influenced by the same sentiment, failed to recover. Dawes and Young certificated both lost on the month, in an entirely inert market. The official shares index (1924-26=100) for March was 113.85, as against 113.61 for February, and the bond index 100.05 against 99.94.

	Mar. 30, 1938	May 4, 1938		Mar. 30, 1938	May 4, 1938
Reichs- bank ...	199-87	198-25	Nord. Lloyd...	77-40	80-25
D.D. Bank ...	127-00	120-75	A.E.G.... Siemens	119-40	124-75
Dresdner	117-50	113-75	H. ...	207-00	213-00
I.G. Far- benind.	159-75	158-90	Stahl- werke... Hamburg- Amer.	116-00	110-90
				77-00	78-75

Amsterdam

THOUGH neither active nor eventful, April was on the whole satisfactory on the Amsterdam Bourse, and prices in all sections showed useful gains. The upward trend of quotations, however, had spent much of its force by Easter, improvement being most marked in the first two or three sessions in the month and a little later on U.S.A. reports of pump-priming. After the holidays there were occasional gains, but the tone was irregular and the impetus had been lost. The last week of the month, in fact, witnessed a small deterioration, commodity issues, in particular, being weak. The volume of transactions was never very large, and in the latter half of the month became extremely quiet.

	Mar. 30, 1938	May 4, 1938		Mar. 30, 1938	May 4, 1938
2 1/2% Dutch	84 1/2	87 1/2	A. K. U. ...	30 1/4	35 1/4
5 1/2% Ger.*	25 1/2	27 1/2	Ford Motor	260	289 1/2
Philips Lp.	24 3/8	27 1/4	De B. To.	212	214 1/2
Neth. Ship.	98 5/8	118 1/4	Ryl. Dutch	287 1/2	321 1/2
Lever Bros.			Hand. Am.	381 1/4	412 1/4
& Unilever	131 1/4	153 1/2			

* Without transfer certificate.

Canada

LATE in March, the Canadian markets experienced the worst break since late September, and stocks of all classes were carried steadily lower. A check to the recession came early in April, but the recovery, though substantial, did not regain all the ground lost in March. The buying movement was based largely on the latest Roosevelt programme of "pump-priming," but as its endorsement by Congress seemed uncertain, markets again turned sluggish and hesitant. Then, in spite of occasional setbacks, prices improved markedly in all sections, owing to greater confidence in the United States financial programme, with some expansion of business. In the last three days of the month, however, quotations sagged slowly. Western grain companies' stocks have risen on the good moisture conditions in the prairie country, and the mining market, which also experienced a severe setback in March, has now shared in the recovery. At the end of April, newsprint shares weakened on the announcement of a reduction in price for the second half of the year by Great Northern Paper. The Bureau of Statistics "Investors" Index for common stocks stood at 101.4 on March 19th, at 87.9 on March 31st, at 93.1 on April 7th and 99.7 on April 14th. The bond market remained surprisingly firm and even showed an upward tendency; the Bureau's index for long-term Dominion bonds rose from 114.9 on March 18th to 117.1 on April 14th.

Mar. 30, 1938	May 4, 1938	Mar. 30, 1938	May 4, 1938
Bell Tel.....	154½ 159	Dom. Glass.....	95 90
Can. Car.	7½ 11½	Int. Petrol.	24 25½
Do. pref'd.	18½ 25	Brazil Trac.	8½ 11½
Power Corp.....	13 13	Brit. Col.	13 13
Dome Mines ..	49½ 54½	Power "A" 26½	28½
Hollinger	11½ 13½	Do. "B"	3 3½
McIntyre	36½ 40½	Can. Cement	7½ 9½
B. of Canada. .	59 59	Int. Nickel.	40 46½
B. of Mont' 201½	204	Massey Harris ..	5½ 6½
B. of Nova	27½ 29½	Quebec Pulp	14 15
Scoti	285 298	Quebec Pulp	14 15
R. Bk. of Can. 170	173	Shawinigan	18½ 18½
C. Bank of	158½ 160	Water	18½ 18½
Com.	7 8½	Steel Co. of	58 63
Can. Bk.	5¼ 6¼	Canada	58 63
Can. Bk.	7 8½		

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
To the Public	7,000,000	...	6,930,000
To Shareholders	2,291,552	...	3,561,646
By S. E. Introduction	646,834	...	639,130
By Permission to Deal	176,441	...	176,441
Sav. Certs. w/e Apr. 30	Dr. 250,000	...	...

Year to date	Including Conversions	Excluding Conversions
1938 (New Basis)	71,247,887	57,942,420
1937 (New Basis)	272,141,181	239,454,639
1938 (Old Basis)	48,855,720	36,800,318
1937 (Old Basis)	184,417,362	154,362,755

Year to date	U.K.	Foreign ex. U.K.	Foreign Countries
1938 (New Basis)	38,473,329	17,519,862	2,429,229
1937 (New Basis)	200,390,074	37,911,425	1,153,140
1938 (Old Basis)	21,184,449	13,216,745	2,399,124
1937 (Old Basis)	146,307,340	8,055,415	Nil

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	28,451,645	4,424,718	25,064,057
1937 (New Basis)	130,331,821	14,862,150	115,469,672
1938 (Old Basis)	21,610,122	2,260,722	19,349,400
1937 (Old Basis)	117,333,223	9,038,215	108,295,008

* "New Basis" includes all new capital in which permission to deal has been granted.

PUBLIC OFFERS

Australia, Government of the Commonwealth.—Issue of £7 millions 3 1/2 per cent. registered stock at 99, redeemable at par December 15, 1956, or from 1952 on notice. A trustee stock. Proceeds to meet Australian defence expenditure in the United Kingdom and to redeem Commonwealth Treasury Bills in London. Population, 1937: 6,831,363. Public debt per head, £stg. 164 17s. 7d.

BY STOCK EXCHANGE INTRODUCTION

Courage and Company.—Particulars of issue of 600,000 5 per cent. cumulative second £1 preference shares. Redeemable from 1960 at 2s. premium. Messrs Cazenove, Akroyds and Greenwood and Company and Govett, Sons and Company take issue at 21s. 3d., and also £500,000 4 per cent. redeemable debenture stock, 1979, at par.

Moore's Stores, Ltd.—Particulars of 150,000 7 per cent. redeemable cumulative £1 preference shares which Federated Trust and Finance Corporation have taken at par. Redeemable by 1964 at 21s. 6d. Total combined profits after depreciation: 1935, £50,986; 1936, £48,650; 1937, £52,016.

CONVERSIONS AND REPAYMENTS

Holt Brewery Company.—This company has given notice of redemption of £490,006 5 per cent. redeemable second debenture stock on August 1, 1938, at 102 1/2. For the redemption and for developments, the company will issue at 101, £1,000,000 4 per cent. guaranteed debenture stock. Holders of the 5 per cent. stock may convert. A public offer of the balance not required for conversion purposes will be made on May 10th.

BONUS ISSUES

Beechams Pills, Limited.—It is proposed to create 300,000 5 per cent. redeemable cumulative preference shares of £1 and to capitalise £300,000 of general reserve by issuing these shares to deferred holders in the proportion of one new preference for every four 5s. deferred shares held.

Marks and Spencer.—Shareholders are to receive a capital bonus (involving £164,730 of extra capital) of one "A" ordinary share for every 10 existing ordinary and "A" ordinary shares held.

ISSUES TO SHAREHOLDERS ONLY

Clyde Valley Electrical Power.—Issue of 1,050,000 £1 ordinary shares to ordinary shareholders at par in proportion of one new share for two shares held on April 12th.

Luipaards Vlei Estate and Gold Mining.—This company is to issue 1,415,529 2s. shares at 15s. in the proportion of one for two held.

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Pay- able	Prev. Year
BANKS				
Amsterdamsche Bank	5 1/2	10	...	5 1/2
Bank of New Zealand	5 1/2	10	...	10
INSURANCE				
Commercial Union	20 1/2	40	...	40
Sun Insurance	30 1/2	55	...	53 1/2
TEA AND RUBBER				
Brook's Plantations	...	8	...	5
Brit. Darjeeling Tea	7 1/2	10	May 19	7 1/2
Carnarvon Rubber	...	5	...	7 1/2
Chubwa Tea	15 1/2	20	...	15
Dangan Rubber	3 1/2	...	May 27	4
Devstural Rubber	4 1/2	...	...	...
Dorankande Rubber	9 1/2	...	...	6 1/2
Ellawatte Ceylon Tea	4 1/2	7	May 20	5
Emerald Rubber	7 1/2	10	...	10
Galaha Tea	4 1/2	...	...	6 1/2
Golden Hope Rubber	4 1/2	...	...	...
Kamp. Kuantan Rbr.	12 1/2	24	May 26	20
Kepong Rubber	7 1/2	13 1/2	...	11 1/2
Lebong Tea	7 1/2	10	May 28	10
Lenggu Rubber	3 1/2	...	May 12	6
Malakoff Rubber	6 1/2	11	June 1	10
Malay Rubber	6 1/2	...	May 14	6
Marawan Rubber	...	...	May 26	10
Mayfield Tea	8 1/2	12	May 26	10
Merton Rubber	...	4	...	2 1/2
Oriental Rubber	...	2 1/2	May 16	2 1/2
Pullangode Rubber	...	...	May 20	10
Rembu Jelai Rubber	...	8	May 31	7 1/2
Standard Tea (Ceylon)	12 1/2	22 1/2	...	22 1/2
Sungei Matang Rbr.	6 1/2	10	...	5
Talawakelle Estates	10 1/2	12 1/2	May 12	12 1/2
Ulu Rantau Rubber	...	2 1/2	...	2 1/2
MINING				
Broken Hill South	9d. ps*	...	June 15	1 1/3 ps
Bulolo Gold	30 1/2	...	June 10	30 1/2
Cons. African Sel. Tst.	a 27 1/2	...	May 20	...
North Kalguri (1912)	37 1/2	100	June 11	7 1/2
Peatling Tin	10 1/2	...	May 10	12 1/2
Rahman Tin	2 1/2	...	May 14	5
INDUSTRIAL				
Air France	...	4	...	3 1/2
Anglo-American Deb.	...	12	...	...
Associated Gas, etc.	2 1/2	5	May 31	2 1/2
Atlas Steel	2 1/2	...	May 13	4
Barton & Sons (1935)	4 1/2	...	...	...
Beechams Pills (Def.)	a 47 1/2	85	...	60
Brampton Brewery	7 1/2	10	...	10
Bristol Bry. Georges	46 1/2	10	May 16	36 1/2
British Electric	6 1/2	10	May 27	Nil
Brit. & Chinese Corp.	...	10	May 26	15
British Match	5 1/2	7 1/2	...	7 1/2
British Oxygen	a 10 1/2	a 17	May 27	15 1/2
Brit. Tab. Machine	5 1/2	...	June 1	...
Bromlow & Swallows	...	10	...	12 1/2
Burton & Sons	...	10	May 6	10
Sanders (Def.)	...	10	May 10	...
Cawnpore Electric	7 1/2	10	...	5
Cheltenham Brewery	6 1/2	9	May 20	5
Consolidated Trust	5 1/2	7 1/2	...	10
Criterion Restaurants	3 1/2	...	May 18	10
Dalgety & Co.	5 1/2	...	May 20	33 1/2
Dancer & Heame	2 1/2	...	June 11	2 1/2
Davenport (C. B.)	4 1/2	10	...	10
East London Rubber	...	10	...	...
Engineering Comp.	12 1/2	20	May 12	15
Eng. Proprietors	7 1/2	11	...	13
Francis (F.) & Sons	5 1/2	9	...	...
General Motors	25c	...	...	\$1ps
Gleadow Sugar	4 1/2	7 1/2	July 15	...
Glenfield & Co.	10 1/2	15	June 1	15
Gov. & Gen. Invest.	3 1/2	...	June 1	3
Grand Junction Co.	2 1/2	4	...	4
Hesketh Estates	4 1/2	7	...	...
Int. Nickel	50 c	...	June 30	50 c
Kayser Ellison & Co.	6 1/2	9	June 1	Nil
Kalka & Invest.	6 1/2	9	June 1	8 1/2
Lon. Gen. Invest. Tst.	9 1/2	12 1/2	...	12 1/2
Marks & Spencer	82 1/2	b 42 1/2	...	406
Meadows (Henry)	a 6 1/2	...	May 17	6 1/2
Mellows & Co.	17 1/2	20	...	25
Meyer Mining	12 1/2	20	...	20
Monotype Corp.	3 1/2	...	May 13	2 1/2
Morgans Brewery	5 1/2	...	June 1	5
Newton Bros. (Derby)	...	12 1/2	...	7 1/2
Newton (John M.)	...	420	...	420
Nth. Brit. Can. Invest.	7 1/2	12 1/2	May 27	1 1/2
Norfolk (Pres. Trust)	...	12 1/2	...	15
Scot. Ont. Land	...	1/2ps	May 27	1 1/2
Second Guardian Tst.	3 1/2	4	...	3 1/2
Second Indent. Tst.	13 1/2	...	May 19	15
Severn Valley Gas	...	...	...	...
Sherratt & Crisps	25 1/2	32 1/2	...	27 1/2
Sphere Investment	...	5	...	5
Stream Line Filters	12 1/2	20	...	20
Stroud Brewery	7 1/2	...	June 1	7 1/2
Tarapaca Water	...	...	...	...
Telephone Mfrs.	a 6 1/2	a 9	...	...
Telephone Mfrs.	17 1/2	25	...	25
Telley (Joshua)	5 1/2	...	...	5 1/2
Tomaszow	...	10	...	10
Trinidad Leaseholds	10 1/2	...	May 27	10 1/2
Waldorf Hotel	...	4 1/2	...	...
Walker (John)	35 1/2	42 1/2	...	37 1/2
Wall Paper Mfrs. (Def.)	5 1/2	...	June 15	5 1/2
Wilsons & Clyde Coll.	...	7	May 26	6
Wright Saddle	5 1/2	...	...	Nil
Yorks. Amal. Colls.	43 1/2	5 1/2	...	5 1/2

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

(a) Interim dividend.	(b) Final dividend.	(c) Dividends for full year.	(d) Paid in £N.Z.	(e) Allowed for exchange.	(f) Flat yield
(h) Yield on 3½% basis.	(m) Based on payment of 2½%.	(n) To redemption at par, in year shown.	(o) Yield on 15½% basis.	(p) Yield based on 45% of coupon.	(q) Yield based on 45% of coupon.
(i) Yield worked on a 5½% basis.	(w) Yield based on 40% of coupon.	(x) Yield worked on a 14% basis.	(y) 1% paid free of income tax.		

* Bid and offered prices are free of Commission and Stamp Duty. (a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Yield on 20% basis.
(m) Including bonus of 5% free of tax. (n) Yield worked on a 2 per cent. basis. (r) Calculated at 18½ annas per share of Rs. 9. (p) Annas per share.
† Free of Income Tax. (i) Yield worked on 35% basis. (s) Highest price 132½ and 25 per cent. dividend. (q) Dividend before 1947. (t) Dividend after 1947.
50 per cent. capital bonus. Yield at 25 per cent. = £6 2s. 6d.; at 16 per cent. = £3 18s. 0d. (u) Paid on £30,000 more capital than in preceding year.
(d) 17½ per cent. cash dividend and 7½ per cent. in deferred ordinary stock. (v) Dividend before the 20% capital bonus 4s. per share.

Industry and Trade

Hours in Coal Mines.—Under the auspices of the International Labour Office, representatives of coal owners, mine workers and Governments from nine or ten countries are discussing at Geneva the question of equalising and reducing working hours in coal mines. No country has yet ratified the convention drawn up in 1935, which laid down a maximum working day of 7½ hours and a 46½-hour week, although the British Government have stated that they are prepared to ratify the convention simultaneously with the other six main European suppliers—Belgium, Czechoslovakia, France, Germany, the Netherlands and Poland. In recent years the majority of these countries have, in fact, reduced the length of the working week, but the existing differences are still considerable; a 45-hour week is worked in the United Kingdom, Belgium and Poland, while the hours of French miners average 38½ per week. This variation was one of the difficulties which prevented the adoption, in 1936, of a convention for a 38½-hour week; a transitional scheme is now suggested under which an 85½-hour fortnight should be worked for three or four years. The competition for European markets among the coal-exporting countries makes the question of such a further reduction in hours an international one, and a solution is rendered more difficult by the absence from the conference of any representatives of Germany.

—**And International Control of Exports.**—It is, therefore, unfortunate that the recent discussions in Paris between the principal European coal exporters have apparently had little result. Since January, 1935, there has been a working agreement concerning exports and export prices of coal between this country and Poland, but recently there have been complaints of breaches of the agreement from both sides. In addition, the German producers have stood outside, and the growing competition of German coal has intensified the dissatisfaction of producers in the United Kingdom and Poland. No account has been issued of what occurred at these discussions, but it is stated that they will be resumed at an early date. It is improbable that the convention to shorten the length of the working week will be ratified unless the export markets can be regulated, but the downward trend of consumption in importing countries and the difficulty of obtaining German support for an international agreement does not render regulation easy to obtain.

The Drought.—It is many years since Britain was afflicted by a spring drought of such length. In some country districts, there is already a shortage of water for stock and for domestic purposes; in most areas,

except in low-lying water meadows, pastures are bare, and cattle are still being fed on roots and cake. Ewes are also suffering from the shortage of young grass and the growth of lambs may soon be affected. Fields laid up for hay have been used to supplement the lack of grazing, which is another reason for expecting a light hay crop. Fortunately, many farmers still have hay from last year's splendid harvest, which will help to make up the deficiency. Autumn-sown crops, particularly on light land, are also reported to be suffering and the early growth brought on by the sun in March and April is being checked. Spring sowing is much delayed, since seeds have little chance of satisfactory growth unless the soil is reasonably moist, and many farmers are holding back from drilling their roots.

Cotton Trade Enabling Bill.—After many months of discussion and keen controversy it seems likely that some definite decision will be reached very shortly with regard to the Cotton Industry Enabling Bill, which has been submitted to the Government by the Joint Committee of Cotton Trade Organisations. The executive members of that body have made arrangements to visit the Board of Trade on Thursday next week. This week the opposition party has met the Lancashire Members of Parliament in London, when their case was presented by Sir Thomas Barlow, Sir Kenneth Lee, and Sir Thomas Higham. It is significant that the cotton trade unions, at their annual conference at Blackpool this week, have strongly supported the proposals. The promoters hope that the Government will indicate their attitude to the Bill without delay, especially as the cotton industry has again relapsed into a condition of severe depression.

Building and Wet Weather.—Inclement weather is the great enemy of the building trades. Ever since the war there has been agitation in the industry for some means of insuring workers against the loss of pay due to wet weather. There is now every chance that over 1,000,000 employees in Britain will benefit from a plan to provide payment for time lost on this account. The scheme emanates from long discussions between the building workers, the employers and the Ministry of Labour, and will be supplementary to the general Unemployment Insurance scheme, and therefore compulsory. If the agreed draft of the proposals is approved by the Minister of Labour, he has power under the Unemployment Insurance Act of 1935 to set it in force. Employers and workers will make equal contributions—6d. a week for craftsmen, 4½d. for labourers and

SHORTER COMMENTS

(continued from page 315)

Clan Line Steamers.—Trading profit for 1937 £712,099 compared with £666,964. To depreciation £269,935 (£253,012). Ordinary dividend 20 per cent. as before. To reserve £200,000 (£250,000); pensions from £97,065 to £94,820. The fleet at the end of 1937 numbered 42 vessels with a gross tonnage of 268,669 tons. Fleet valued at £3,243,659 against £2,578,927.

Roan Antelope Copper Mine.—Net profit for quarter to March 31, 1938, subject to taxation, totals £284,000 compared with £359,000 for the quarter to December 31, 1937, and £615,000 for the quarter to March 31, 1937. Nine months' profit £1,329,500 against £1,096,000. Reserve for replacements, etc., again receives £50,000.

Walker (John) and Sons.—Profit for 1938, after depreciation, £855,343 compared with £805,245. Ordinary dividend and bonus 42½ against 37½ per cent. Warehouse rents reserve receives a further £100,000, and £16,453 against £25,000 is placed to property reserve. Carry forward reduced from £143,159 to £134,198.

Kitchen and Wade.—Net profit for year to March 31, 1938, £71,256 compared with £45,972. Dividend 45 against 25 per cent. Goodwill reduced by £5,000. For tax and N.D.C. £21,655. Carry forward increased from £3,531 to £6,960.

Beechams Pills, Ltd.—Total income for year to March 31, 1938, £600,908 against £541,410. Deferred dividend 85 per cent. absorbing £186,765 against 60 per cent. absorbing £120,761. To development reserve £86,583 against £70,000. Carry forward raised from £58,352 to £81,986.

Investments in subsidiaries have been revalued at £2,500,000; resulting surplus of £1,147,536 has been placed to capital reserve.

United Molasses Company.—This company is selling the ordinary share capital of its subsidiary, Messrs. Macfie and Sons, Ltd. of Liverpool, to Messrs. Tate and Lyle. Negotiations are in progress for the transference of Macfie's sugar refining business to the Liverpool refinery of Tate and Lyle.

J. and J. Colman.—Trading profit for 1937, after depreciation, etc., expanded from £522,761 to £540,189. The net amount is slightly lower at £514,399 compared with £518,809, owing to increased provision for taxation, including N.D.C. Ordinary dividend and bonus maintained at 16 per cent. To general reserve £120,000 against £82,742 and £40,000 to contingency and development reserve. Carry forward £83,843 against £85,347.

2½d. for juniors—to a common fund, from which benefit will be paid to men who arrive at work and are sent away because of bad weather, to compensate their loss of daily wages. No benefit will be paid during the first twelve months after the inauguration of the fund, to permit of the accumulation of resources, estimated to amount in a year to £2 millions. The scheme has been approved by both parties, and now waits only upon final drafting and the Minister's endorsement.

Glasgow's Changing Industries.—In an article on page 287 we discuss the economic problems of Scotland which have arisen as a result of the decline in the export trades. The table below shows how the leading industries in the Glasgow area—the principal industrial district of Scotland—have been affected by the economic changes since 1929. It shows the estimated number of insured persons in certain industries, as well as the number recorded as unemployed in 1929, 1932, 1937 and April, 1938.

EMPLOYMENT AND UNEMPLOYMENT IN GLASGOW
(INCLUDING RUTHERGLEN)

	Estimated Numbers Insured			Numbers Recorded as Unemployed			
	July, 1929	July, 1932	July, 1937	June, 1929	June, 1932	June, 1937	April, 1938
Building	20,240	22,720	24,050	2,735	6,669	3,866	3,452
Shipbuilding and ship repairing	21,090	19,900	17,230	5,477	15,517	4,925	4,312
General engineering...	28,620	27,830	27,720	5,161	14,602	3,302	3,269
Hotel, etc., service ...	7,120	8,460	9,600	1,005	2,475	2,365	3,210
Tram and omnibus service	7,840	8,970	10,590	301	559	414	734
Road transport not separately specified	7,980	8,560	8,820	1,434	2,828	2,002	1,880
Shipping service	7,620	9,160	7,850	1,184	2,943	1,792	1,987
Printing, publishing, etc.	12,050	12,890	13,910	676	1,716	1,411	1,499
Tailoring	8,380	9,090	9,870	360	1,235	1,147	1,358
Bread, biscuits, etc. ...	11,940	13,720	14,880	1,112	2,170	1,835	1,961
Distributive trades ...	74,360	85,160	90,440	6,461	14,826	12,433	13,139
Local Government service	9,220	8,630	12,610	1,063	2,272	2,902	2,596
All other industries and services	159,960	166,410	176,120	21,662	50,895	28,871	31,646
Total	376,320	402,500	423,690	48,731	118,707	67,265	71,043

It will be seen how severely the majority of Glasgow's industries were hit by the depression. In June, 1932, when 19,900 persons were insured in the shipbuilding and repairing trades, only 4,383 were in employment. Even in general engineering, more than half of the total number of persons insured were without employment six years ago. Between July, 1929 and 1937, the total number of insured persons in the Glasgow area increased by 47,370 to 423,690. No fewer than 15.9 per cent. of these were unemployed last July, compared with 10.1 per cent. in the country as a whole. Between 1929 and 1937 the number of persons insured in the shipbuilding and repairing and general engineering trades actually showed a decline. On the other hand, there was a substantial increase in a number of other trades, especially services, which are less dependent on the export markets. As the figures for April show, unemployment is again increasing.

Further Decline in Shipping Rates.—Our index of tramp shipping freight rates continued its downward trend during the past month, when it reached the lowest level since November, 1936. The rate of decline of shipping freights, however, has tended to diminish.

The Economist INDEX OF FREIGHT RATES
(1898 = 100)

	Average, 1913	Apr., 1937	Jan., 1938	Feb., 1938	Mar., 1938	Apr., 1938
European waters	110.0	157.9	124.6	117.6	109.3	108.2
North America	113.1	121.0	118.5	109.3	110.6	114.0
South America	123.4	145.6	110.6	122.4	129.6	131.7
India	106.3	147.7	142.6	130.3	120.0	106.0
Far East and Pacific	117.4	162.0	128.6	120.4	111.8	109.2
Australia	127.9	167.7	130.0	113.4	111.6	113.0
Total	116.3	150.3	125.8	118.9	115.5	113.7
1913 = 100	100.0	129.1	107.9	102.1	99.2	97.7

As the next table shows, the decline in freight rates has not been uniform, rates on some routes having shown a slight increase.

	Index No.	Inc. or dec. Points		Index No.	Inc. or dec. Points
Home trade	96.0	- 1.8	South America :—	109.2	+ 2.9
Bay—outwards...	99.1	- 5.5	Outwards	154.3	+ 1.3
Bay—homewards...	145.2	- 3.2	Homewards	96.8	- 4.3
Mediterranean :—			India—outwards...	115.2	- 23.8
Outwards	83.2	+ 0.4	India—homewards...	109.2	- 2.6
Homewards	134.9	+ 2.3	Far East, etc.	113.0	+ 1.4
North America...	114.0	+ 3.4	Australia		

There are no indications of an early and sustained improvement in freight rates, for the trend of world trade is still downward, and the volume of idle shipping tonnage, consequently, is increasing.

The International Sugar Council.—At the meeting of the International Sugar Council, held in London at the end of last week, the consumption of sugar on the free market for the current year was estimated at 3.31 million metric tons. The export quotas allotted to the signatory countries for the year ending August 31, 1938, aggregate 3.5 million metric tons. The Council therefore decided to exercise the powers given to it by the agreement of last year of reducing these quotas by 5 per cent., thus lowering permissible exports to 3.2 million tons. It was decided to hold another meeting in July, when the situation will again be reviewed. If, during the interval, consumption in the free market should fall further, the Council will then be faced with a serious problem. It cannot reduce quotas by more than 5 per cent. without the unanimous consent of the contracting Governments, and the negotiations involved are therefore likely to be difficult and prolonged. If prices fall, there will possibly be a danger of a pressure for higher tariffs from importing countries, and there will certainly be dissatisfaction among the exporting interests. Present world economic tendencies, however, do not encourage the expectation of an increase in consumption. Consequently, the decisions of the Council last week have only postponed the difficulties.

Meeting of Copper Producers.—Important international conversations have taken place this week in London on the subject of the copper market. The

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discussions were attended by representatives of the leading Rhodesian and Belgian producers, as well as by the chairman of the Anaconda group and the vice-chairman of the Kennecott concern. The two United States concerns control the bulk of the Chilean and Mexican production as well as the greater part of the American domestic output, so that the meeting was virtually a conference of the world's leading copper producers. The only absentee was the International Nickel Company of Canada, which, however, has recently reaffirmed its willingness to restrict its copper sales in times of slow demand. So far no statement on the course and the results of these discussions has been published and no details of the conversations have leaked out. It is practically certain, however, that the unsatisfactory state of the United States market and the problem of American copper exports were the main subjects discussed. The United States is not a direct partner to the international copper scheme, but its exports of domestic copper have been limited to 8,000 tons per month under a special gentlemen's agreement between the big American concerns and the restricting producers. Last March this limit was surpassed for the first time since the introduction of the copper scheme in 1935, and, in view of the slump in the American domestic demand, that country's exports may remain high for some time. A limitation of American exports is essential if a serious slump in prices outside the United States is to be averted. The outcome of this week's discussions, therefore, may be of considerable importance for the trend of copper prices.

Agricultural Wages.—The wages and hours of agricultural workers in England and Wales have been regulated, since 1924, by Orders of Committees composed of representatives of farmers and labourers, with independent members nominated by the Ministry of Agriculture. There are ten such local committees whose decisions are ratified by a central committee, the Agricultural Wages Board; the wages so laid down are statutory minima for workers of the grade and age to which they refer, and can be enforced in the courts. Between June, 1926, and June, 1933, when agricultural prices fell by 29 per cent. and the cost of living by 18 per cent., the average minimum weekly wage, according to the Ministry of Agriculture, fell from 31s. 8d. to 30s. 1½d., or about 3 per cent.

INDUSTRIAL REPORTS

This week's reports from industrial centres do not indicate a change of trend in business activity. Although steel consumption, especially of heavy materials, remains at a high level, the volume of new transactions continues small, for stocks in many sections are still excessive. The Welsh tinplate industry remains depressed, last week's shipments from Swansea amounting to only 3,914 tons, compared with 9,928 tons during the corresponding week last year. The position of the coal trade also tends to deteriorate; export business remains small and demand for heating purposes is declining. Anxiety in the cotton industry is growing, for, despite the severe curtailment of the output of yarns and piece goods, current sales continue below production. The market in jute goods was again dull, though Dundee manufacturers are now more hopeful of a settlement of the dispute between the rival groups of manufacturers in India.

Coal

Cardiff.—There has been a further deterioration this week in the shipment position. An abnormal number of the coaling appliances were idle, and shipments early in the week were lower than

at any other period this year. Shipping movements may partly explain this lull, but the volume of inquiry is extremely small and the new import restrictions in France and Belgium are beginning to make their influence felt. Merchant firms as well as foreign buyers are strenuously endeavouring to exploit these conditions in their efforts to reduce prices, but there has been no change in the policy of the Control Board, and there is little or no modification reported in the permit prices. Last week's shipments at the South Wales ports totalled 400,500 tons, compared with 425,765 tons in the corresponding week last year. The South Wales Executive Board is pursuing an independent course over the decision of the Board of Trade authorising the resumption of the trade sharing provisions of the district schemes. The market in coke is weak and patent fuel quiet.

Glasgow.—The Scottish market continues to show a sagging tendency. New orders are tapering off in nearly all branches of the trade and short-time working has been necessitated in many cases. Coastwise trade has been affected by the smaller tonnages taken up by the public utility undertakings, partly

The minimum wages given in the table below are those in force during the later half of 1933. Those given for 1937-8 are those in force in March-April, 1938, some of which are now due for revision; the majority, however, came into operation in the autumn of 1937. The average

AVERAGE MINIMUM WEEKLY WAGES (FOR "OTHER WORKERS")
IN ENGLAND AND WALES, 1933 AND 1937-8

District	1933				1937-8			
	Wages		Hours		Wages		Hours	
	s.	d.	Summer	Winter	s.	d.	Summer	Winter
Northern	31	6	52	49	33	6	52	49
North Western	32	0	54	53	35	6	54	53
North Eastern	31	0	57½	48	35	6	50½	48
Eastern	30	6	50½	48	35	0	49½	48
East Midland	30	6	53	50	34	0	51	48
West Midland	30	0	52½	49	33	6	52	49
South Western	30	6	52	50	34	0	51	50
South Eastern	30	6	51½	49	36	0	51	49
North Wales	29	0	53	51	31	6	51	50
South Wales	31	6	53½	51½	34	6	53½	51
Average	30	6	52½	50	34	6	51½	49½

minimum wage increased from 30s. 6d. in 1933 to 34s. 6d. in 1937-8, an increase of about 11 per cent. Between June, 1933, and January, 1938, agricultural prices (including subsidies) rose by 33 per cent. and the cost of living by 17 per cent. The working week has been shortened by about one hour in summer and half an hour in winter. It is probable, however, that these figures under-estimate the increase in weekly earnings. In times of depression, statutory minima tend to become maxima, while the recent shortage of agricultural labour has definitely tended to hasten the rise in wages. For the same reason, a larger proportion of workers than formerly are now included in the better-paid classifications as shepherds, stockmen, etc.; the reduction in hours has probably also increased overtime payments. The conclusion, therefore, is that the agricultural labourer, when in employment, was little affected by the depression, and the increase in earnings since has roughly equalled the subsequent rise in the cost of living.

owing to the long spell of mild weather and partly owing to the dullness of the market, which has encouraged buyers to postpone deliveries in certain cases. Local trade generally remains satisfactory, but without showing the same briskness as formerly. The price trend remains easy.

Sheffield.—Domestic demand for industrial steam coal is well maintained and best hards are moving freely under contract. South Yorkshire and Derbyshire hards are quoted around 22s. per ton at pits. Last Monday South Yorkshire and Derbyshire collieries reduced the prices of house coal, the cuts varying from 8d. to 1s. per ton at pits for selected qualities and from 1s. 4d. to 1s. 8d. per ton in other qualities. Some pits have reduced prices all round by 1s. 4d. and 1s. 8d. per ton. No price reductions were made at this period last year, and this policy caused a reduction in consumption, householders turning to greater use of gas and electricity. By the present step the collieries are attempting to regain their former position.

The market in coke continues quiet. Export business remains very slow in spite of lower prices. Inquiry for forward delivery is very restricted.

Newcastle-on-Tyne.—The North-East coal market is quiet, except for certain grades subject to contract. Foreign buyers are only interested in their immediate requirements. In the home market the Northumberland steam coal sections have lost trade to other districts with the result that they are experiencing one of their slackest periods for a number of years. Prime grades of steam coals move very slowly; in some instances collieries are being compelled to stock. In the Durham section collieries producing manufacturing coal are comfortably placed, but others would be glad of business.

Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange indicates that, although the iron and steel markets continue quiet, production remains at a high level, particularly in the case of heavy materials. Several steelmaking firms are still in arrears with deliveries; but for some time past the volume of new orders has been much less than the tonnage of completed work, and it is now possible to obtain near delivery of most descriptions of steel.

Business in pig iron has been quiet, partly because buyers are awaiting an announcement regarding the prices which will rule in the second half of the year. Considerable stocks of most kinds of iron exist at the producing and consuming works and the demand is not likely to revive until these have been reduced. Some improvement in the demand has been noticeable of late, but most of the business passing has consisted of small supplementary parcels.

Requirements of semi-finished steel are at a low ebb owing to the heavy stocks held by consumers. It will be some months probably before the position is readjusted; but in the meantime substantial tonnages are passing regularly into consumption.

In the lighter branches of the steel trade conditions are quiet, and production has slowed down somewhat. Export business has been irregular, but the inquiry from some of the overseas markets has expanded and there appears to be a tendency on the part of buyers to make larger purchases.

Sheffield.—The iron and steel market remains quiet, but the undertone is quite confident. So far as pig iron is concerned, consumers are well stocked and are disinclined to enter into new contracts pending the expiration, at the end of June, of the period for which prices have been fixed, the general opinion being that there may well be some revision of quotations in favour of consumers.

The volume of business in steel has not shown any significant decline, buying of basic and acid billets being on a substantial scale. Wire rods, strip and bars are in good request, and the call for stainless steel sheets is as strong as ever. Production of steel ingots and castings in March in this area, at 160,200 tons, was the second highest on record.

There are no signs of a slump in this district; steel furnaces are operating at capacity and engineering works are fully employed. There is a good flow of

new orders from overseas, and the armament programme will serve to keep industry busy for some time.

Middlesbrough.—The output of foundry iron is going mainly into stock at the furnaces. Foundries are not using the iron which was delivered some time ago from the Midlands and the Continent as rapidly as was anticipated. Sales of East Coast hematite pig iron are slow, and difficulties are being experienced in getting consumers to take up full deliveries under contract. Three blast furnaces which have been producing hematite iron will go out of operation at the end of this week.

Export trade is almost negligible, and unless there is some revival more plant will have to be laid idle.

Heavy steel plants continue to be well employed, but the position of the departments producing sheets and lighter steel material remains the same. Contracts are being readily executed, and plant is working well below capacity.

Glasgow.—Steelmakers in the West of Scotland are still very busy and the tonnage of plates already on books will absorb several months' output at the present rate of production. As regards sections and bars, there is a fair amount of work on hand, and a steady output is being maintained for practically all such material. Light bar makers are not so happily placed, as stocks in the hands of consumers are still heavy, and it is anticipated that it will be at least another month before stocks are normal and buying activity is resumed. Local sheet makers are keeping quite a considerable proportion of their mills in operation. Overseas business continues to show some improvement, while the home demand, particularly for high-grade sheets, is exceedingly good.

Cardiff.—It appears that the recent decision of the Tinplate Cartel authorising the reduction of the schedule price from 22s. 6d. to 20s. 3d. per basis box was subject to the confirmation of the contracting parties to the Cartel, but the Swansea manufacturers have refused such confirmation and have been quoting at 21s. 6d. per basis box for export and 21s. 1½d. for the inland trade. The output position shows no material change, and shipments at Swansea last week totalled only 3,914 tons, compared with 9,928 tons in the corresponding week in 1937. The sheet trade is quiet and more steel furnaces have closed down. The increased import duties on foreign steel products have been accompanied by a decline in the volume of Continental material arriving at South Wales ports.

Textiles

Cotton (Manchester).—Business remained dull. Buyers have restricted their purchases to immediate requirements and, despite the severe curtailment of production in spinning and weaving centres, sales have been below output. Anxiety amongst producers is increasing. Raw cotton prices have favoured buyers; demand has been limited, and in the Liverpool futures market there has been a disposition to liquidate contracts, part of the selling

being due to the hedging of non-American cotton. More favourable weather advices have been received from the American belt, and the new crop appears to be making a good start.

The yarn market has been idle. It has been quite exceptional for orders to be obtained for anything more than retail lots. The price-fixing committees have made certain revisions in the schemes, the chief alteration being the change of the basic month for futures from May to July.

Manufacturers of piece goods have had another disappointing week.

Jute (Dundee).—Strenuous efforts are being made by the Indian jute mills to bring about an agreement on the question of working hours. Ninety-six per cent. of the mills are willing to sign the agreement drawn up by the Associated mills, but it provides that production in all mills shall be curtailed to 45 hours per week, excepting the smaller mills with less than 250 looms which would be allowed to work 54 hours per week. The latter are endeavouring to obtain permission to work 81 or 72 hours at least, and it is understood that this counter-proposal of theirs is holding up the signing of the agreement. Meantime, the Indian mills are producing far in excess of the world's requirements and stocks are mounting to great heights, particularly in the case of hessians. At the end of April these stood at 296 million yards and sacking stocks at 131 million yards, compared with 353 million yards and 112 million yards, respectively, at the end of March.

New jute crop prospects are quite satisfactory from all districts, but sellers are none too keen to lower their prices. The full group of Daisee-2/3 is still held for £17 per ton, and Tossa-2/3 at £17 12s. 6d., both old and new crop fibre, with spinners here showing little or no interest owing to the lack of demand for jute yarns. The price of common 8-lb. cops is 1s. 10d. and of 8-lb. spools 1s. 11d., but buyers are unwilling to pay more than 1s. 9d. and 1s. 10d., respectively. The cloth market rules dull and prices are more or less nominal at from 2½d. for 10 oz. 40 in. and 1½d. for 8 oz.

Calcutta goods have slightly improved recently owing to more favourable prospects of an agreement. Formerly, they were very weak and prices are still ruling at low and uneconomic levels.

THE COMMODITY MARKETS

The prices of primary products continued their downward trend this week. In view of the continued stagnation of business activity in the United States, this is scarcely surprising, especially as the output of many commodities is in excess of current requirements. Consumers, realising the weak position of sellers, continue to cover only their immediate requirements.

Among non-ferrous metals, copper, tin, lead, and spelter were all marked down during the week ending Wednesday, though tin prices rose sharply

(Continued on page 333)

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				SUGAR (per cwt.)—cont.			
Apr. 27, 1938				Apr. 27, 1938			
May 4, 1938				May 4, 1938			
s. d.				s. d.			
GRAIN, Etc.—				Crushed			
Wheat—				Granulated			
No. 2, N. Man. 496 lb.				Home Grown			
Eng. Gaz. av., per cwt.				TEA (Auction Average) (per lb.)—			
Liv. May, per cental				N. India			
Flour, per 280 lbs.—				S. India			
Straights, d/d London				Ceylon			
Manitoba, ex store				Java			
Barley, Eng. Gaz. av.				Sumatra			
Oats				Africa			
Maize, La Plata, landed, 480 lb.				Total			
Rice, No. 2 Burma, per cwt.				TOBACCO (per lb.)—			
MEAT—				Virginia stemmed and un-			
Beef, per 8 lbs.—				stemmed, common to fine			
English long sides				Rhodesian stemmed and un-			
Argentine chilled hinds				stemmed			
Mutton, per 8 lbs.—				Nyasaland stemmed and un-			
English wethers				stemmed			
N.Z. frozen wethers				East Indian			
Lamb, per 8 lbs.—				COTTON (per lb.)—			
N.Z. frozen				Raw, Mid-American			
Pork, English, per 8 lbs.				Sakellariadis, F.G.F.			
BACON (per cwt.)—				Giza, F.G.F.			
English				Yarns, 32's Twist			
Danish				40's West			
Dutch				60's Twist (Egyptian)			
Irish				Cloth, 32 in. Printers, 116 yds.			
HAMS (per cwt.)—				16 x 16, 32's & 50's			
Canadian				36 in. Shirtings, 75 yds.			
United States				19 x 19, 32's & 40's			
OTHER FOODS				38 in. ditto, 38 yds.			
BUTTER (per cwt.)—				18 x 16, 10 lb.			
Australian				39 in. ditto, 37½ yds.			
New Zealand				16 x 15, 8½ lb.			
Danish				FLAX (per ton)—			
CHEESE (per cwt.)—				Livonian ZK			
Canadian				Wet salted, Australian			
New Zealand				West Indian			
English Cheddars				Cape			
Dutch				Dry and Drysalted Cape			
COCOA (per cwt.)—				Market Hides, Manchester—			
Accra, f.f.				Best heavy ox and heifer			
Trinidad				Best cow			
Grenada				Best calf			
COFFEE (per cwt.)—				INDIGO (per lb.)—			
Santos, sup. c. & f.				Bengal, gd. red-vio. to fine			
Costa Rica, medium to good				LEATHER (per lb.)—			
Kenya, medium				Sole Hides, 8/14 lb.			
EGGS (per 120)—				Bark Tanned Sole			
English (15-15½ lb.)				Shoulders from DS Hides			
Danish (15½ lb.)				Eng. or WS do.			
FRUIT—				Bellies from DS do.			
Oranges, Jaffa				Eng. or WS do.			
Lemons, Malaga				Dressing Hides			
Sicilian				Ro. Eng. Calf, 20/35 lb. per doz.			
Apples, Amer. (var.)				PETROLEUM PRODUCTS (per gall.)—			
Grapes, Almeria				Motor Spirit, No. 1, London			
Grapefruit, Jaffa				Petroleum, Amer. rid. bri. Lond.			
LARD (per cwt.)—				Fuel oil, in bulk, for contracts			
Irish, finest bladders				ex instal. Thames			
U.S.				Furnace			
PEPPER, per lb.—				Diesel			
Black Lampong (in Bond)				ROSIN (per ton)—			
White Muntack				American			
POTATOES (per cwt.)—				RUBBER (per lb.)—			
King Edward				St. ribbed smoked sheet			
SUGAR (per cwt.)—				Fine hard Para			
Centrifugals, 96's, prpt. shpm.				SHELLAC (per cwt.)—			
Refined—London				T.N. Orange			
Yellow Crystals				TALLOW (per cwt.)—			
Cubes				London town			

* Week ended April 28th. † These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.

COMMODITY STATISTICS

Coal

District	Week ended April 16, 1938		Week ended April 23, 1938	
	Output	Wage- earners	Output	Wage- earners
Northumberland	000 tons 227.1	000's 45.3	000 tons 224.0	000's 45.3
Durham	544.8	117.6	555.0	117.7
Yorkshire	734.4	144.0	533.5	144.1
Lancs, Cheshire and N. Wales	273.4	68.5	263.3	68.1
Derby, Notts & Leicester ...	528.0	98.9	364.6	98.8
Staffs, Worcs, Salop & War- wick	329.3	67.3	238.5	67.3
South Wales and Monmouth ...	745.1	136.4	494.9	136.2
Other English districts*	92.1	22.4	91.7	22.6
Scotland	611.4	90.8	587.4	90.0
Total ...	4,085.6	791.2	3,352.9	790.0

* Including Cumberland, Gloucester, Somerset and Kent.

* Including Cumberland, Gloucester, Somerset and Kent.

Cotton

Variety	Week ended		Total Deliveries	
	Apr. 22, 1938	Apr. 29, 1938	Aug. 1, 1936- Apr. 30, 1937	Aug. 1, 1937- Apr. 29, 1938
American	15.1	21.1	918	964.6
Brazilian	1.9	3.7	286	229.0
Peruvian, etc.	1.4	2.0	115	93.1
Egyptian	6.6	9.4	321	272.9
Sudan Kaki	2.1	4.2	126	114.3
East Indian	5.3	10.0	391	273.1
Other countries ..	0.8	3.4	169	137.2
Total	33.2	53.8	2,326	2,084.2

Metals

SALES ON LONDON METAL EXCHANGE				
Date	Copper	Tin	Lead	Spelter
1938	Tons	Tons	Tons	Tons
April 22	925	130	1,100	300
" 25	1,275	250	1,000	575
" 26	950	300	1,000	1,000
" 27	1,200	550	850	375
" 28	1,250	165	1,200	600
" 29	1,100	285	950	1,550
May 2	1,600	425	1,950	2,250
" 3	2,150	465	1,250	1,650
" 4	1,700	475	550	850

U.K. STOCKS		
	Apr. 23, 1938	Apr. 30, 1938
Copper (Br. official whouses):	Tons	Tons
Refined	8,917	8,364
Rough	24,328	24,380
Tin (London and Liverpool)	4,904	5,423

Foods

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 Quarters)

From	Week ended		Season to	
	Apr. 23, 1938	Apr. 30, 1938	Apr. 29, 1937	Apr. 30, 1938
From—				
N. America	292	513	20,902	17,667
Argentina and Uruguay	228	173	18,140	6,496
Australia	499	685	9,567	11,726
Russia	47	113	11	4,949
Danube and dist.	111	65	7,879	5,858
India	33	11	1,084	1,152
Other Countries	16	16	1,518	680
Total	1,226	1,576	59,101	48,528
To—				
U.K.	280	448	13,730	12,083
" Orders"	328	446	16,262	10,217
France	97	200	390	556
Belgium	91	122	3,727	4,016
Holland	76	20	1,520	2,533
Italy	12	4	4,577	820
Greece	41	167	1,640	1,859
Scandinavia	38	37	1,615	1,305
Austria, etc.	45	36	1,604	1,673
Other European Countries	69	41	1,233	4,069
Ex-European Countries	246	250	12,013	9,290
Total	1,226	1,576	59,101	48,528

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL ('000 Quarters)

From	Week ended		From Apr. 1 to	
	Apr. 23, 1938	Apr. 30, 1938	Apr. 29, 1937	Apr. 30, 1938
Argentina	9	45	3,070	78
Atlantic America	219	397	1,061	1,061
Danube Region	97	200	390	556
S. & E. Africa	5	3	23	13
Indo-China, etc.	20	28	15	92
Total	350	673	3,498	1,800

SALES OF BRITISH CEREALS				
	Week ended		From Aug. 1 to	
	Apr. 23, 1938	Apr. 30, 1938	Apr. 29, 1937	Apr. 30, 1938
Wheat... cwt.	123,460	166,801	9,591,643	9,904,491
Barley ... cwt.	6,665	13,772	10,231,072	8,882,940
Oats ... cwt.	23,62	20,022	2,022,717	1,778,739

OTHER FOODS

From

COMPANY MEETINGS

SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

TOTAL FUNDS REACH £17,000,000

RECORD NEW LIFE BUSINESS

MR H. G. YOUNGER'S ADDRESS

Mr Harry Geo. Younger, chairman, presided at the 113th annual general meeting of the shareholders of the Scottish Union and National Insurance Company, held at Edinburgh on May 4, 1938. In moving the adoption of the report and accounts for the year 1937, he stated:—

It will be noticed that we have passed another milestone of progress. The total funds have reached the £17,000,000 mark and, for the tenth year in succession, the new life business is greater than ever it was before. The quinquennial valuation of the assets and of the liabilities of the life department was made as at December 31st last. The results show a very large profit from mortality amongst the early bonus policies. Since the valuation in 1932, new mortality tables, based on the recent mortality experience of British offices, have been brought out jointly by the Institute of Actuaries and the Faculty of Actuaries in Scotland. Advantage was taken of the opportunity of making the present valuation by this table, which reflects the lighter mortality of recent years. In view of the fall in the general level of interest rates, the valuation rate of interest was reduced from 3 per cent. to 2½ per cent. I am told that the combination of this new mortality table with interest at 2½ per cent. provides the most stringent valuation basis employed by any British office.

The surplus disclosed by the valuation is sufficient to maintain the bonus at the high rate of £2 3s. per cent. per annum on the sum assured under "Scottish Union and National" early bonus policies declared in 1927 and repeated in 1932. The interim bonus to policies becoming claims before January 1, 1943, is at the rate of £1 18s. per cent. per annum. New policies effected subsequent to December 31, 1937, which become claims in the current quinquennium will be entitled to participate in this interim bonus. It is a satisfaction to the directors to be able to place before you so favourable a report. The maintenance of our high rate of bonus ought to be a source of great encouragement to our agents. I may say that the directors look to the shareholders, in their own interests, not only to place with the company all their own insurance business but to recommend their friends to do likewise.

ACCIDENT AND MISCELLANEOUS

The personal accident and employers' liability accounts do not call for any special comment. The profit transferred from the former is £5,600, or nearly £1,000 better than last year, whilst the E.L. account, despite an increase of £3,500 in premium income, is just able to make ends meet. There is little scope for profit-earning in employers' liability insurance.

The miscellaneous account shows an increase of £10,000 in premiums now totalling £241,000, but the result of the year's working on the combined account is a loss of £20,211. Two sections are responsible for this loss.

In common with the majority of the offices whose accounts for the past year have already been published, our experience in the motor section has been unprofitable. The standard of damages awarded to injured parties by judges and juries continues to increase and the recent decision in the House of Lords in the case of *Rose v. Ford*, whereby it was laid down that loss of expectation of life may be included in awards for fatal accidents, has added materially to the difficulties of the companies transacting motor insurance. It appears obvious that the rates of premium must be increased if this section of our activities is to be placed on a profit-earning basis.

MEDICAL INDEMNITY AND MARINE

During the year we have been engaged in a further clearing up of the situation in the medical indemnity section, to which my predecessor in the chair referred last year. Ample provision has

been made in our accounts for outstanding claims, and the special reserve in the miscellaneous assurance account has been further strengthened by a transfer of £50,000 from the profit and loss account. The special reserve now stands at the substantial figure of £100,000. We have ceased to transact medical indemnity business, and I regard the arrangements made for the running off in due course of our remaining commitments as satisfactory and adequate.

The marine account shows an increase in premiums of £60,655, but the year has not been profitable. Indeed, 1937 has been a very unfavourable year for marine underwriters generally. So far as we are concerned, we have been relatively fortunate as regards total losses but, owing to the heavy storms which were prevalent during the autumn and winter months, claims for minor casualties were very heavy. During the year a minimum increase of 15 per cent. in the rates for hull renewals was adopted by the entire market. This was followed by later agreements tending to improve the position from the underwriters' point of view, although it is doubtful whether the steps already taken are adequate to put the business on a sound basis, particularly in view of the continued heavy losses of first-class steamers. Competition for cargo business, on the other hand, continues more keen than ever and lines are being freely accepted at rates which are proving by experience to be inadequate to meet the normal losses which inevitably occur.

FIRE ACCOUNT

Now, let me turn to the fire account. Here we have results which are very satisfactory, although not quite so good as the previous year's excellent figures. The premium income is down by £5,600, due to the falling off in premiums in the United States of America. Intensive competition in that country, in conjunction with a period of years showing comparatively light loss ratios, has resulted in reductions in rates of premium. Notwithstanding the drop in premium income, our experience in the United States of America has again been very satisfactory. Indeed, it is once again evidenced that our fire business is of excellent quality all round by the fact that the claims' ratio is 41.4 per cent. of the premiums. The profit transferred to the profit and loss account is £173,126.

PROFIT AND LOSS

As regards the profit and loss account, the interest appearing in that account is practically identical to last year's figure, being only £200. The profits realised from the various revenue accounts total £349,918, against which must be set £20,211 transferred to the miscellaneous assurance account. The net profit, therefore, is (in round figures) £330,000. This profit includes £170,000, being the shareholders' proportion of the life and annuity and also sinking fund profits which falls to be added to the shareholders' funds as a result of the quinquennial investigation already referred to.

A sum of £100,000 has been transferred to the "Maritime" general reserve fund and, as already mentioned, £50,000 has been transferred to the special reserve in the miscellaneous assurance fund, bringing that special reserve up to the figure of £100,000.

It is proposed to pay the same rate of dividend as was paid last year. This will absorb £147,875, leaving a carry forward of £550,013. I shall inform you very shortly how the directors propose to deal with this carry forward. Since the report was issued the rate of income tax has been increased to 5s. 6d. in the £, and the figures I have just referred to will require to be adjusted.

I would now refer you to the balance sheet of the company. The total assets exceed £17,000,000, being an increase over the previous year of more than £273,000. Stock Exchange securities are all stated in the balance sheet at or under the middle prices quoted on December 31st last, and a valuation of our Stock Exchange securities as at that date shows a very substantial appreciation over the book values.

PROPOSED CAPITAL REORGANISATION

The directors have recently had under consideration the question of a reorganisation of the company's capital, and they feel that it is right that you should have early knowledge of their intentions to bring forward for your consideration, towards the close of this year, certain proposals to that end. Your present shares are either "A" shares of £20 each (£1 paid up) or "B" shares of £10 each (£3 15s. paid up). It is suggested that we take powers to split our shares and, subject to our obtaining such powers, to apply £300,000 out of the company's profit and loss balance to reduce the uncalled liability of the shareholders. Under the proposals we shall submit to you, each "A" share of £20 (£1 paid up) will become two new "A" shares of £10 each (£1 paid up), and each "B" share of £10 (£3 15s. paid up) will become two new "B" shares of £5 each (£3 15s. paid up).

As our Acts of Parliament presently stand, we do not have the necessary powers to carry through these changes in capital, but we propose to take action in that direction and, as I have said, we shall submit the proposals in a concrete form for your approval later in the year.

I should like to express the directors' appreciation of the services rendered to the company by the members of all local boards of directors, and by the officials and staff at the head office and at all the outposts of the company, both at home and abroad.

RETIREMENT OF MR NICOLL

Now, I have one other important matter to which I wish to refer. You will have observed the reference in the report to the change in the management of the company. Mr James Gibson Nicoll has filled the position of general manager since 1925, and having, by a year or two, exceeded the usual retiring age, it is natural that he should wish to relinquish his office. Under Mr Nicoll's management, the company has prospered. His energy and power are evidenced by the record figures which, year by year, we have been able to show in the life department. In 1924 the premium income of the company was £2,259,000 and the total funds were £13,249,000. In 1937 the premium income amounted to £2,685,000 and the funds totalled £17,182,000. These figures, attained in the comparatively short period of 13 years—and not exactly years of national prosperity—express more effectively than any words of mine can do what Mr Nicoll's management has meant to the company. Of this, I am sure, you will be glad to express your sincere appreciation and join with me in hoping he may long enjoy his well-earned rest.

Mr Thomas Edward Stevens, who succeeds Mr Nicoll as general manager, has been trained in the Phoenix Assurance Company, Limited, and at present holds the post of Liverpool manager of that company as well as being on the head office board of the Union Marine and General Insurance Company, Limited.

The report and accounts were unanimously adopted.

OFFER TO NEW READERS

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FRIENDS' PROVIDENT AND CENTURY LIFE OFFICE

NEW ASSURANCES AT RECORD LEVEL

The annual general meeting of the Friends' Provident and Century Life Office was held, on the 4th instant, in London.

Mr Harold J. Morland, M.A., J.P., F.C.A. (the chairman), said: The new assurances of our two companies once more established a record at £2,852,217, which was £134,246 more than for 1936. The annuity premiums received were £1,217,023, and show a slight decrease, more than accounted for by some falling away in the demand for immediate annuities. The sinking fund new business of the Friends' Provident and the Century together amounted to £955,950, and this class of assurance has become an important section of our operations, the funds amounting to £2,690,955, an increase in the year of £276,183.

The annual premium income advanced by £34,205, but as the single premiums were only £73,144 compared with £167,652, on balance the premiums received in the year were £60,303 less than for the previous year. This violent variation naturally affected the expense ratio, which became 16.79 per cent. compared with 15.14 per cent. for 1936.

EXCELLENT YIELD ON INVESTMENTS

The gross rate of interest earned by our investments has fallen by only 1s. 3d. per cent. in the past two years (£4 15s. 4d. against £4 16s. 7d. per cent.), but the rise in income tax in successive years has considerably accentuated the reduction in the rate after deduction of income tax, which for 1937 was £3 19s. 10d. per cent. This rate may be reasonably considered an excellent yield, especially as we do not take credit, in computing the rate, for the income tax deducted from annuity payments as a set-off against the income tax deducted from interest income.

Were we to adopt this alternative method, in accordance with the practice of a number of other life offices of the first rank, our rate of interest for 1937 would be stated as being £4 6s. 7d., after deduction of income tax, a difference of 6s. 9d. per cent. I have made this explanation in fairness to ourselves, and to prevent as far as possible any disappointment which members might feel in noticing that the net rate of interest stated in our report was less than the rate quoted by some of the other life offices.

CENTURY REVENUE ACCOUNTS AND DIVIDEND

The premium income in each of the trading departments, fire, accident, and marine, advanced substantially, but the underwriting experience in certain sections was unfavourable.

I am glad to say that the experience of the fire department in all parts of the world, with the important exception of the United States, was satisfactory, and the outcome of the accident department, notwithstanding the setback in the motor section, was excellent.

The marine account of the Century and, apparently, of most companies, is going through a difficult period at the present time, and substantial prospective losses have been provided for in part out of the group contingency fund, which is maintained to deal with occasional untoward occurrences in any underwriting department.

After provision for all liabilities and contingencies, the accounts of the company show profits for the year, including interest, at £43,209; £10,000 was added to the additional reserve in the general section of the accident department, a dividend of 15 per cent. on the £400,000 capital ranking for dividend was paid, costing £45,000 net, and a balance of £132,480 is carried forward to 1938 as compared with £144,271 brought forward from 1936.

The upward movement in Stock Exchange securities during the previous four years was changed into a severe retrogression during 1937, amounting in our case to about 6 per cent. of the aggregate funds of approximately £20,000,000. It has been considered advisable to re-establish a margin of market values over book values by transferring £250,000 to investment reserves, of which £100,000 relates to the Friends' Provident and £150,000 to the Century.

IMPORTANT CONSTRUCTIVE STEP

An important constructive step taken at the end of 1937 has been for the Friends' Provident to add £500,000 to its investment in Century shares, thus making the total investment £1,500,000. We have had evidence that the directors' policy has met with the appreciation of our members and the insuring public generally. From an investment standpoint, too, the policy has justified itself to the Friends' Provident.

The report was unanimously adopted.

LONDON AND LANCASHIRE INSURANCE COMPANY, LIMITED

SATISFACTORY RESULTS OF A DIFFICULT YEAR

SIR FREDERICK PASCOE RUTTER'S REVIEW

The seventy-sixth ordinary general meeting of the London and Lancashire Insurance Company, Limited, was held, on the 4th instant, in London, Sir Frederick Pascoe Rutter, governor and chairman, presiding.

Sir Frederick, in his address, said: May I direct your attention to how we—this country—stand financially, i.e. as regards the "sinews of war," as to the country's true financial position, based largely upon our international trading, and essentially to the saving factor of our invisible exports, without which we should have been bankrupt?

Ten years ago our exports were £854 millions and our imports £1,206 millions, leaving a hiatus of £352 millions. Five years ago our exports were £422 millions and our imports £685 millions, a much more satisfactory hiatus of £263 millions. But the difference has since so developed that in 1937 our exports were £606 millions, whilst our imports were actually £1,049 millions, leaving the serious hiatus of £443 millions. This is a matter of real gravity, accentuated by the cost of the continuous re-armament undertaking. If goods are being manufactured for armament purposes, those goods cannot be exported, and, further, in order to continue the process, other goods must be imported. Consequently there is no early hope for any improvement in the lacuna between our exports and imports.

INVISIBLE EXPORTS

Let us consider our invisible exports, which consist of foreign lending, shipping, banking and insurance. Whilst the balance between our direct exports and imports had been growing worse, our invisible exports, as indicated by the steady rise since 1932, had been recovering. All the same, in 1937 these invisible exports were still £84 millions less than they were ten years ago, and are inadequate to cover the deficiency. The puzzle is how are we going to rectify this.

What encouragement is there now to lend abroad, in America, where you have an uncertain condition of markets, and the future financial position for at least another two years cannot be predicted, or on the Continent or in several more distant countries where we have met with discouragement, reverses and even repudiation? It would be fallacious optimism for anybody to assume that our foreign lending is likely, in the early future at any rate, to recover. Shipping and banking I will not dwell upon, but insurance is more important than many people imagine.

I am not sure whether our Chancellors of the Exchequer have ever realised how much the revenue of this country has been indebted to British insurance companies for their successful enterprise throughout the world. Our profit abroad has for many years been almost twice as much as the profit we have made in this country. Consequently the income from taxation which the Government have received from us has been correspondingly very much greater than if we had confined our operations to our home shores. During the last twenty years of our operations the taxes which this company has paid to the British Government upon the profits of our foreign business alone have amounted to more than £2,500,000. But our efforts are by degrees becoming more cramped. Country after country from which we used to make good profits has gradually been wiped off our map, or so emasculated that the power of production has been seriously minimised.

YEAR'S RESULTS

Whilst 1937 was not the company's best year, it falls into line with what we have been accustomed to when circumstances were not very favourable. The feature which will doubtless have struck you most is the considerable advance of £507,028 in our premium income, which had receded. The increase is welcome. I must confess I could have wished that the progress had been more largely due to the fire section, but actually £170,610 falls to the Accident department, and no less than £310,690 to the Marine. Having in mind the conditions of Marine business, it would be a reasonable inquiry how and why that increase has come about. It has been quite natural, consequent upon the increased trade activity, the growth and development of old and valuable connections, and the premiums (adventitious as they may be) from war risks.

Taking the three departments together—with the handsome profit of £366,720 for the Fire, £100,629 for the Accident, and (in a year when one scarcely expected any profit at all) £35,853 for the Marine

—we arrive at a total profit, after making provision for our unexpired liabilities, of £503,202 or 7.47 per cent. To make half a million at all in 1937 had been really beyond my own expectation.

Interest improved to a small extent last year. The enhancement would have been greater except for taxation in the United States, and of course in our own country. But apart from the National Defence Contribution, the draft on underwriting, the difference between dividend and the interest and life profits, is £12,000 better than last year. We have felt it necessary to increase the annual provision for pension fund from £35,000 to £40,000. After deducting the sum required for the dividend of 20s. a share, which we have been paying for many years past, and making all reserves necessary for increased liabilities, there remains an improvement in our funds which is reflected in the balance carried forward of £219,420.

THE FUNDS

Financially our strength is significant, for our total reserve funds now amount to £12,224,479, or 181 per cent. of our premium income.

At the moment our funds are really more than this, because they are so much larger than the book values notwithstanding what happened during 1937. The end of 1936 was the peak in the value of our investments, and the margin amounted to well over two million pounds. Although a million of this vanished in 1937 and there has been further recession this year, this buffer or financial cushion still amounts to more than a million.

CONDITIONS OF MARINE BUSINESS

The history of our underwriting in the Fire and Accident departments has been uneventful, but the conditions of Marine business were the most trying I remember. In 1937 shipping revived, many less seaworthy ships were employed, and there was an undoubtedly increased hazard. This was coincident with reduced rates and inadequate premiums as a consequence of competition which had been rife, with the increased cost of repairs, and finally, almost an avalanche of total losses which seemed to come without rhyme or reason. 1937 was actually the worst year for total losses since 1929. Fortunately we did not show a loss on our operations but a comparatively small profit, and I think that result must confirm your confidence in the soundness of our Marine business as a whole.

May I briefly summarise how I regard the world-wide aspect so far as we are concerned. Our home business is static. It is consistently profitable. But the scope for really permanent progress is naturally limited.

In the United States we have had quite a fair year. It was good for companies generally, and although we do not, as we have done so often, produce a result better than the average, we have no reason to suppose that we shall not do so again. Canada did very well for us, and our profit was appreciably more than in the previous year.

Australia has recovered politically and economically, and the anxieties of 1931 have given place to an increased measure of confidence. Our own results have been quite satisfactory, with an increased premium income and a larger profit than in 1936. In South Africa we have made moderate progress, and our handsome record of the past has been well maintained. India is still a lucrative contributor to our general foreign results.

Accident business, whilst progressive, is more difficult. There is no immediate prospect of appreciable, if any, profit from either motor cars or workmen's compensation, which constitute the chief sections of our Accident department. The business as a whole, however, does help to weld and consolidate our other departments, and you will appreciate that it demands and is given much watchful attention.

1937, therefore, whilst not the best year which we have ever had, produced a result in regular conformity with the record which you have had before you so consistently during the past, and, although one's efforts to expand in premiums and profits have not the same scope and freedom as was the case thirty or forty years ago, I retain the same unvarying confidence in the prospects and future of our company.

Report and accounts were adopted.

NORTH BRITISH AND MERCANTILE INSURANCE COMPANY, LIMITED

GOOD RESULTS IN ALL DEPARTMENTS

The one hundred and twenty-eighth annual general meeting of the North British and Mercantile Insurance Company, Limited, was held, on the 5th instant, in Edinburgh.

The Rt. Hon. The Viscount Wakefield of Hythe, G.C.V.O., C.B.E., LL.D. (the Chairman), said that on the life side of their operations they again had a very satisfactory year, and for the third year in succession the total new sums assured exceeded 5½ millions. This indicated a steady consistency in the flow of business, the average for those three years being £5,587,109, while for last year the actual figure was £5,619,779. Their mortality experience was again on the light side. The factor which caused them the greatest concern was the rate of interest. In recent years they had been passing through a period of falling rates, and if that downward tendency were to persist for any lengthy period it was obvious that the bonus prospects of life policyholders would be seriously affected. However, rates generally were now showing signs of turning upwards, and they had a compensating factor in that they might hope to be able to invest their available funds to greater income advantage than had been possible for some time past. On the annuity side, too, the flow of business had been most consistent, the total purchase prices received during the year being £645,050, against £658,872 in the previous year.

In the fire department the premium income had increased by the substantial amount of £159,000 and exceeded £3,500,000. The steady expansion since 1932 had continued to an even greater extent in the past year, both home and foreign business participating in the advance. The surplus on fire business for the year, after providing £63,000 as reserve for unexpired risks in respect of the increased premium income, amounted to £356,938, which was only slightly less than the 1936 total and represented 10 per cent. of the premium income. They considered that this result was very satisfactory. They had transferred a further £1,000,000 from profit and loss account to the additional reserve in the fire insurance fund, making that reserve up to £3,000,000. Figures of their home and general foreign business were both rather better than in the previous year, as regarded loss and expense ratios and contributions to underwriting surplus. An important contribution to the increase in total premium income was received from the United States, where they had a very substantial fire business.

ACCIDENT BUSINESS

Their accident business was conducted through the Railway Passengers Assurance Company, whose shares were owned entirely by this company. The results had again been most satisfactory, both as regarded premium income and underwriting profit. Premiums amounted to £1,346,456, the highest total in the history of that company and an increase of £91,598 over those for the preceding year. After making full provision for outstanding claims and reserve in respect of unexpired risks, the underwriting profit was £143,055, which was 10.62 per cent. of the premium, and in amount rather more than the profit of the previous year. Net interest on investments, at £105,618, showed a small increase, and the combined figure of profit and interest amounted to £248,673.

The premium income of the marine department (Ocean Marine Insurance Company) for the year amounted to £297,933, an increase of more than £61,000 over the income of the previous year. Once again the "Fine Art and General" had produced very good results. The premium income had increased by over £13,000, which was only slightly less than the increase shown in the previous year, and the underwriting profit amounted to £54,344.

With regard to the profit and loss account, starting with an aggregate balance brought forward of £7,091,490 they carried forward, subject to dividend for 1937, £6,520,979 after making not only their customary allocations but also after providing for the transfer of £1,000,000 to fire fund additional reserve and a grant of £15,000 to the Widows' Pension Fund.

Summing up, he felt it would be agreed that the most satisfactory feature of what was an excellent account as a whole was that in times that continued to be very difficult they had been able once again to maintain such evenness of good results in all the main departments of the business. It was proposed to pay the same dividend as last year, namely, 6s. 3d. per share, less income tax, payable one-half on May 16th and the other one-half on November 11th.

The report was unanimously adopted.

CALEDONIAN INSURANCE COMPANY

FRESH RECORD IN NEW SUMS ASSURED

The one hundred and thirty-third annual general meeting of this company was held, on the 5th instant, in Edinburgh.

The chairman, Mr A. Wallace Cowan, J.P., in moving the adoption of the report, said: The net new life assurances granted during 1937 amounted to £2,166,349, the premiums thereon being £78,174, including £25,156 by single payments. The net new sums assured constitute a fresh record and compare with £2,039,320 for 1936, which was itself a record.

The death claims for the year 1937 were £228,895 as compared with £236,764 in the previous year. Surrenders amounted to £94,147 as compared with £65,151 in 1936, but this increase is more than accounted for by certain large deferred annuities having been surrendered for cash on attainment of the ages at which the annuities would have commenced.

The expenses for the year 1937, excluding those applicable to annuities, showed a ratio of 16.7 per cent. as compared with 15.8 per cent. in 1936, but the 1937 expenses include special items in connection with the triennial valuation as at December 31, 1936.

The average rate of interest on the combined life assurance and annuity fund (excluding reversions purchased) was £3 19s. per cent. after deduction of income tax, as compared with £4 0s. 4d. per cent. for the previous year, the reduction being partly accounted for by the increase in the rate of income tax from 4s. 9d. to 5s. per £.

The valuation of our Stock Exchange securities as at December 31st last, despite the heavy general fall in the value of such securities during the latter part of the year, still shows an appreciation over the values at which the securities stand in the life balance sheet.

The directors have resolved that the same rates of interim bonus be paid in the case of policies becoming claims during the year 1938 as were paid in the previous year, namely, £2 2s. per cent. on whole life assurances and £2 per cent. on endowment assurances and double endowments.

FIRE DEPARTMENT

As shown in the report, the premium income for the year 1937 was £697,490 compared with £714,938 in the previous year, and the profit was £65,472 compared with £70,289. The fire fund on December 31, 1937, amounted to 112 per cent. of the premium income for the year.

ACCIDENT DEPARTMENT

The combined account shows that the total premium income for 1937 was £514,201 compared with £521,323 for the previous year, and that the profit was £10,963 compared with £16,415 for the year 1936. The total accident fund on December 31, 1937, amounted to 80 per cent. of the premium income for the year.

MARINE DEPARTMENT

The premium income for 1937 was £96,985 as compared with £86,208 for 1936. The first year's claims for 1937 were £28,182, being 29 per cent. of the premium income.

After a transfer of £10,000 to the profit and loss account, the marine fund at December 31st last amounted to £173,293, representing 179 per cent. of the premium income for the year.

GENERAL RESERVE FUND

This fund, which is additional to the departmental funds previously mentioned, has been increased as at December 31st last to £600,000 by a transfer of £25,000 from the trading profits of the year.

PROFIT AND LOSS ACCOUNT

The balance at credit of profit and loss account at December 31, 1937, including the sum brought forward from the previous year, amounted to £278,140. Out of this sum the directors recommend that £17,500 be carried to the staff pension fund as at January 1, 1938, and that a dividend be declared at the rate of 15s. per share, subject to deduction of income tax, to be paid by equal half-yearly instalments on May 16th and November 11th next, leaving a balance of £174,906 to be carried forward.

I am pleased to state that our provision for British income tax is sufficient to cover our liability at the increased rate of tax. You will observe that we have included provision for the National Defence Contribution. Whilst we are quite prepared to pay our due share of any tax required for national defence, we are not alone in holding that the inclusion of investment income is an unfair discrimination against insurance companies.

The report was adopted.

AMALGAMATED METAL CORPORATION, LIMITED

BASE METAL SITUATION

MR CHARLES V. SALE'S SURVEY

The ninth ordinary general meeting of this Corporation was held, on the 29th ultimo, in London, Mr Charles V. Sale presiding. The Chairman, in the course of his speech, said:—If we exclude, as I think we may, the period of the Great War, the turning wheels of vicissitude never moved more swiftly in the course of our trade than during 1937. Although there had been a sharp upward movement in the preceding months, the opening prices in January were not unreasonably high; generally speaking, they were little above those prevailing in the pre-war period; the next ten weeks, however, were weeks of feverish advance culminating in a high peak on March 11th. The severe fall which followed, save for a brief period of wavering in midsummer, continued until December, when the market closed at prices closely approaching the level from which the advance first began in 1936.

There have been three years which rank for comparison: 1907, the United States crisis; 1920, the crisis after war inflation; 1929, the United States crash. But the fluctuations in 1937 were greater within a shorter space of time than in any one of the three, an indication of the perplexities accompanying our particular trade throughout the twelve months.

There is no doubt that in certain quarters the strength of the rising consumption in 1936 was not fully realised, and that some users encroached on their normal stocks and at the same time failed to make sufficient provision for their future needs. That undisclosed position concealed an accumulating demand, and when re-armament cast its shadow before, the elements for a great advance were assembled—insatiable buyers and limited supplies. In these circumstances it was unfortunate that the White Paper outlining the cost to this country of the five-year defence programme, was so generally construed as a new outlay of fifteen hundred millions on re-armament, whereas, nearly half the sum was due to normal expenditure.

The race to cover was intensified. Russia concentrated almost the whole of her purchases for the year—they were much larger than ever before—in the space of the first three months, and individual purchasers in this and other countries acted in like manner. In the United States the statistics show the extent of demand in the early part of the year; during the first four months the tonnage of deliveries, taking all base metals together, was 50 per cent. greater than in the corresponding period of 1936. Thus, as you will have realised, a forward buying movement of universal extent was in progress in the first quarter of the year.

Looking back, it is plain to see that, apart from the special influences I have described, the course of our market was dictated by a world-wide wave of activity, raising the prices of all primary commodities—the crops of the farm no less than the products of the mine. When that activity subsided prices fell.

I stress these facts because the violence of the price fluctuations attracted an unmerited degree of criticism to the non-ferrous metal trade in general, and the London Metal Exchange in particular. They were ascribed to speculation, to gambling in the necessities of key industries. Actually, of course, the broad stream of daily transactions on which the Metal Exchange depends for its existence is in the nature of insurance against the risk of rising or falling prices—the seller covering his production, the buyer covering his sale; the stream derives from the exercise of prudence. Undoubtedly there was speculation, that is to say, buying and selling, not in the ordinary course of genuine business activity, but by outsiders seeking a chance profit. It was unduly magnified, both in influence and extent, by public opinion as expounded in Parliament and Press. It was of minor importance in the play of greater forces.

The year 1937 stands out not only as one of confusion in prices but also as a year in which production and consumption substantially surpassed previous experience. Excluding the United States, the increase since 1929 is all the more striking. The figures may, of course, conceal some increase in invisible stocks either of metal or manufactures. Undoubtedly this is so in the case of tin, particularly in the United States and in Russia, but in the other metals it is less easy to form a judgment. Throughout the second half of the year manufacturers were drawing on the excess stocks acquired in the first quarter. This policy of reducing stocks has continued into the current year, and in the interval since the decline began, now over twelve months ago, the volume of new buying has not kept pace with consumption.

Visible stocks as we see them to-day, while larger than a year ago, are lower than in three or four of the last seven years. The tin and copper restriction schemes, while leaving reasonable latitude

as regards price, are working effectively toward the equation of supply and demand. There are no such schemes for either lead or spelter, but, generally speaking, it seems probable that stocks will not be allowed to become such an unwieldy and depressing influence as they were in the slump of 1930 and onwards.

Prospects for higher prices during the current year depend largely on conditions in the United States. At our last meeting I suggested that the cumulative need for extensive building and equipment would make for prosperity in that great country; the need still exists, if anything in more pressing degree, but when will the remedy be applied? The present situation is one which might just as easily make for rapid improvement as for a further decline.

Turning now to other subjects, we continue our study of mining possibilities in the United Kingdom. The exploration of the Green-side mine, of which I spoke to you last year, revealed an ore-body of good promise, both in grade and extent, and, in co-operation with our partners, a milling plant is now in course of erection for the treatment of 250 tons of ore per day. At the present rate of progress we hope the plant will be ready for operation within the next few months.

While the rubber department of Henry Gardner and Company held its own, the trade, which began the year so hopefully, suffered in its course the fluctuations both in price and demand which affected other primary products. You will remember that the control committee raised the quotas for 1937 to 75 per cent., 80 per cent., 90 per cent. and 90 per cent. for the respective quarters. When demand began to fall, these enlarged quotas were already on the way to market, and the net result of the two factors was a continuous decline from the peak of 1s. 1½d. in March to 7d. at the end of the year, compared with 10½d. in December, 1936; moreover, world stocks increased within the 12 months from 460,000 to 560,000 tons.

The control committee fixed the quotas at 70 per cent. and 60 per cent. for the first two quarters of 1938, but it is still too early to say whether the reduction for these periods will be sufficient to offset the decline in consumption.

In view of the official announcement, the renewal of the control scheme for a further period of five years from the end of 1938 seems to be assured. It is, however, subject to ratification by the Governments concerned.

A review of the accounts was given in the directors' report circulated a week ago, and I have very little to add. The application of £100,000 from the general reserve fund to writing the value of the Canadian mining property down to £35,000 was made in consequence of the relapse in the price of spelter. The property was acquired in December, 1926, after an investigation extending over two years, when spelter averaged about £34 per ton. By the time production became possible, the price had already fallen by £10, the beginning of a continuous decline to an average level of only £14 per ton during the six years ending in 1936. In that year, production was started in anticipation of a rising market, but the advance, when it came, was of short duration, and with prices again approaching the slump levels, it was decided to reduce the book value of the asset to a figure which would leave no room for doubt.

We could not expect to pass scatheless through a year in which almost every month witnessed a crisis of some kind, which would have shaken the business world of the last century to its foundation, and the misfortunes of clients of many years' standing, unable to fulfil their contracts, are reflected in the net profits of the constituent companies. They have fallen, as you will have noticed, from £461,000 to £397,000. I need hardly tell you that the result was obtained after writing off all losses in full and writing down the dividends at the same rate as last year with a margin of £32,716. Of this, £20,000 was transferred to the reserve for contingencies and the remainder to increase the carry-forward. Though the reserve fund for contingencies has been increased, there are no hidden liabilities to become a charge on the fund.

So far as the present year is concerned, I may tell you that the constituent companies of your corporation are making satisfactory progress, with returns about the same as for the corresponding period in 1936, and that we look hopefully to the future.

I have pleasure in moving:—

"That the directors' report, balance sheet and profit and loss account for the twelve months to March 31, 1938, as now presented be and are hereby approved and adopted and that a dividend of 7 per cent. payable less tax in respect of the year to March 31, 1938, upon the ordinary shares of the Corporation be and is hereby declared payable on May 10, 1938, to the members now on the register."

Mr Henry Gardner seconded the resolution, which was carried unanimously.

The alterations in the articles of association were unanimously approved.

ENGLISH AND CALEDONIAN INVESTMENT COMPANY, LIMITED

INTERNATIONAL OUTLOOK

The eleventh annual general meeting of English and Caledonian Investment Company, Limited, was held, on the 5th instant, at 23 Blomfield Street, London.

Mr Henry S. Loebel (chairman of the company), who presided, said that their investments had a book figure, less contingency fund, of £1,032,026, which was approximately some £50,000 more than a year ago. That increase was explained principally by the issue of £50,000 3½ per cent. debenture stock. A valuation of investments at March 31st last showed them to be worth £833,538, a depreciation of 19.23 per cent. on the book figure appearing in the balance sheet. That depreciation compared with an appreciation of 5.6 per cent. a year ago.

Their experience in the depreciation of the value of their investments was shared by other investment trusts and was primarily a reflection of the general feeling of insecurity engendered by recent events in Europe and elsewhere. Too much importance should not be attached to the market value of an investment portfolio at any given moment, as that was a constantly fluctuating factor. For example, two days ago a valuation of the investments had shown an appreciation of about £34,000 over the valuation at March 31st.

At March 31st last, their portfolio consisted of 254 holdings, with an average book value of £4,060, compared with 238 in the previous year, with an average book value of £4,100. The classification of the company's investments according to security was:—British Government stock, 4.39 per cent.; debentures, bonds and foreign Government stocks, 10.42 per cent.; preference shares, 25.09 per cent., and ordinary shares 60.10 per cent. Seventy-three per cent. of their capital was invested in Great Britain and countries within the British Empire. That position was the result of the policy which they had deliberately pursued even since it became clear that the epidemic of economic nationalism was spreading over a great part of the world. The countries who professed that creed in its more acute form almost invariably gave expression to their nationalism by dishonouring their obligations to their foreign creditors.

The general reserve of the company had been increased to £20,000 by the appropriation of a sum of £2,500 from net revenue. Last year they had transferred £5,000 to general reserve, but this year they had, in addition to the appropriation to general reserve, applied £2,819 from revenue in writing off the discount and expenses on the issue of debenture stock. The board intended to increase further the general reserve from time to time as the company's revenue permitted.

From the revenue account it would be seen that their income was £4,200 higher at £52,003. This increase was due principally to the higher average invested capital over the year and also was due to increased dividends from some of their investments. The net revenue for the year was £31,863. An interim dividend of 1½ per cent., less income tax, had already been paid on the ordinary stock, and it was now proposed to pay a final dividend on the ordinary stock of 3½ per cent., less income tax, making 5 per cent. for the year, leaving £3,289 to be carried forward.

THE FUTURE

In view of the events of the past year and the continued unsettled state of European politics, he thought they had reason to be satisfied with the results of the past year. As to the future, with current events as a background, shareholders would readily understand any hesitation on his part to assume the role of prophet. At the moment the tension in one sphere appeared to have been relieved by the conclusion of the Anglo-Italian Agreement and promised to be relieved further by the prospective agreement between France and Italy. The full value of these Agreements in the amelioration of the international situation had yet to be proved, but they were at least steps in the right direction. Meanwhile, they were fortunate in having 73 per cent. of their capital invested within the Empire. In the Empire overseas economic conditions continued to be favourable on the whole, whilst at home, although there was some recession in trade, it was unlikely that it would go very far in the near future in view of the stimulus given to many industries by the increasing expenditure on armaments, the necessity for which must be faced, however much they might deplore it.

As a consequence of that enormous expenditure, a great portion of which would require to be financed by borrowing, it was difficult to avoid the conclusion that a measure of inflation would, in due course, be experienced. As the company had 60 per cent. of its capital invested in equity stocks, they were well placed for such an eventuality.

The report was unanimously adopted.

INSTITUTE OF CHARTERED ACCOUNTANTS

CONTINUED PROGRESS

MR F. LINDSAY FISHER'S ADDRESS

Mr F. Lindsay Fisher, C.B.E., the president of the Institute of Chartered Accountants in England and Wales, delivering an address to the members at the annual general meeting of the Institute, held, on the 4th instant, in London, referred to the accounts for the year 1937 and to continued progress, the total number of members being 12,568, as against 12,092 in the previous year, an increase of 476.

He then proceeded as follows:—

My two predecessors in office have referred to the question of the need for revising legislation in connection with the Companies Act. As stated by them, the Council have taken no steps publicly to advance the views of the Institute regarding particular matters which we consider ought to be dealt with in an amending Act, because it is felt that the views of our Institute will certainly be asked for when the Government consider that the appropriate time for an inquiry has arrived. Our silence upon this subject must not, however, be interpreted either by our members or by the public as an indication that the Institute does not consider amending legislation necessary, or that nothing has been done as regards investigation of the subject in anticipation of inquiry sooner or later.

COMPETITION BY BANKS AND OTHERS

The subject of competition by banks and others might well be described as a perennial topic. Correspondence on the subject appears from time to time in "The Accountant" and specific instances of what are felt to be undue activities of banks in connection with income tax matters have been brought to the notice of the Council and have been taken up by them with the banks concerned. The attitude of the banks may, perhaps, be summed up in their contention that the work they do results from a demand made on them by their customers, and that it consists largely of the preparation of repayment claims and cognate matters on behalf of customers possessing comparatively small incomes.

Representations have recently been made to the leading banks which I hope may result in their deciding not to advertise that they undertake income tax work.

Our members may rest assured that while the leading banks will continue to undertake income tax work for their customers, when desired, it is not their policy to take such business away from us. And the Council will continue to watch instances in which local managers in their zeal exceed what we believe to be the instructions issued to them.

Competition is also felt keenly, more particularly by members in small provincial centres, from retired income tax officials, accountancy bodies who are not adequately controlled by their executives, and free-lance persons who make claim to expert knowledge. These persons in many cases advertise, whereas our members are not permitted to do so.

To combat this advertising, which may sometimes amount to deception of the public, by allowing our own members to advertise, is of course out of the question.

TAX EVASION

The ethics of our position in relation to a client who is seen to be doing things of a nature repugnant to a chartered accountant constitute a difficult question. I am, of course, not referring to anything that is illegal, we should not in any case wish to act for a client who was known to be guilty of anything of this nature. My remarks are naturally at this moment directed chiefly to the subject of tax evasion, which is in everyone's mind.

Speaking for myself alone, I feel that, however much we may disapprove of a client's avoiding taxes in a legal manner, a member is doing nothing morally reprehensible in giving his client the benefit of expert knowledge. All taxation is the exercise of a country's prerogative in calling upon its citizens to contribute the funds necessary for carrying on the government of the country, and Finance Acts lay down the way in which this burden is to be borne by individuals.

Just as a judge frequently states that it is not his business to make laws, but to administer them, so, I would argue, it is a chartered accountant's duty to see that the provisions of the Finance Acts are observed, and to assist his client, when called upon, to contribute to the National Exchequer only the minimum sum required by such Finance Acts.

MORRIS MOTORS LIMITED

Gross Profit £2,167,616 14s. 11d.

THE Twelfth Annual General Meeting of Morris Motors Limited was held at Cowley, Oxford, on Friday, May 6, 1938. Viscount Nuffield, the Chairman of the Company, presided. The Secretary read the notice convening the Meeting, and the Auditors' Report to the Members.

The Chairman said:—
The Report and Accounts for the year ended December 31, 1937, have been in your hands for some days, and may I therefore presume that it is your desire that they be taken as read?
The figures in the Accounts have been set out in a manner which I think will be readily understood, and I do not think it will be necessary for me to comment upon them at any length.

TRADING PROFITS

The results of the combined group are clearly shown, and your Directors think there can be no doubt that the position of the Morris Motors Group at the present time is stronger than it has ever been before.

The Net profit on Trading and Interest received for the year ended December 31, 1937, totalled £1,821,602 3s. 4d. after making full provision for depreciation of Assets, and all contingencies. In accordance with the Company's usual practice, Investments in Government Securities and Corporation Stocks have been valued at the Market prices ruling at December 31, 1937. This has resulted in a depreciation of £100,648, which has been provided for out of Reserves for Contingencies. These Reserves, including those of the Subsidiary Companies, now stand at £426,468, a figure which the Directors consider sufficient to cover all contingencies.

CURRENT ASSETS

The liquid position remains excellent, as will be seen on the Assets side of the Consolidated Statement of Assets and Liabilities, being represented by the Market Values at December 31, 1937, of Investments in British Government and British Dominion Stocks, English Corporation Stocks, together with Advances secured by First Mortgages on London Freehold and Leasehold properties, the Company's holding in 4½ per Cent. Debentures in the Pressed Steel Company, Limited, and Cash; together totalling £5,248,408.

I will now deal with the Directors' proposals for the distribution of profits. The balance of profit available after deducting Income Tax and National Defence Contribution, and dividend on Preference Stock, and bringing in the carry forward from last year, amounts to £1,339,040 11s. 2d.

This sum the Directors propose should be dealt with by the payment of a dividend of 45 per cent. on the Ordinary Stock, less Tax at 5s. 6d. in the pound, which amounts to £864,562 10s. 0d.; by creating a Dividend Equalisation Reserve Account and transferring thereto the sum of £200,000, and by carrying forward to next year the sum of £275,078 1s. 2d.

You will see that we have this year created a Dividend Equalisation Reserve Account, as the Board considered it prudent to make some provision by which the earning capacity of the money invested in the Company's Ordinary Stock could be supported by stabilisation.

SALES

I have pleasure in informing you that the Company's products continue to be in vigorous demand despite the fall in car registrations in this country. Last year added trading burdens were created by all-round increases in prices of Material and Labour Awards, and although some small increases were made in List prices in July last, it was thought a wise policy not to pass the whole of this burden on to the buying public, but rather to improve our products generally by incorporating the overhead valve engine and many other attractive features.

I feel sure it will be of interest to you to learn that up to date we have actually delivered well over 200,000 of our deservedly popular Eight h.p. Model.

It gives me great pleasure to pay tribute to our Distributor and Dealer Organisations for their contributions to a very satisfactory year's Trading.

OVERSEAS TRADE

It is very pleasing to me to report continued progress in the Export Markets by our Subsidiary Company, Morris Industries Exports Limited. Having recently returned from another visit to Australia and New Zealand, I take this opportunity of expressing my sincere appreciation of the courtesy and hospitality again accorded to me. I would like the many to whom I am indebted in this respect to know how sincerely grateful I am to them for the renewed warmth of their welcome. It is particularly gratifying to me to record that the most noticeable increases are in our Dominion Markets, and I look particularly in that direction to a further expansion of our Export business.

The marketing of British cars abroad becomes an increasingly difficult problem, owing to subsidised foreign competition, the restriction of imports by quota, and the difficulties in exporting sterling to this vitally essential to our National prosperity, and I am pleased to inform you that for the first three months of the present year the Company's Export business shows an increase over the corresponding period last year, which I hope is a clear indication that we may look forward to another successful year in the export markets of the world.

EMPLOYEES' SHARE IN THE COMPANY'S PROSPERITY
I do feel that the Stockholders will be glad to learn of the many benefits derived and greatly appreciated by the Company's employees.

HOLIDAYS WITH PAY

There is a charge for this in the Accounts under review of over £100,000 payable to the workers in the Organisation.

MORRIS EMPLOYMENT BENEFIT SCHEME

Payments have been made to Dependents of deceased members during the year of over £7,000.

MORRIS MOTORS LIMITED Cowley OXFORD

STAFF PENSION FUND

The Company's contribution to this Scheme for the year amounted to over £34,000.

EMPLOYEES' PROVIDENT AND SAVINGS CLUBS

The Company's contribution for the year for the purposes of relief during sickness and the encouragement of thrift amounted to £10,000.

It will thus be seen that the total contributions to Schemes for the general benefit of the Company's employees exceed £150,000. I think that it is desirable at this juncture to draw attention to the reduction in the Company's liability under the heading of the Employees' Provident and Savings Clubs as shown in the Consolidated Statement of Assets and Liabilities. The bulk of the moneys previously held by the Company has been paid over to the Trustees of the Club for investment, as the Board considered it prudent to separate as far as possible the contributions and Members' savings from the moneys of the Company.

Whilst on the subject of benefits granted to the Company's employees I may perhaps remind you that your Vice-Chairman mentioned at last year's Annual Meeting that at my own expense I had founded a Trust under which the workpeople would receive each year the dividends declared on One Million Ordinary Stock units of the Company. It may interest the Stockholders to know that under this Scheme £112,500 was paid last year, which gave an average return per worker of £7 4s. 0d.

GENERAL

Having now concluded my observations on the Accounts, may I make a brief reference to current National affairs?

As the Budget Speech has not yet had time to fade from our memories, I imagine that you may expect me to comment upon, and perhaps criticise, the added burden of taxation that has been laid upon industry and those who are dependent upon it. Nothing could be further from my mind. In normal times, I might have felt constrained to observe upon the fact that our own Trade would appear to be loaded with more than its share. But, in these most abnormal times, when everyone must realise the paramount importance of making our defences secure, it should surely be the primary urge of all of us to stifle our grumbles, and to continue to discharge our obligations to the State in a manner which will increase the reputation for good citizenship of which we are so justly proud, and which has so deservedly gained for us the unstinted admiration of the whole world.

Doubtless, I shall also be expected to offer some comments on the Trade outlook in general. The times through which we have been passing during the last few months have been so complex and difficult, that to attempt anything in the nature of a definite forecast would be certainly unwise and possibly misleading. My own view, however, which I have so often expressed recently, is that those engaged or interested in the Industries of this country have no cause for uneasiness, and panic or alarm should be out of the question. My advice to them is to ignore altogether the dismal forecasts of a slump in trade which have been so widespread and which, unfortunately, continue to be made and which engender a spirit of depression which in my opinion is entirely unjustified.

In this connection, I would like to make a special appeal to the Press, and to implore them to ensure that their immense influence in swaying public opinion be not misapplied. There have been occasions recently on which they have not only appeared to lose opportunities of stimulating optimism but, on the other hand, have adopted an attitude calculated to give rise to gloom.

Far from fearing a slump, I consider that our National prosperity is readily capable of being increased, and it may be expected with every certainty that the Motor Trade will enjoy its full share of an expansion to which I look forward with confidence.

Once again I am desirous of expressing the Board's appreciation of the loyal and enthusiastic co-operation of all those charged with the administration of the Company's affairs, and by the Staffs and employees of the whole Organisation.

With these observations I have much pleasure in moving the following resolutions:—

1. That the Balance Sheet and Accounts for the year ended December 31, 1937, be approved and adopted.
2. That a dividend of 45 per cent. less Tax at 5s. 6d. in the £ be paid on May 21, 1938, on the Ordinary Stock of the Company for the year ended December 31, 1937, to the holders of such Stock appearing in the Register of Members on the 2nd day of May, 1938.
3. That an account to be called the Dividend Equalisation Reserve Account be created and the sum of £200,000 transferred thereto from Revenue Account.
4. That the balance of £275,078 1s. 2d. remaining on Revenue Account be carried forward.

I will now ask Mr Oliver Boden, the Vice-Chairman of the Company, to second the resolution.

Mr Oliver Boden, the Vice-Chairman, seconded the resolution, which was carried unanimously.

The following were duly re-elected to the Board of Directors:—Mr A. E. Keen, Mr C. Kimber, Mr H. Landstad, Mr T. C. Skinner, Mr S. G. K. Smallbone, Mr W. M. W. Thomas, Mr H. W. Young. Messrs Thornton and Thornton, of Oxford and London, were re-elected Auditors for the ensuing year.

BARRY AND STAINES LINOLEUM, LIMITED

INCREASED SALES AND PROFITS

The ordinary general meeting of Barry and Staines Linoleum, Limited, was held, on the 5th instant, at Winchester House, Old Broad Street, London. In the absence, through illness, of the chairman, Mr William Sutton, J.P., Sir John N. Barran, Bt., presided.

The Chairman, having referred to the death of Mr Harold Ostlere, which took place on February 17th, said that, in spite of the continuous state of tension in Europe which had prevailed during the year and which had undoubtedly exerted an unfavourable effect on trade generally, the returns of their main subsidiaries, both in yardage and value, showed an appreciable increase; this, combined with higher selling prices, more than counteracted extra wages and raw material costs, and resulted in satisfactory additions to trading profits as compared with the previous year.

In France, general conditions had been extremely unsettled, and recurring political crises, coupled with the further devaluation of the franc, seriously affected business and profits. In the Runnymede rubber flooring department sales for the year again showed an increase. During the year the first dividend from the Canadian investment had been received, and negotiations had been completed for the acquisition of the works and business of the Corticine Floor Covering Company, Limited, at Ponders End, with a view to closing them down. A profit had been made on the realisation of the assets.

Some time ago they had to take into consideration the question of renewing the power plant at the main sections of the factories at Kirkcaldy, and after careful deliberation it had been decided to erect a new boiler and electric generating plant on a new site. That was expected to be in full operation by the middle of next year, and economies in power costs justifying the large expenditure were confidently anticipated.

At the Staines factory a number of important extensions to buildings and additions to and improvements in plant had been carried out or were in progress in order to provide further manufacturing capacity and increased warehouse accommodation.

The profit and loss account showed an increase in income from investments of £10,973, which practically represented the Canadian dividend; the amount received from subsidiary companies for dividend and management expenses, etc., was £5,702 less, but in that item there was this year a deduction in respect of interest charged by the subsidiary companies on advances. The management expenses were £585 less, and the income tax item was increased from £114 to £2,139, due mainly to provision for income tax payable on the Canadian dividend, and for National Defence Contribution.

DIVIDEND OF 12½ PER CENT.

The balance of profit carried to the balance sheet was £3,786 more at £213,339. After paying the preference dividend and the ordinary dividend as proposed at 12½ per cent., less tax, and transferring £25,000 to special reserve, the amount to be carried forward to the current year would be £8,527 up at £95,566, and the special reserve now £100,000, as against £75,000 last year.

In the consolidated balance sheet, cash at banks, etc., was £154,292 less at £56,703, but that was more than accounted for by an increase of £176,746 in stock in trade, while debtors also showed an increase of £47,725. Investments in British Government securities were increased by £16,367, and as the great bulk of the £726,799 held was redeemable at book value there was no need to provide for the small difference that existed between cost price and market value. The reserves and profit and loss balance stood at £1,491,414, or £89,962 higher than last year.

The unsettled international situation in the early part of the currency year had undoubtedly interfered with business generally, and, while the general outlook was somewhat better now, it was impossible to forecast what the remainder of the current year might bring, but, apart from any serious general upheaval, the directors saw no reason for any feeling but one of confidence as to the company's prospects. The difficulties caused by tariffs, quotas and exchanges in certain departments of the export trade were no less, and there seemed little likelihood of any improvement in that direction taking place in the near future. The directors constantly kept before them the necessity of maintaining and, where possible, improving the quality of their company's goods, and no expense or effort was spared in that direction.

The report was unanimously adopted.

CALCUTTA ELECTRIC SUPPLY CORPORATION, LIMITED

YEAR OF PROGRESS

The forty-first annual general meeting of this company was held, on the 2nd instant, in London.

Lord Meston, K.C.S.I. (the Chairman), in presenting the report and accounts for 1937, described them as indicating a year of active progress and extending business in which the sales of electrical energy had improved all along the line. That there was no corresponding increase in revenue was due to reductions in the domestic and kindred charges, which had now covered all the recommendations of the recent committee of inquiry. The industrial supply had improved so much as largely to counter-balance the drop in domestic revenue, and the gross revenue for the year was only £8,000 less than in 1936. Working expenses, however, had risen by £16,000, mainly owing to the increased consumption and the higher price of coal. As an offset to the £24,000 decline in the company's trading results there had been a considerable reduction in overhead charges, due largely to the redemption of the £500,000 debenture last August. Divisible profits were £230,876, as compared with £211,454 in the previous year. It was proposed to add £25,000 to the general reserve, £12,000 to the retiring gratuity fund, which had been considerably depleted of late, and to pay a dividend on the ordinary stock of 10 per cent., tax free. This compared with 12 per cent. last year, but was being paid on a capital enlarged by the £400,000 which the ordinary stockholders had subscribed in the interval.

The year's capital expenditure was £620,000, largely spent in the erecting and equipping of the new super-station at Mulajore. The buildings would be completed and roofed before the rains, and the station would be in operation by the winter of 1939.

In addition to the reductions already made in the domestic rate, it was now proposed to lower the power rates, at a cost of nearly £70,000 a year; the new schedule would come into force before the end of 1938.

During the year there had been considerable labour unrest, largely engineered from outside. Strikes, although threatened, had not actually taken place, and all legitimate grievances were now being dealt with.

The report was unanimously adopted.

RIO TINTO COMPANY, LIMITED

POSITION IN SPAIN

The sixty-fifth ordinary general meeting of the Rio Tinto Company, Limited, was held, on the 30th ultimo, in London.

The Rt. Hon. Sir Auckland Geddes (the Chairman) said that from the mines at Rio Tinto they extracted during 1937 about 1½ million tons of ores and were able to maintain their programme of overburden removal. They were able to export with difficulty approximately 1,200,000 tons of pyrites and about 200,000 tons of iron ore.

Under the Franco Authorities mining operations had proceeded smoothly, but the lack of understanding shown in the way of controlling business had occasioned considerable avoidable loss. In spite of such difficulties the production and delivery of pyrites were not unsatisfactory, and they should have made a very reasonable profit which would have enabled a dividend on the ordinary shares to be recommended but for the politico-financial policy of Burgos. Instead of having sterling to pay out they had masses of pesetas immobilised—temporarily it was hoped—in Spain.

They had accumulated during the year 11 million pesetas, bringing the total to 22 millions, all of which, but for 2,500,000, were in Franco territory. This was equivalent to £500,000, which normally would have been available for dividends.

What they had called the net profit was £195,151. That was a profit in sterling after providing £350,000 approximately to write down the peseta balances. The company, therefore, in its trading, did quite well in the circumstances.

In his view their investments, including 425,000 shares in Rhokana, 425,000 in Nchanga Consolidated Copper Mines, and at market value well over a million pounds' worth of good-class miscellaneous investments, provided adequate cover for the service of their debentures, both interest and redemption, for the dividends on, and capital value of their cumulative preference, and a substantial balance for their ordinary shares.

As to the future in Spain, it looked as if victory would ultimately rest with General Franco. As to irresponsible statements published to the effect that the mines might be expropriated, he said emphatically that they had heard nothing of such suggestion.

The report was adopted.

TIMOTHY WHITES & TAYLORS,
LIMITED

EXPANSION IN PROFITS

The ninth ordinary general meeting of this company was held, on the 29th ultimo, in London.

Mr Philip E. Hill (the chairman), in the course of his speech, said:—Following the change in our accounting period, the accounts before you cover an extra quarter, and are not therefore strictly comparable with those submitted last year. For the fifty-two weeks ended September 26, 1936, profits amounted to £327,369, which included a non-recurring item of £13,368 profit on sale of investments. For the five quarters now under review our trading profit amounted to £460,332. These figures show that the expansion I foreshadowed last year has started to materialise. The results have justified our recommending a final dividend of 10 per cent., less tax, making with the interim dividends of 30 per cent. already paid a total of 40 per cent. This makes your dividend equivalent to a rate of approximately 31½ per cent. per annum, as compared with 30 per cent. for the previous year.

Our freehold and leasehold properties stand in the books of the company at the figure of £1,810,951 14s. 10d. As the majority of these were acquired many years ago the capital accretion in connection with this is to-day very considerable.

Our business generally, I am glad to state, is still improving, and during the period under review we served almost 66,000,000 customers at the 764 shops owned by the company and its subsidiaries. I believe the prospects for the current year to be bright. Our national re-armament proposals indicate increased employment. Increased employment means increased spending power, and this in turn means increased trade—particularly for a business such as ours.

It might be necessary in the near future to consider the advisability of providing further capital, and should your directors ultimately decide on anything of the sort existing shareholders will, of course, be given priority rights.

I am hopeful that next year I shall be able to again refer to expanding profits and increasing dividends, and I can assure you that no efforts on my part or that of my fellow directors will be spared in endeavouring to prove my optimistic forecast to be justified. The report and accounts were unanimously adopted.

PHILIP HILL AND PARTNERS, LIMITED

SATISFACTORY PROFIT

The sixth annual general meeting of Philip Hill and Partners, Limited, was held, on the 4th instant, at the May Fair Hotel, London.

Mr Philip E. Hill (chairman and managing director) said that the profit amounted to £502,456, which, in a difficult year, could only be regarded as satisfactory. The directors had adopted a conservative dividend policy by recommending a final dividend of 12½ per cent., making a total of 25 per cent. for the year. The balance they recommended should be utilised in increasing the dividend equalisation account by £50,000, by placing £50,000 to reserve for taxation account, and by increasing the carry forward by nearly £17,000 to £46,676.

The quoted securities held by the company at March 31st last figured in the balance sheet at £3,356,314, while the market value of those investments and those held by their wholly-owned subsidiaries at the date of the balance sheet exceeded the aggregate book value by over £200,000. Owing to acute depression on the London Stock Exchange during March, security values with very few exceptions had been seriously depreciated—in many cases prices ruling had borne little relation to intrinsic merits and earning capacity. In view of the improvement in prices which had occurred since the end of the company's financial year, he would point out that the surplus represented by the aggregate or market value of the company's securities as compared with the book value had by now increased to over £370,000.

The board were pursuing a policy of spreading interests over a wide field of industrial activity. While, owing to general conditions, the making of satisfactory public issues had been very difficult, the company had been instrumental during the past year in raising over £8,000,000, a figure which, under the circumstances, was satisfactory.

To summarise, the company's income was derived partly from the dividends, interest, etc., received on investments and loans, and partly from its business as a finance house. He would not attempt to make any forecast as to the future other than to say that the results shown by the companies in which they were closely interested indicated increased revenue from that source.

The report was unanimously adopted.

JOHNSON AND PHILLIPS, LIMITED

STEADY EXPANSION

The thirty-third annual general meeting of Johnson and Phillips, Limited, was held, on the 5th instant, at Winchester House, London.

Mr G. Leslie Wates, J.P. (the chairman), said that the year had been noticeable for a steady and satisfactory expansion of the business of the company, and a consequent increase in the profit figures. The progress in the trading profit as shown by the accounts in the last four years exceeded £80,000, and the figure of the year under review represented the largest profit since the company was formed. After adding the amount brought forward, and deducting the interim dividend paid last November, there remained £198,000 to the credit of profit and loss account. After making various allocations they proposed to pay a dividend of 7½ per cent., which made 12½ per cent. for the year, and represented an increase of 2½ per cent. on that paid during recent years.

With regard to orders booked and sales invoiced, their manufacturing departments had had a satisfactory year. Their rubber cable department and their engineering departments, in particular, had worked to the limit of their capacity. Their mains cable department had attained practically the same output of work as in the previous year, but there had been a slight falling off in orders booked, probably owing to the uncertainty as regarded the future felt by many supply undertakings pending knowledge as to the fate of the Electricity Distribution Bill.

Last year he had stressed their realisation of the importance of their export business and had expressed their determination not to let it suffer more than they could help from the prevailing shortage of labour and materials. That they had been successful in their efforts in that direction was proved by the fact that their main overseas organisations had all enjoyed a record year of business in 1937. An unfortunate exception had, of course, been China, but their stocks in Shanghai were intact and their agents were carrying on "business as usual."

Each of the electricity distribution companies had shown steady progress during the year in units sold, revenue recovered and the number of customers connected.

The report and accounts were unanimously adopted.

LONDON ASIATIC RUBBER AND
PRODUCE COMPANY, LIMITED

BEST RESULTS FOR TEN YEARS

The thirtieth ordinary general meeting of this company was held, on the 2nd instant, in London.

Mr H. J. Welch (the chairman) said that the accounts were definitely more satisfactory than those for the previous year, and, indeed, for any of the last ten years. The improvement in the price obtained in 1937 over that of 1936 had had less effect on the accounts than the increase from 7,921,562 lbs. to 10,982,581 lbs. in the amount of rubber which they were allowed to produce and export.

The board had continued the policy of replenishing the general reserve, which was reduced five years ago by £79,826, when that sum was utilised to write down the buildings, machinery and plant to the present nominal figure. Since that date they had expended out of revenue on new buildings and equipment a total of £32,013. This amount, however, was less by £10,000 than what would have been normally debited to revenue for depreciation under the old practice. During the same period (with the allocation now proposed and without deducting expenditure on replanting) they had added £36,000 to reserve, so that in the net result they had up to date provided the normal amount of depreciation, plus a sum of £26,000 towards amortisation of the planted areas or for expenditure on replanting.

The board recommended the transfer of £25,000 from the profit and loss account to a dividend equalisation reserve, and they had every intention of drawing readily on this reserve if and when occasion arose. It was proposed to pay a final dividend of 7½ per cent. making a total for the year of 12½ per cent.

The issued capital of the company was now equal to £31 13s. per planted acre, but as the net surplus liquid assets amounted to just £10 per planted acre, the net capital cost of the estates per planted acre was £21 13s.

The present low price and exportable percentage, if continued throughout the year, must seriously affect their profits, but they should benefit this year by the very satisfactory forward sales they had effected of 756 tons (or 1,693,440 lbs.) at an average price of 11.3d. per lb. London equivalent.

The report was unanimously adopted.

KASINTOE RUBBER ESTATES,
LIMITED

IMPROVED POSITION

At the twenty-fourth ordinary general meeting of Kasintoe Rubber Estates, Limited, held on April 29th, Mr Eric Macfadyen, chairman of the company, said: The elimination of the adverse balance in the Java company's profit and loss account has set free the reserve against these losses in the English company's accounts, and £8,500 from this source is restored to the English company's profit and loss account. The Java company has this year paid us a small dividend on our ordinary shares for the first time since 1929. After charging home expenses we have a credit balance of £10,521. Our recommendations are to repeat the interim distribution already made, bringing the dividend for the year 1937 up to 8 per cent., and to add £1,250 to the reserve account, which stands at present at £10,000.

Mr Macfadyen then referred to the company's holding of 15,000 shares in Namoe Tongan Rubber Estates, Limited, which was formed in 1926 and which paid a maiden dividend of 8 per cent. in January of this year.

He then said: When one has allowed for the time it takes for new clearings to attain maturity, investors in a new rubber company must, with all technical factors as favourable as possible, and with rubber fetching the prices which have ruled in recent years, face ten blank years before they can hope for a return on their capital of fully £50 per acre. Fresh capital outlays in the rubber industry are likely to be limited to the rounding off of existing plantations unless and until there is a prospect of sustained higher prices for the commodity.

In addition to our interest in Namoe Tongan, equivalent to 174 acres, 366 acres of the 2,668 acres we have planted at Kasintoe are young modern rubber. Their standard production was assessed at 1,128,210 lbs., or about 440 lbs. per mature acre.

It would be too much to look for the same average price for rubber in 1938 as in 1937, although they would be helped some-

(Continued from page 321)

on Thursday. The downward trend of rubber prices continued, and American raw cotton was again cheaper. Wheat prices also continued to sag under the influence of favourable crop reports from North America.

The trend of the prices of primary products in the United States was also downwards. Thus, Moody's index of the prices of staple commodities (December 31, 1931=100) fell from 138.3 to 136.6 during the week ended last Wednesday. A month ago the index stood at 140.4 and a year ago at 208.2.

Metals

Copper.—Although recent restrictions in output are now affecting production, copper prices have again fallen, to £38 3s. 9d. per ton on Tuesday, Wednesday's price closing somewhat higher at £38 12s. 6d. per ton, or 21s. 3d. below last week's close. Demand is very slow and the seasonal decline is beginning to be felt.

★

Tin.—The market has been erratic, owing to the uncertainty concerning the buffer pool proposals. Tuesday's price closed at £153 5s. per ton, the lowest level since 1933, but a sharp rise occurred subsequently to nearly £170 per ton, when it became known that the International Tin Committee had decided, if the proposals for a buffer pool were accepted, to accumulate the necessary stocks from the existing output. This would leave the rate of production unchanged at 55 per cent. of the quotas, but would reduce the amount available for immediate disposal in proportion, roughly, to a 15 per cent. cut in the export quotas. The reaction of the Malayan producers to this amendment is not yet known.

Lead and Spelter.—Prices of both metals fell in sympathy with other markets and reached a lower level than has been seen in recent years. Lead closed at £14 17s. 6d. per ton, 2s. 6d. per ton cheaper than last week; the price of spelter lost 13s. 9d. per ton to close at £12 17s. 6d.

Grains

The demand for wheat has been dull and prices have sagged, under the influence of large world shipments and continued favourable crop reports from America. The market would welcome further details concerning the volume of the Government's reserve stocks. A fair demand for maize has left prices unchanged.

Other Foods

Provisions and Meat.—There is little to report in the provisions market. The demand for meat has been slow and prices are little changed. Prices of bacon have moved irregularly with a downward tendency. A good demand for butter has raised prices by about 1s. per cwt. except for Danish, which rose by 4s. per cwt. to close at 130s. Dutch cheeses rose in price at the end of the week, Edam 40 per cent. closing at 52s. to 60s.

★

Colonial Produce.—A good demand ruled for tea in the latter part of the week and prices tended to rise, after a slight fall last week. The markets for coffee and sugar were slow.

★

Fruit.—The Fruit Grower reports good demand and short supplies; prices rose generally, particularly for lemons and other imported fruit.

what by forward sales of 140,000 lbs. at 10½d. per pound c.i.f. The further outlook was far from gloomy.

The report was unanimously adopted, and a resolution converting the shares into stock was approved.

UNITED SUMATRA RUBBER ESTATES,
LIMITED

The twenty-ninth annual general meeting of this company was held, on the 3rd instant, in London.

Mr H. A. Barrett (the Chairman) said that the crop of rubber harvested for the season under review was 531,701 lbs., which had been obtained without any alteration in the conservative tapping system hitherto employed. The quantity of rubber which the company had been permitted to export during the year was 566,218 lbs., which had realised net proceeds of £17,864, the gross average price being 8.35d. per lb., as compared with 7.94d. per lb. for the previous year. That rubber had cost £8,105 to produce, which compared with an expenditure of £7,451 on production of 413,289 lbs. in the previous year's accounts.

The outturn of copra was 615 tons, which had realised net proceeds of £6,787, a net average sale price of £11 0s. 8d. per ton, as compared with £10 8s. 6d. for the previous year. That copra had cost £5,256 to produce, which compared with an expenditure of £5,136 on production of 540 tons in the previous year's account.

The result of the year's working was a profit of £15,878, and they now recommended the payment of a dividend of 10 per cent.

For the current financial year the company's exportable quantity—based upon the average of the international releases announced, viz. 65 per cent. from January to June, and assuming an average of 60 per cent. for July to December—would be approximately 423,390 lbs. There were no forward sales for 1938.

As to the market in their products, it was not possible to make any forecast for the present year, and they could only hope that there would be some change for the better during the remaining months of 1938.

The report and accounts were unanimously adopted.

Vegetables.—The continuation of coldish weather has advanced the price of old potatoes for which there is a keen demand; the price of King Edwards rose by 1s. 6d. per cwt. to 8s. 6d. or 9s. per cwt. Vegetables generally met a brisk demand, and sold at higher prices, except for salads and cucumbers, the demand for which has somewhat fallen with the colder weather.

Miscellaneous

Oilseeds and Oils.—Rather more interest has been shown in the last week and prices generally are higher. Considerable business has been done in Indian shipments of linseed at £13 per ton ex Calcutta for Hull in July, but demand from the United States is small and a revival is not immediately expected. Linseed oil has sold steadily at somewhat lower prices. Refined cotton seed oil is now being quoted at £20 15s. per ton ex Hull, an advance of 15s. per ton on the week. The slow growth of pastures, due to the drought, has kept up the demand for oilcakes and prices are firm.

★

Rubber.—Demand continues quiet, although a better tone appeared towards the end of the week. Prices have tended towards a slightly lower level.

★

Furs.—The London Spring Fur Auctions began on Monday with the sale of the Hudsons Bay Company. Although the sale was well attended, demand was slack and a considerable number of lots were withdrawn. As Paris is one of the main buyers, the uncertainty regarding the franc necessarily curtailed the demand.

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of International Settlements appeared in *The Economist* of April 9th; Denmark of April 16th; Bulgaria, Canada, Hungary, Portugal and Roumania of April 23rd; Federal Reserve Reporting Members, Czechoslovakia, Danzig, Estonia, Finland, India, Java, Lithuania and Poland of April 30th.

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS	May 6, 1937	Apr. 28, 1938	Apr. 28, 1938	May 5, 1938
RESOURCES				
Gold certifs. on hand and due from Treas.	8,843	9,222	10,642	10,641
Total reserves	9,132	9,676	11,103	11,085
Total cash reserves	279	449	452	435
Total bills discounted	17	11	8	8
Bills bt. in open mkt.	4	1	1	1
Total bills on hand	21	12	9	9
Industrial advances	2,526	2,564	2,564	2,564
Total U.S. Govt. notes	2,526	2,564	2,564	2,564
Total bills and sec.	2,570	2,593	2,590	2,590
Total resources	12,431	12,900	14,327	14,338
LIABILITIES				
F.R. notes in actual circulation	4,208	4,158	4,120	4,148
Aggregate of excess mfr. bank res. over reqts.	890	1,580	2,580	2,440
Deposits — Member-bank reserve account	6,882	7,296	7,661	7,504
Govt. deposits	97	244	1,321	1,429
Total deposits	7,265	7,875	9,326	9,286
Cap. paid in and surplus	306	309	309	309
Total liabilities	12,431	12,900	14,327	14,338
Ratio of total res. to deposits and F.R. note liab. combined	79.6%	80.4%	82.6%	82.5%
U.S.F.R. BANKS AND TREASURY COMBINED				
RESOURCES				
Monetary gold stock	11,838	12,803	12,860	12,870
Treasury and Nat. Bk. currency	2,547	2,682	2,690	2,693
LIABILITIES				
Money in circulation	6,426	6,394	6,355	6,407
Treasury cash and deposits with F.R. Bks.	3,110	3,798	3,513	3,625

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

	May 6, 1937	Apr. 28, 1938	Apr. 28, 1938	May 5, 1938
RESOURCES				
Total gold reserves	3,385.5	4,009.7	4,718.3	4,644.8
Total bills discounted	7.3	2.9	2.3	2.2
Bills bt. in open mkt.	1.7	0.2	0.2	0.2
Total U.S. Govt. sec.	725.0	745.8	745.8	745.8
Total bills and sec.	740.1	753.3	752.9	752.8
Deposits — Member-bank reserve account	2,941.4	3,358.7	3,636.5	3,478.0
Total res. to dep. and Fed. Res. note liab. combined	83.9%	85.8%	87.7%	87.5%

BANK OF FRANCE.—Million francs

ASSETS	Apr. 30, 1937	Mar. 31, 1938	Apr. 21, 1938	Apr. 28, 1938
Gold*	19,937	19,938	19,938	19,938
Advances on gold coin	57,359	55,807	55,807	55,807
Bills: Commercial	9,125	10,915	10,989	11,217
Bought abroad	1,083	805	780	790
Advances on securities	3,918	3,825	3,660	3,700
Thirty-day advances	965	997	718	879
Loans to State without interest: (a) general (b) provisional	3,200	3,200	3,200	3,200
19,991	38,574	41,014	41,014	41,014
LIABILITIES				
Notes issued	5,642	5,575	5,575	5,575
Sinking Fund Dept.	4,970	5,179	4,055	4,109
Other assets	87,063	98,095	97,258	98,519
Notes in circulation	4,361	2,233	3,175	2,802
Deposits: Public	13,316	21,314	20,945	21,101
Private	2,610	3,238	3,450	3,290
Gold reserve to sight liabilities	54.7%	45.8%	45.9%	45.5%

* From July 29, 1937, based on franc at 43 (against 49) milligrams.
† Of which Frs. 18,050 millions under Convention of June 30, 1937 (permissible limit, Frs. 20,000 millions).
‡ Amended figure.

REICHSBANK

ASSETS	Apr. 30, 1937	Mar. 31, 1938	Apr. 23, 1938	Apr. 30, 1938
Gold	140.3	152.4	242.7	152.3
Of which depst. abroad	51.7	63.3	41.3	59.0
Res. in foreign currencies	19.4	20.3	20.3	20.3
Chèques	5.9	5.2	5.4	5.1
LIABILITIES				
Silver and other coin	5152.3	5901.8	5067.8	5852.9
Advances	140.3	152.4	242.7	152.3
Investments	415.7	392.8	417.8	417.9
Other assets	755.6	1236.0	1640.6	1461.5
RESOURCES				
Notes in circulation	493.0	514.4	514.4	514.4
Deposits: Public	4979.5	5621.6	6283.3	6086.2
Other daily maturing obligations	794.2	1323.3	1318.2	1030.8
Other liabilities	173.2	213.0	220.5	238.2
Cover of note circulatn.	11.49%	11.35%	11.44%	11.25%

CENTRAL BANK OF ARGENTINA

Million paper pesos	Apr. 15, 1937	Mar. 31, 1938	Mar. 31, 1938	Apr. 15, 1938
ASSETS				
Gold at home	1,224	1,331	1,314	1,314
Gold abroad & foreign exchange	335	53	38	40
Non-int.-bearing Govt. bonds	119	119	119	119
Treasury bonds	399	398	398	398
LIABILITIES				
Notes issued	1,153	1,158	1,139	1,132
Government deposits	113	121	103	104
Bank deposits	420	348	331	383
Certs. of participation in Treasury bonds	394	283	306	268
Gold and for. exch. to note and sight liab.	92.3%	84.8%	85.5%	83.5%

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

ASSETS	Apr. 26, 1937	Mar. 28, 1938	Apr. 25, 1938	Apr. 25, 1938
Gold and English stg.	16.01	16.00	16.01	16.01
Other coin, bullion, &c.	5.27	5.02	5.11	4.98
Money at short call—London	28.60	26.70	27.21	27.19
Short-term loans	5.99	—	—	—
Secrts. and Treas. bills	76.81	91.40	91.27	91.49
Discounts and advances	9.23	11.97	12.67	12.86
LIABILITIES				
Notes issued	47.04	49.03	51.03	51.03
Res. pm. on gold sold	7.75	7.75	7.75	7.75
Deposits, etc.	79.55	86.29	85.99	85.89

NATIONAL BANK OF BELGIUM

Million belgas	Mar. 31, 1938	Apr. 13, 1938	Apr. 21, 1938	Apr. 28, 1938
ASSETS				
Gold	3,132	3,139	3,126	3,123
Silver and other coin	1.51	1.51	1.52	1.52
Foreign exchange, etc.	1,089	1,132	1,132	1,132
Bills and securities	590	571	570	575
Advances	54	36	37	32
LIABILITIES				
Notes in circulation	4,419	4,432	4,389	4,390
Deposits: Govt.	37	18	38	40
Other	379	393	403	399

NATIONAL BANK OF EGYPT

Million £E	Mar. 31, 1937	Jan. 28, 1938	Feb. 28, 1938	Mar. 31, 1938
Banking Department: LIABILITIES				
Capital	2.92	2.92	2.92	2.92
Reserves	2.92	2.92	2.92	2.92
Government deposits	10.30	7.07	7.87	7.87
Other deposits	20.30	18.95	18.44	19.06
Other accounts	3.49	3.26	3.51	3.69
ASSETS				
Cash: Notes	1.15	1.47	1.44	1.16
Gold, silver, etc.	0.66	0.73	0.72	0.75
Money at call, etc.	1.31	1.28	1.28	1.28
Investments	26.28	23.18	22.75	23.42
Advances	3.98	5.65	5.20	4.71
Bills	1.97	1.45	1.67	1.56
Other accounts	4.45	3.44	3.48	3.57

Note Issue Department: LIABILITIES

Notes issued	22.30	21.30	21.60	21.10
ASSETS				
Gold	6.24	6.24	6.24	6.24
Brit. Treas. bills & bonds	6.71	7.72	7.72	7.71
British War Loan at par	1.50	1.50	1.50	1.50
Egyptian Govt. sec. at market price	1.50	1.50	1.50	1.50

BANK OF GREECE.—Million drachmae

ASSETS	Apr. 15, 1937	Mar. 15, 1938	Apr. 7, 1938	Apr. 15, 1938
Gold and foreign exchange	3,443	3,966	3,615	3,646
State gold bonds	549	515	519	519
Other assets	549	606	624	627
Advances	2,706	5,442	5,601	5,714
State debt	3,557	3,872	3,823	3,823
LIABILITIES				
Notes in circulation	6,343	6,326	6,606	6,620
Dep. and current accts.	4,423	6,764	6,770	7,168
Foreign exch. liabilities	181	216	198	218

BANK OF JAPAN.—Million yen

ASSETS	Apr. 10, 1937	Mar. 12, 1938	Apr. 2, 1938	Apr. 9, 1938
Coin and bullion: Gold	541.1	801.0	801.0	801.0
Foreign exchange	10.0	32.7	34.9	35.2
Discounts and advances	810.8	512.7	528.2	515.3
Government bonds	685.3	1064.4	1176.3	1042.9
Agencies' accounts	88.2	118.6	131.0	115.9
LIABILITIES				
Notes issued	1402.0	1680.4	1870.3	1761.8
Deposits: Government	463.4	503.6	418.2	378.5
Other	63.0	95.0	99.2	107.6

NATIONAL BANK OF JUGOSLAVIA

Million dinar	Apr. 22, 1937	Mar. 22, 1938	Apr. 15, 1938	Apr. 22, 1938
ASSETS				
Cash reserve:				
Gold at home and abroad	1,663	1,777	1,801	1,813
Other foreign exchange	715	385	407	409
Discounts and advances	1,684	1,587	1,587	1,565
Government advances	2,249	2,240	2,210	2,210
LIABILITIES				
Notes in circulation	5,301	5,657	5,788	5,737
Sight liabilities	2,180	2,792	2,707	2,759

BANK OF LATVIA

Million lats	Apr. 26, 1937	Mar. 28, 1938	Apr. 18, 1938	Apr. 25, 1938
ASSETS				
Gold coin and bullion	77.44	77.57	77.58	77.58
Silver coin	15.47	13.81	13.30	13.44
Foreign currency	41.98	47.48	46.54	46.55
Treas. notes and change	9.14	7.61	6.78	8.03
Short-term bills	51.92	47.48	49.49	49.22
Loans against securities	68.02	80.67	81.48	81.43
LIABILITIES				
Notes in circulation	46.45	66.71	67.88	66.00
Deposits & currnt. accts.	136.75	121.24	120.66	126.21
Government accounts	71.59	72.40	71.16	70.74

NETHERLANDS BANK

Million florins	May 3, 1937	Apr. 25, 1938	Apr. 25, 1938	May 2, 1938
ASSETS				
Gold	1034.9	1469.8	1480.9	1499.6
Silver	17.1	13.3	17.6	—
Home bills, &c.	19.8	9.1	9.1	9.2
Foreign bills	2.4	5.4	5.4	5.4
Loans and advances in current account	181.1	298.4	320.6	345.5
LIABILITIES				
Notes in circulation	858.9	931.1	900.7	975.2
Deposits: (a) Govt.	41.8	71.5	106.4	—
(b) Other	372.5	804.8	844.6	902.7

BANK OF NORWAY

Million kroner	Apr. 15, 1937	Mar. 15, 1938	Apr. 7, 1938	Apr. 16, 1938
ASSETS				
Coin and bullion (gold reserve)	118.8	133.9	133.9	133.9
Bal. abroad & for. bills	83.3	207.2	193.8	196.6
Funds provisionally in gold, not in gold res.	96.2	44.9	64.8	61.8
Norwegian and foreign Govt. securities	67.9	108.4	111.4	111.6
Discounts and loans	177.8	96.7	100.4	101.9
LIABILITIES				
Notes in circulation	405.7	414.5	433.1	442.3
Deposits at sight	97.1	144.9	134.5	129.5

SOUTH AFRICAN RESERVE BANK

Million £'s	Apr. 23, 1937	Mar. 25, 1938	Apr. 15, 1938	Apr. 22, 1938
ASSETS				
Gold coin and bullion	26.32	22.89	22.88	22.88
Bills discounted:				
Home	0.03	0.32	0.26	0.23
Foreign	5.22	6.44	5.41	5.85
Investments	1.73	1.72	1.72	1.72
Other assets	13.29	10.74	11.03	10.36
LIABILITIES				
Notes in circulation	14.59	15.17	15.96	15.50
Deposits: Government	4.87	2.84	1.97	2.07
Bankers'	19.85	17.67	18.12	18.56
Cash reserves to liabilities to public	59.8%	58.7%	57.0%	57.5%

BANK OF SWEDEN.—Million Kronor

ASSETS	Apr. 23, 1937	Mar. 23, 1938	Apr. 14, 1938	Apr. 23, 1938
Gold reserve	462.3	480.6	514.6	521.3
Govt. sec.: Swedish	28.5	21.1	31.1	31.1
Foreign	30.7	48.4	36.0	36.90
Gold abroad not in gold reserve	69.3	94.0	61.0	54.44
Balances with foreign banks	203.8	237.4	248.2	251.7</

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	Apr. 28, 1938	Apr. 29, 1938	Apr. 30, 1938	May 2, 1938	May 3, 1938	May 4, 1938
London:—	Old Par 4-8666	4-9852	4-9852	4-9852	4-9852	4-9852	4-9852
60 days ...	4-8666	4-9811	4-9811	4-9811	4-9811	4-9811	4-9811
Cables ...	4-8666	4-9811	4-9811	4-9811	4-9811	4-9811	4-9811
Demand ...	4-8666	4-9811	4-9811	4-9811	4-9811	4-9811	4-9811
Paris, Fr.	6-63	3-07	3-0658	3-0614	3-0612	3-02	2-8576
Brussels, Bel. ...	23-54	16-84	16-8412	16-84	16-8412	16-8412	16-85
Switz'd Fr.	32-67	22-9934	23-0234	23-0112	23-01	22-98	22-97
Italy, Lira ...	8-91	5-2614	5-2614	5-2614	5-2614	5-2614	5-2614
Berlin, Mks. ...	40-33	40-22	40-22	40-21	40-2112	40-2112	40-2112
Vienna, Sch. ...	23-82	...	...	...	...	...	...
Madrid, Pt.	32-67	55-61	55-66	55-66	55-66	55-6312	55-71
Amst'dm Gldr ...	68-06	22-25	22-25	22-25	22-2712	22-2712	22-30
Cop'ht'n, Kr. ...	145-37	25-05	25-05	25-05	25-0712	25-0712	25-10
Oslo, Kr.	25-70	25-70	25-70	25-70	25-7212	25-70	25-75
St'h'm, Kr.	1-2912	0-9153	0-9112	0-9112	0-9112	0-9112	0-9153
Athens, Dr.	169-51	99-450	99-470	99-470	99-470	99-470	99-470
M'treal, Can. \$...	84-40	29-08	29-09	29-09	29-09	29-09	29-11
Yokohama, Yen ...	...	27-68	27-37	27-00	26-87	26-50	26-75
Shanghai, S. ...	...	30-93	30-93	30-93	30-94	30-93	31-00
B. Aires, Peso ...	11-96	5-90	5-90	5-90	5-90	5-90	5-90
Rio, Ms. T. ...	...	...	...	...	...	...	...

Usance: T.T. * Dollars per £1. † Official. ‡ Bid (Offered, 2-8912).

EXCHANGE RATES (Monthly Tables)

SOUTH AFRICA

(BUYING RATES PER £100 STERLING)

	T.T.	Sight	30 days' sight	60 days' sight	90 days' sight
London on:—	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Rhodesia	100 17 6	101 3 9	101 13 9	101 11 3	102 1 9
S. Africa	100 17 6	101 3 9	101 13 9	101 11 3	102 1 9

(SELLING RATES PER £100 STERLING)

	Sight	Telegraphic
London on:—	£ s. d.	£ s. d.
Rhodesia	99 15 0	99 15 0
South Africa	100 2 6	100 2 6

AUSTRALIA AND NEW ZEALAND

London on Australia and New Zealand*				Australia and New Zealand on London*			
Buying		Selling		Buying		Selling	
Australia	New Zealand	Australia (any Mail)	New Zealand (any Mail)	Australia	New Zealand	Australia (any Mail)	New Zealand
T.T.	Air ...	Ord. ...	Ord. ...	125	124	125 1/2	124 1/2
Sight	126 1/2	126 3/4	125 1/2	125 1/2	124 1/2	125 1/2	124 1/2
30 days	126 1/2	126 3/4	125 1/2	125 1/2	124 1/2	125 1/2	124 1/2
60 days	127 1/2	127 3/4	126 1/2	126 1/2	125 1/2	126 1/2	125 1/2
90 days	127 1/2	127 3/4	126 1/2	126 1/2	125 1/2	126 1/2	125 1/2

* All rates (Australian and New Zealand) now based on £100.—London.

SCOTLAND: SOME STATISTICS

The statistics below illustrate some of Scotland's economic problems discussed in an article on page 287.

	Unit of Measurement	1929	1937	Percentage Change since 1929
Area	'000 acres	19,463	19,463	...
Population	'000	4,832	4,966	+ 2.8
Insured persons, July, aged 16-64	"	1,270	1,398	+ 10.1
Persons employed, June, 16-64	"	1,130	1,203	+ 6.5
Percentage unemployed (annual average)	"	10.5	9.6	...
Scotland	"	12.1	15.9	...
U.K.	"	10.4	10.9	...

IMPORTS AND EXPORTS OF GOLD AND SILVER
Week ended May 5, 1938

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
Gold			Gold		
British S. Africa.....	£ 2,065,330	£ 473,037	Hong Kong	£ 44,800	£ 1,344
British India	...	...	Sweden	506,236	...
Australia	37,826	...	Germany	3,360	...
U.S.S.R.	2,260,893	...	Netherlands	110,250	42,972
Netherlands	30,933	23,007	Belgium	1,431	236
Belgium	4,181,572	...	France	14,011	118,225
Switzerland	95,995	176,275	China	27,900	...
Total*	8,733,634	580,431	Total*	709,431	162,780
Silver			Silver		
Eire	...	6,030	Aden & Dependencies	...	6,310
British S. Africa.....	414	...	British India	3,580	...
Germany	250	...	Norway	1,092	...
Belgium	20,000	...	Denmark	1,330	...
France	4,165	176	Austria	2,780	...
Czechoslovakia	13,800	...	Egypt	1,707	...
Japan	3,030	...	Arabia-Saudi	...	3,620
Total*	26,632	22,134	Total*	14,853	12,423

* Including other countries.

CENTRAL AND SOUTH AMERICA

THE BANK OF LONDON AND SOUTH AMERICA, LTD., issues the following details relative to quotations for certain of the South and Central American exchanges. All these exchanges, with the exception of those of Bolivia and Paraguay, are related to the United States dollar, and the approximate sterling rates may be obtained by applying the dollar-sterling exchange rate.

Bolivia.* Decree of March 7, 1938, fixed official rates at 100 bolivianos per £ for importation of articles of prime necessity, and at 120 for public utility requirements, raw materials and certain specified imports. By a further Decree of March 30th, general imports, excluding all luxury goods, are payable at a new "bank exchange" rate which, on March 31, was 121.20 bolivianos per £.

Colombia.* Sight selling rate on New York was 183.30 pesos per 100 U.S. dollars on April 5, 1938. This rate applies to holders of permits buying in the "open" market.

Ecuador. Sight selling rate on New York was 13.80 sucres per U.S. dollar on April 4, 1938.

Guatemala. Sight selling rate on New York is maintained at one quetzal per U.S. dollar, but a commission of 1 per cent. is charged by the Central Bank for the sale of drafts.

Nicaragua.* Sight selling rate on New York (including tax and commission) was 5.80 cordobas per U.S. dollar on April 6. This rate applies to approved sales of exchange by exporters to importers. The "free" rate on the same date was about 6.30.

Paraguay. Exchange is quoted on Buenos Aires; the sight selling rate was 70.50 Paraguayan pesos per Argentine "free" paper peso on April 9, 1938.

El Salvador. Sight selling rate on New York was 2.51 colones per U.S. dollar on April 5, 1938.

Venezuela. Sight selling rate on New York has been maintained at 3.19 bolivars per U.S. dollar since April 27, 1937.

OVERSEAS BANK RATES

Changed From To			Changed From To		
	%	%		%	%
Albania	Apr. 1, '37	612	Oslo	Jan. 5, '38	4 3/2
Amsterdam	Dec. 2, '36	212	Paris	Nov. 12, '37	31 3/2
Athens	Jan. 4, '37	7	Prague	Jan. 1, '36	31 3/2
Batavia	Jan. 14, '37	4	Pretoria	May 15, '33	4 3/2
Belgrade	Feb. 1, '35	612	Tallinn	Oct. 1, '35	4 1/2
Berlin	Sept. 22, '32	5	Riga	Nov. 1, '36	51 1/2
Brussels	May 14, '35	212	Rio de Janeiro	May 31, '35	...
Bucharest	Dec. 15, '34	6 1/2	Rome	May 15, '36	5
Budapest	Aug. 28, '35	412	Sofia	Aug. 15, '35	7
Calcutta	Nov. 28, '35	312	Stockholm	Dec. 1, '33	212
Copenhagen	Nov. 19, '36	312	Swiss Bank	...	...
Danzig	Jan. 2, '37	5	Places	Nov. 25, '36	2 1/2
Helsingfors	Dec. 3, '34	412	Tokyo	Mar. 11, '38	3-285 3/4
Kobe	July 1, '36	6 1/2	Vienna	July 10, '35	4 1/2
Lisbon	Aug. 11, '37	412	Warsaw	Dec. 18, '37	5 1/2
New York Fed. Reserve	Aug. 26, '37	112	Wellington	Mar. 2, '36	312
Madrid	July 15, '35	512	Irish	June 30, '32	312
Montreal	Mar. 11, '35	212			

Central Bank of Chile.—Discount rate for member banks, 4 1/2%; discount rate for the public, 6%. (a) 5% applied to banks and credit institutions. (b) 5 1/2% applied to private persons and firms.

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended May 1 (L'000)					Aggregate Gross Receipts, 17 weeks (L'000)				
	Passenger	Merchandise	Coal & Coke	Other Goods	Total	Passenger	Merchandise	Coal & Coke	Other Goods	Total
L. M. & S.—	471	516	246	762	1,995	7,050	8,341	4,785	13,126	20,176
1937	477	481	239	720	1,917	7,249	8,157	4,741	12,898	20,147
1938	313	364	259	623	959	4,678	5,761	4,419	10,180	14,858
Great Western—	191	215	113	328	547	2,953	3,315	1,981	5,296	8,249
1937	305	359	253	612	917	4,748	5,730	4,468	10,198	14,946
1938	194	195	112	307	508	3,036	3,291	2,008	5,299	8,335
Southern—	287	74	31	105	397	4,567	1,036	582	1,618	6,185
1937	294	72	31	103	397	4,717	1,026	578	1,604	6,321
1938	1262	1169	649	1818	3080	19,248	18,453	11,767	30,220	49,468
Total—	1270	1107	635	1742	3012	19,750	18,204	11,795	29,999	49,749

(a) Week ended April 30.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+1,329	+1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+1,443	+1,099	+ 647	+ 372
Gross increase, first half 1938, over first half 1937	— 29	+ 88	+ 86	+ 136
Weekly Figures				
Av. weekly increase, 1st half 1938	— 1.70	+ 5.18	+ 5.06	+ 8.00
Latest week compared with 1937	— 36	— 19	— 18	+ 5
Latest week compared with average 1927-30	— 179	— 126	— 87	— 26

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended April 29 (L'000)			Aggregate Gross Receipts 17 weeks (L'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	1.8	0.5	2.3	29.6	8.5	38.1
1938	1.8	0.4	2.2	31.1	7.5	38.6
Great Northern—						
1937	8.7	11.5	20.2	141.9	164.0	305.9
1938	9.0	9.7	18.7	147.0	148.9	295.9
Great Southern—						
1937	31.2	43.0	74.2	485.3	725.9	1211.2
1938	34.0	40.8	74.8	503.9	677.1	1181.0

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending April 30, 1938, before pooling	£ 568,500	+ £ 7,500
Total, 44 weeks to date	24,740,500	+ 91,000
L.P.T.B. receipts, 52 weeks to June 26, 1937	28,732,000	+ 255,000
L.P.T.B. receipts, year to June, 1937, after pooling	30,247,378	+ 522,655
London Transport Pool receipts, year to June 30, 1937	41,377,929	+ 771,590

GOUVERNEMENT IMPERIAL DU JAPON
EMPRUNT

FOUR PER CENT. DE 1910—FRANCS 450,000,000

Notice is hereby given that the COUPONS due 15th May, 1938, will be PAID on and after 16th May, 1938 (Saturdays excepted), between the hours of 11 and 3 at The Yokohama Specie Bank Limited, where lists may be obtained.

Coupons, which must be left three clear days for examination prior to their payment, will be paid at the rate of exchange on Paris ruling at the time of their presentation.

For THE YOKOHAMA SPECIE BANK LIMITED.

H. KANO, Manager.

7 Bishopsgate, London, E.C.2.
30th April, 1938.

CITY OF REGINA

FIVE PER CENT. CONSOLIDATED REGISTERED STOCK, 1943-63
For the purpose of preparing the Interest Warrants due 1st July, 1938, the BALANCES will be STRUCK on the evening of the 1st June, 1938, after which date the Stock will be transferred ex-dividend.

For Bank of Montreal,

EDWARD POPE, Manager.

47 Threadneedle Street, E.C.2.
2nd May, 1938.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

INDIAN

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1938	+ or -	1938	+ or -
			Rs.	Rs.	Rs.	Rs.
Bengal & N. Western	3	Apr. 20	11,70,997	- 1,30,857	23,67,122	- 1,27,166
Bengal-Nagpur	3	Apr. 20	226,12,000	- 2,42,838	52,59,000	- 3,13,239
Bombay, Bar. & C.I.	4	30	26,45,000	- 5,05,000	1,11,95,000	- 5,67,000
Madras & S. Mah.	1	16	22,55,000	- 2,44,781	...	...
S. Indian	1	10	14,81,509	- 1,33,670	...	...
			± 10 days.	± 11 days.		

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation				Balance Forward	Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.		Net Profit	Dividend
					Prefce. Amount	Ordinary Amount	Rate				
Banks											
Union Bank of Scotland	Apr. 2	£ 126,981	£ 312,625	£ 439,606	£ ...	£ 216,000	% 18	£ 95,000	£ 128,606	£ 318,176	% 18
Breweries and Distilleries											
Lowrie (W. P.) and Co.	Mar. 31	89,910	146,591	236,501	13,275	102,025	20	30,000	91,201	121,951	15
Walker (John) and Sons	Mar. 31	143,159	586,843	730,002	78,750	390,601	42½	126,453	134,198	585,246	37½
Electric Lighting, etc.											
Bridgwater Electric	Dec. 31	1,332	13,035	14,367	6,523	1,500	6	5,000	1,344	10,785	6
Financial Land, etc.											
Forestral Land, etc.	Dec. 31	128,937	560,555	689,492	111,951	246,780	9	200,000	130,761	508,384	8½
Rubber Plantations Invest.	Dec. 31	89,614	193,509	283,123	...	186,027	10	...	97,096	135,306	7½
Scottish Agricultural Securs.	Mar. 31	1,141	7,537	8,678	...	...	...	6,908	1,770	5,421	Nil
Gas											
Severn Valley Gas	Mar. 31	8,073	47,524	55,597	17,262	28,278	5½ & 6	...	10,057	39,897	5½ & 5½
Hotels, Restaurants, etc.											
Nuthalls (Caterers)	Dec. 31	1,442	7,903	9,345	...	...	...	7,182	2,163	6,095	Nil
Iron, Coal and Steel											
Dixon (William), Ltd.	Feb. 28	18,728	85,222	103,950	15,000	65,600	10½	...	23,350	69,201	7½
Motor Cycle and Aviation											
Ford Motor Co.	Dec. 31	864,179	1,330,333	2,194,512	...	326,250	5	955,268	912,994	1,394,036	6
Morris Motors	Dec. 31	272,462	1,801,910	2,074,372	225,000	864,562	45	709,732	275,078	2,196,353	45
Spurling Motor Bodies	Feb. 28	...	17,718	17,718	...	11,600	10	2,500	3,618	(a)	(a)
United Motors	Dec. 31	31,933	2,159	34,092	...	...	...	...	34,092	Dr. 1,299	Nil
Rubber											
Bangawan	Dec. 31	3,566	22,791	26,357	4,436	14,078	10	2,000	5,843	11,209	Nil
Besocki	Dec. 31	10,821	9,474	20,295	...	8,800	8	...	11,495	6,116	5
Bukit Sembawang	Dec. 31	7,938	19,717	27,655	...	12,523	10	6,549	8,583	13,429	10
Cheviot	Dec. 31	21,821	47,120	68,941	...	32,750	12½	10,000	26,191	36,005	10
Consolidated Malay	Dec. 31	2,440	18,637	21,077	...	11,250	15	6,456	3,371	9,571	10
Dangan	Dec. 31	1,894	14,757	16,651	25	9,280	6	5,750	1,596	8,573	4
Deviturai	Dec. 31	1,568	16,500	18,068	...	14,982	8	2,000	1,086	9,691	5
Henrietta	Dec. 31	3,921	25,699	29,620	1,985	19,345	15	3,318	4,972	11,887	7½
Java United	Dec. 31	5,586	16,718	22,304	...	12,000	8	...	10,304	2,652	2½
Kelani Valley	Dec. 31	2,354	9,428	11,782	420	5,250	15	3,472	2,640	5,150	8
Kimanis	Dec. 31	5,027	25,020	30,047	...	18,300	10	800	10,947	5,482	3
Kombok (F.M.S.)	Dec. 31	9,139	6,948	16,087	...	3,000	2½	3,500	9,587	4,949	4
Labu (F.M.S.)	Dec. 31	20,504	52,593	73,097	...	35,185	15	11,600	26,312	38,389	12½
Maqawan (Java)	Dec. 31	3,793	5,788	9,581	...	3,282	6	2,500	3,799	7,047	6
Muar Itam	Dec. 31	1,055	4,073	5,128	...	2,995	6	1,332	801	2,185	4
Pelmadulla	Dec. 31	9,207	39,151	48,358	2,477	22,060	17½	10,083	13,738	18,924	10
Rubber Estates of Ceylon	Dec. 31	1,107	8,862	9,969	...	5,512	3½	2,940	1,517	1,098	Nil
Seaford	Dec. 31	9,938	17,970	27,908	...	12,000	6	57,473	10,161	11,588	5
Shelford	Dec. 31	2,065	11,056	13,121	...	9,600	12	...	3,521	6,821	8
Shipping											
Clan Line Steamers	Dec. 31	97,066	712,098	809,164	59,159	87,750	20	567,435	94,820	666,965	20
Shops and Stores											
Bon Marché, Ltd.	Jan. 31	53,971	71,518	125,489	12,000	55,250	32½	7,428	50,811	66,706	30
Tea											
Ederapolla	Dec. 31	1,247	7,174	8,421	...	4,350	12½	2,383	1,688	2,962	6
Glentafé	Dec. 31	1,549	2,440	3,989	...	1,169	2½	1,000	1,820	301	Nil
Nuwara Eliya	Dec. 31	12,542	55,801	68,343	...	39,200	14	16,000	13,143	69,245	18
Pantiya	Dec. 31	328	2,560	2,888	...	1,500	5	500	888	878	5
Scottish Ceylon	Dec. 31	2,475	20,442	22,917	1,276	11,028	15	8,000	2,613	13,185	12½
Telegraphs, etc.											
Marconi's Wireless Telegraph	Dec. 31	7,783	260,300	268,083	17,500	181,812	9	60,000	8,771	233,452	7
Textiles											
English Sewing Cotton	Dec. 31	137,500	233,538	371,038	50,000	200,000	10	Dr. 9,431	130,469	322,500	10
Tramways and Omnibus											
Calcutta Tramways	Dec. 31	16,671	155,023	171,694	12,500	56,000	8	82,500	20,694	139,846	8
Potteries Motor Traction	Dec. 31	24,732	84,273	109,005	...	54,125	10	30,000	24,880	83,839	10
Trusts											
Anglo-Celtic	Apr. 5	27,173	38,333	65,506	22,803	10,325	3½	...	32,378	38,619	3
Anglo-American Debenture	Mar. 31	51,056	101,895	152,951	28,688	54,000	12	16,750	53,513	98,000	12
Can. and For. Investment	Mar. 31	18,046	15,371	33,417	4,176	7,418	5	...	21,823	13,777	5
Eng. and Caledonian Invest.	Mar. 31	3,307	24,054	27,361	11,281	7,471	5	5,320	3,289	23,075	4½
Foreign, American, etc.	Apr. 5	64,823	103,298	168,121	43,750	39,375	4½	25,000	59,996	98,251	4
Gresham Trust	Mar. 31	11,515	23,696	35,211	...	16,571	7½	6,000	12,640	29,245	7½
Home and Foreign Invest.	Mar. 31	26,034	36,031	62,065	16,875	11,062	5	5,000	29,128	33,321	4
Northern Securities Trust	Dec. 31	12,876	25,148	38,024	11,110	10,560	8	1,000	15,354	23,817	7½
Scottish Mortgage & Trust	Mar. 31	20,050	128,806	148,856	32,072	58,082	9½	30,000	28,702	123,986	9½
Other Companies											
Barry & Staines Linoleum	Jan. 31	87,039	213,339	300,378	15,750	164,062	12½	25,000	95,566	209,553	12½
Beechams Pills	Mar. 31	58,352	445,982	504,334	149,000	186,765	85	86,583	81,986	374,757	60
Colman (J. and J.)	Dec. 31	85,347	514,399	599,746	74,781	321,122	16	120,000	83,843	518,809	16
Egyptian Markets	Dec. 31	16,930	45,158	62,088	...	20,545	10½	24,578	16,965	54,620	11½
Francis (F.) and Sons	Dec. 31	2,273	26,399	28,672	5,644	13,250	9	...	9,778	(a)	(a)
Kitchen and Wade	Mar. 31	3,531	52,139	55,670	...	41,172	45	7,538	6,960	(a)	(a)
Laurence Scott, etc.	Dec. 31	3,970	110,680	114,650	5,000	54,149	15	49,000	6,501	62,949	7
Melbourne Hart and Co.	Dec. 31	6,953	20,082	27,035	5,625	11,200	14½	3,250	6,960	24,385	14½
Prichard and Constance	Mar. 31	4,074	(d) 39,003	43,077	7,450	31,419	(e)	...	4,208	(a)	(a)
Sherley (A. F.) and Co.	Mar. 31	3,733	(g) 13,530	17,263	6,458	7,000	35½	...	3,805	(a)	(a)
Stevenson and Howell	Dec. 31	91,810	47,425	139,235	5,951	24,225	17½	11,580	97,479	40,705	17½
Victoria Wine	Feb. 28	8,079	47,640	55,719	20,000	9,000	6	20,000	6,719	46,379	5
Veno Drug Co.	Mar. 31	3,728	198,261	201,989	42,512	155,120	3/3½	...	4,357	189,760	300
Wimpey (George) & Co.	Dec. 31	15,892	152,564	168,456	9,000	(c) 94,000	20	45,000	20,456	94,925	20
Yeast-Vite, Ltd.	Mar. 31	25,482	(d) 156,082	181,563	18,159	137,656	52-36	...	25,748	(a)	(a)
Total Profits, 1938, in £'000's											
To April 30	886	36,780	129,445	166,225	21,745	67,351	...	37,466	39,664	114,713	...
To May 7	947	39,524	138,497	178,021	22,873	71,762	...	40,823	42,563	123,694	...

† Free of income tax. (a) No comparable figure. (c) Includes £55,000 for bonus shares, against £15,000 a year ago.
(d) 15 months. (e) Rate not stated. (g) 13 months.

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now running away with him. "There has been created in Europe," says Herr Hitler, "a bloc of 120 million people who are resolved to safeguard their eternal right to live and to defend themselves against all forces which might venture to oppose their natural development" (the italics are ours). In other terms, Germany rejoices in again becoming dynamic, while Italy wonders uncomfortably whether she might not have done better to stay static.

On a concrete point, this inward difference of rhythm arises again over the question of the Alpine frontier between the two partners in the Rome-Berlin axis. "It is my irrevocable will and my bequest to the German people," says Herr Hitler, "that the frontier of the Alps, which Nature has erected between us, shall be regarded for ever as unchangeable." In order to satisfy Italy's hankering after a quiet life, the saviour of Deutschland proclaims the unconditional and permanent surrender of 200,000 Tyrolese, whose treatment as a minority has, by general admission, been harsh. That is the price of the Italian collaboration which the Fuehrer needs. But what, precisely, does he need it for? "The natural frontier," the German dictator tells his Italian colleagues, "will give Italy and Germany not only the possibility of peaceful and permanent collaboration through a clear division of their spheres of activity, but will provide a bridge for mutual help and support." For Italian ears, this phrase must almost cancel that promise of a quiet life which is contained in the Fuehrer's other phrase about the permanence of the Alpine frontier. If the Brenner Pass is a German-Italian bridge for "mutual help and support" against "all forces which might venture to oppose" somebody's "natural development," and if it is Germany rather than Italy who is still lusting after expansion, then it seems to follow that the Italian peninsula is destined, in Hitler's mind, to become, in case of need, a German pier.

If Germany, having built up her power in Eastern Europe, were ever to decide to challenge France and Great Britain for the domination of the overseas world, the function of the Italian peninsula would be readily apparent. From this pier, projecting three-quarters of the way across the Mediterranean, German forces might leap the straits between Sicily and Tunis and break into Africa by a back door which Anglo-French sea power could not close. No doubt, in revenge, the baffled Western navies might

bombard Naples, Genoa, and sacred Rome herself, but that would be Italy's affair.

A military alliance with Germany, clearly, might have unenviable implications for Italy, and we may well believe that this, at any rate, is a suggestion to which Signor Mussolini will always turn a deaf ear so long as France and Britain are still powerful. He presumably promised nothing more last week than friendly neutrality towards Herr Hitler if the latter were drawn into a war with other Great Powers over Czechoslovakia. In a sense this has cost the Duce nothing; for, when he flinched from fighting the Fuehrer over Austria, he thereby gave him a free hand in Czechoslovakia by implication. All the same, Italy would lose indirectly if Germany conquered Czechoslovakia—and especially if she succeeded in conquering her in the teeth of the three Great Powers of the former Triple Entente. For if Czechoslovakia fell in face of such opposition, there would be left neither the power nor the will to resist in Central and South-Eastern Europe and perhaps a large part of Hither Asia as well; and what happens then to Italy's Balkanic sphere of influence and her Anatolian field of ambitions?

There have been rumours that the two dictators discussed, last week, a partition of spheres in the region east of the Axis. The lines of partition are diversely reported, and, for all we know, there may be no truth in the story. But we can be sure that no Italo-German agreement on paper will preserve for Italy any genuine continental sphere of influence at all, if Czechoslovakia once falls into Germany's hands.

If that were to happen, Italy might succeed in escaping from the race, but escaping empty-handed. If the Axis spells the death of Italian ambitions on the Continent, the Italo-British and the now imminent Italo-French agreement between them must set a limit to the Duce's more extravagant ambitions in the Mediterranean. The hopes of domination for Italy are somewhat fading in Europe, in the Mediterranean and even in Africa. Thus, on the morning after the ball, Signor Mussolini may well be reflecting on the advantages of that system of greater freedom of trade and of political detachment under which modern Italy first attained her manhood. The Duce may yet discover that, in spite of all he has said in praise of militarism, it may pay after all to be a good internationalist.

South Africa's Election

THE Union of South Africa goes to the polls in a general election on May 18th, within a day of five years after the last election. In order to understand the position in 1938 it is necessary to recall the events of 1933. Early that year, after the political crisis caused by South Africa's suspension of the gold standard, General Hertzog, who was Prime Minister of a Nationalist Government, made a coalition pact with General Smuts, then Leader of the Opposition at the head of the South African Party. The pact was originally only a *modus vivendi*, in which common acceptance of certain fundamental points of policy was mingled with agreement to differ over others. The two parties retained their separate identity and merely agreed not to oppose each other's candidates at the election. As a result, in the new House of 150 members no less than 138 were nominally supporters of the coalition. The two generals had previously formed a joint Government.

The virtual unanimity of South African politics, however, clearly could not last long. From the first there had been small groups opposed to the coalition—the Labour Party, a few Nationalists headed by Dr D. F. Malan, formerly a member of General Hertzog's Cabinet, and some Imperialist die-hards. The lines of division were

accentuated by the proposal to fuse the two Government parties, which was eventually carried out at the end of 1934. Dr Malan campaigned the country at the head of a party which inherited the name and much of the political tradition of the old Nationalists. Colonel Stallard, on the other wing, formed the Dominion Party to uphold "the maintenance of the British Empire as a united whole." These two groups are to-day the main opposition force to the Government. At the dissolution, the "United South African National Party" held 116 seats, the Malanite Nationalists 21, the Dominion Party 5, the Labour Party 4 and others 3; one seat was vacant. In addition to the 150 ordinary members, the House included three representatives of the native constituencies in the Cape. These members, elected on a separate roll, are not affected by the dissolution, but hold their seats for five years.

The primary issues between the Government and the two main wings of the Opposition are constitutional. The Nationalists are republicans, though the extremists have been disappointed at their leaders' refusal to pledge themselves to the cutting loose of South Africa from the British Commonwealth, in the event of a Nationalist Government's attaining power. The leaders, indeed, recognise that with

an out-and-out secessionist policy they could not hope to gain a majority. In foreign affairs, the doctrine of the Nationalists is isolationism. The Dominion Party, on the other hand, appeals to the British patriotism of the English-speaking element, especially in Natal and the eastern Cape, and bitterly deplores the Statute of Westminster and South Africa's "Status of the Union" Act. Both these parties, however, have had to augment their electoral armoury by playing on other causes of discontent with the Government. The Nationalists have raised the racial cries of anti-Semitism and colour. They have accused the Government of pandering to native interests at the expense of the white man, and have declared that Communist black unions are being organised with Jewish influence. There are signs that these racial slogans, by their very extremism, have recoiled upon their users. The Nationalists have also taunted General Hertzog with his inability to secure from the United Kingdom the transfer of the native protectorates, but the recent arrangement for a joint British and South African advisory council has weakened this particular Opposition plank. The Dominion Party has been making the best of economic discontent in the towns. Trade has receded since the gold scare started a series of Stock Exchange slumps in South Africa, and the cost of living is high, partly on account of various direct and indirect subsidies to the farmer. The Labour Party, with only local strength, is a house divided against itself.

The United Party stands on its record in office. Mr Havenga has been able to present "prosperity Budgets" year after year, and a good deal of constructive legislative

work has been performed. The native legislation, which was so much criticised by liberal thought in Great Britain, was from the point of view of the average South African a fair and generous compromise, which successfully settled a question that had vexed the Union's politics for many years. By-elections and provincial elections have suggested that the Government retain the support of the bulk of the South African people, and there is no hint that their majority is in peril. That they will lose some seats, however, after filling four-fifths of the House for five years, seems inevitable.

The chief interest of the election, to those who stand outside the immediate arena of South African politics, lies in the indication it may give of the future trend of political division in the Union. If either the Nationalist or the Dominion Party gains substantially, there will certainly be a reaction on the other side, and the conflict between the Afrikaans and English-speaking sections will once more become prominent. Alternatively, the result may be the beginning of new cleavages, possibly on economic lines. The long-term future is unpredictable. Dr Malan's position to-day was General Hertzog's position a generation ago, when he split from General Botha and formed the original Nationalist Party. General Hertzog himself cannot have many years longer in active politics; for he is 71. And General Smuts is only four years younger. With a rising generation of South African statesmen, and with the old hates and fears fading into history, the politics of the Union are in a fluid condition, which this general election may do much to mould.

Rising Wages and Earnings

ALTHOUGH industry has lately been active in most countries, the growth of prosperity has been by no means proportionate, especially in States where heavy expenditure on armaments has made serious inroads on the standard of living of the people. Even in Great Britain, increased wages have been accompanied by higher prices. The Liberal Party recently collected more than 800,000 signatures to a petition of protest against the rise in prices, and the Labour Party has made the high cost of living an issue at by-elections. Has the British worker also sacrificed his butter in exchange for aeroplanes and guns? What progress has actually been made in his welfare during the last ten years?

These questions are easy to pose but difficult to answer. In a leading article in *The Economist* on September 4th of last year, we concluded that, in October, 1935, the industrial worker in employment was earning a bigger real income than ever before. But between that date and the summer of 1937 trade recovery entered on a second and swifter phase, in which wages, employment and prices all competed for the largest rise. Fortunately, we have at our disposal important new information on wage rates* which enables us to draw provisional conclusions about the situation as recently as at the end of last year.

We may begin by summarising the position by means of index numbers for every year from 1928 to 1937. The necessary data appear in the first table below.

The story told by the table is as paradoxical as it is spectacular. Costs of living fell so rapidly during the last slump that the real income of the worker in employment was not merely maintained but actually raised. On the other hand, the recovery which began to be perceptible in 1933 scarcely raised the index of wage rates by as much as the cost of living. Consequently, the worker in employ-

* "Wage Rates in the United Kingdom, 1934-37." By E. C. Ramsbottom. Journal of the Royal Statistical Society, 1938. Part I.

WAGES AND COST OF LIVING, 1928-37

End of December	Index Number: Average of 1924 = 100			Percentage of Insured Persons Unemployed
	Wage Rates	Cost of Living	"Real Wage Rates"	
1928	98.9	95.4	103½	11.1
1929	98.6	94.9	104	11.0
1930	97.9	87.4	112	19.9
1931	95.7	84.0	114	20.7
1932	94.4	81.1	116½	21.6
1933	94.0	81.1	116	17.5
1934	94.4	81.7	115½	16.0
1935	95.6	84.0	114	14.1
1936	98.6	86.3	114	12.0
1937	103.1	90.9	113½	12.6*

* Adjusted for new method of counting.

Note.—The index number of wage rates is Mr Ramsbottom's. The figures of "real wage rates," obtained by dividing the index of money rates by that of the cost of living, are approximate. The index of wage rates covers agriculture, but otherwise is less comprehensive than the unemployment insurance statistics, which include retail distribution, professions and services.

ment, though he was still better off than in 1929, appeared to be slowly but surely losing ground. As we shall show in a moment, this impression is not quite accurate. What is undeniable, however, is that the substantial and welcome increase in the real income of British workers during the last decade was due, until quite recently, less to rising money wages than to falling prices. Even though the cost of living reached its lowest point at a time when well over a fifth of the insured population was out of work, it is still true to say that the real income of wage-earners as a whole was on balance rising during the depression, while in recovery the rising tide of employment tipped the balance in favour of greater consuming power, despite the upward trend of living costs.

Wage rates, however, are not a comprehensive guide to actual earnings. Reliable data, which take account of the actual time which was worked, exist only for certain years. By drawing on the results of official inquiries, how-

ever, and making suitable adjustments for purposes of comparison, we find that, if average money earnings in 1924 be represented by 100, in the autumn of 1931 they were 97 to 98, while in the autumn of 1935 they were 99 to 100. As the corresponding figures for wage rates were 95.7 and 95.6 (in December, 1931, and December, 1935, respectively), it will be seen that the latter index has understated the actual takings of those in employment, both during depression and in recovery.

That such a result should have occurred in the years of depression, when short time was being worked in many trades, seems paradoxical at first sight. The explanation is that the years between 1924 and 1931 saw a decline in the proportion of workpeople employed at low and falling wages in the textile trades and an increase in the proportion engaged at high wages in producing consumption goods. Such changes as these cushioned the contraction in the national wage bill without causing any variation in the index of wage rates. The argument that the real income of the worker in employment rose during the slump is perceptibly strengthened. And when we reach the recovery period, between 1931 and 1935, it is clear that a measurable rise in money earnings coincided with movements of prices which left the cost of living index the same at the end of 1935 as in 1931. In fact, at the end of 1935 the British worker in employment was earning a higher real income than ever before.

What of subsequent years? Unfortunately, there are no statistics of earnings for 1937. But from the detail of wage rates given by Mr Ramsbottom, it is possible to make appropriate allowance for the effects of further shifts in employment. This has been done in the next table, which shows wage rates and employment, with rough "wage bill" figures (a combination of the two) for December, 1937, expressed as percentages of (a) December, 1935, and (b) December, 1928.

Between the end of 1935 and the end of 1937 average wages (ignoring short time and overtime) rose by 7.6 per cent. against a rise in the cost of living of 8.2 per cent. The difference between the two is not considerable, and on balance it is true to say that the real income of the worker in employment has been roughly maintained but not greatly augmented since 1935. Actually, real wages have risen in some industries and fallen in others. Money wage rates in coal mining and the metal trades (including engineering) have risen more, and in the other principal groups rather less, than the cost of living. In the printing trade, rates hardly rose at all between 1935 and 1937. In all the other eleven groups, however, there was some rise;

WAGES AND EMPLOYMENT AT THE END OF 1937

	Dec., 1937, as percentage of Dec., 1935			Dec., 1937, as percentage of Dec., 1928		
	Average Wage Rates	Employment	Wage Bill	Average Wage Rates	Employment	Wage Bill
Agriculture	106.1	94.3*	100.1	105.9	83.3*	88.2
Mining and quarrying	115.0	102.1	117.4	111.0	86.0	95.5
Chemicals, etc.	103.9	110.6	114.9	103.3	107.5	111.0
Engineering, shipbuilding and metals	110.0	121.6	133.8	110.0	124.9	137.4
Textiles	107.2	95.0	101.8	92.9	84.0	78.0
Clothing	107.5	101.3	108.9	104.3	105.1	109.6
Food, drink and tobacco	102.0	105.9	108.0	101.0	112.7	113.8
Paper, printing, etc.	100.4	105.8	106.2	98.6	115.3	113.7
Building, contracting and allied industries	105.9	104.6	110.8	98.9	121.4	120.1
Gas, Water, Electricity	104.8	111.3	116.6	103.7	130.8	135.6
Transport	105.5	104.0†	109.7	104.4	161.0†	165.4
Miscellaneous	108.7	107.4	116.7	102.3	116.2	118.9
All Groups	107.6	106.2	114.3	107.9	104.4	112.7

* Based on numbers of persons employed on agricultural holdings in June of each year.
† Including figures for railway service based on returns of Ministry of Transport for March of each year.

but only in mining and metals (industries employing about a third of those covered by the index) was the rise greater than that of the cost of living.

We are now in a position to summarise our conclusions for the whole period from 1928 to the end of last year. Broadly, by December, 1935, the money income of the British worker in employment had recovered to the 1928 level, while the cost of living was still 12 per cent. lower than in 1928. Between the end of 1935 and of 1937 money income and prices rose *pari passu*, leaving the real income of the worker in employment at something in the neighbourhood of 13 per cent. above the level of December, 1928. Unemployment was slightly but not substantially more marked in 1937 than in 1928, while the number of persons employed in the industries covered by Mr Ramsbottom's index had risen by about 4½ per cent. Thus, at the end of last year the British working class as a whole was considerably better off than in 1928. If the actual improvement had been evenly spread over the nine years the advance would have been nearly 1½ per cent. per annum.

During the past two years, when the re-armament programme has been going forward, the British worker has apparently had both butter and guns, but no more butter than in 1935. Allowing for the rising costs of living, it is clear that such curtailment in purchasing power as has occurred has been suffered, not by workers in armament factories (who have, in fact, had their real wages increased) but by their less fortunate colleagues in the cotton, boot and shoe and food producing trades.

Chaos and Third Party

IN the year 1930, Parliament decreed that every motorist should insure his liability to people whom he might injure. Since then, Parliament, judges, insurance companies, underwriters, solicitors, barristers and even journalists have been trying, each in their own sphere, to make out exactly what this liability, which must be insured, may be. Who, in short, is liable for what? The hare that was cooked eight years ago is still being hunted. And the legal profession, which acts as huntsman and whipper-in, does very nicely out of this exciting sport.

These reflections arise out of three cases which have been decided in the Courts during the past fortnight. As the muddle in which the third-party law now lies is very largely due to the uneasy marriage of common law and statute law, and as one of these muddling cases turns mainly on common law, while the other two hinge on statute, the three together will serve well enough to point the need for a restatement and a clarification of the whole law relating to negligence and third-party liability.

First for Miss Merle Oberon. Miss Oberon, as a film star, earns in an incredibly short time an incredibly vast

income, and when she was so unlucky as to be injured in a motor smash near Marylebone Station it was obvious that large sums would be at stake in the resulting lawsuit. The facts were that she was being driven in her own car by her own chauffeur (Mr Digby) when it collided with another car driven by Mr Bundy. Mr Digby said Mr Bundy was driving too fast and Mr Bundy said Mr Digby was driving too fast. And Miss Oberon, to be quite safe, brought an action against both of them, leaving it to the judge to decide who was in the wrong. His lordship decided that both were negligent, but that the plaintiff's chauffeur, Mr Digby, was the less blameworthy of the two. He also held that the proper damages for Miss Oberon were £5,000.

By whom shall these damages be paid? A layman might give various answers to that question. He might say: "Part by each," or "All by Mr Bundy," or "Part by Mr Bundy and none by Mr Digby." He would be wrong in every case. Indeed, it is most unlikely, unless he had a lawyer's knowledge of the common law, that if he guessed again, many times over, he would ever guess right. For

the correct answer is that Mr Bundy pays nothing and Mr Digby, who was the less negligent driver—the one person who was almost certainly not insured—must pay the lot. The reason for this extraordinary ruling is that by common law a plaintiff who has himself been guilty of negligence, however small, cannot recover from a tortfeasor who has been guilty of negligence, however great; and that Miss Oberon—as between herself and Mr Bundy—was identified with her chauffeur. On the other hand, as between Miss Oberon and her chauffeur there was no identification, and she can recover from the chauffeur all that she fails to get from the third party. Five thousand pounds against the chauffeur.

But that is not all. While she has a claim in common law against her chauffeur, her chauffeur, if he had himself been injured, would have had a claim in workman's compensation against her; and if he had actually been killed in the collision, his dependants could have recovered £600 from Miss Oberon. So the account would have stood thus: £5,000 due from Mr Digby's estate to Miss Oberon, and £600 due by statute from Miss Oberon to Mr Digby's estate.

Let us now pass to the two other cases which have been decided in the past fortnight. Both are statute cases, and in justice to the common law of England, it is fair to say that they are more confusing even than the case of Miss Oberon and her chauffeur. Both are what are known as *Rose v. Ford* cases, and they spring from a statute passed in 1934 under the title Law Reform (Miscellaneous Provisions) Act. This law gives to the personal representative of a dead person the right to claim on behalf of the deceased's estate damages against a negligent third party for the dead person's loss of the expectation of life—or more clearly, the rights the dead man would have had if he were alive after he had been killed. The first case was of a boy of three who met his death through being run over by a lorry. His father claimed under the statute for his son's loss of expectation of life, and was awarded by the jury £80 of damages. Being dissatisfied with the amount, the father appealed, and the Appeal Court—a particularly strong bench—held that £80 was so inadequate for a life cut short at three

years, that a new trial was justified. They therefore sent the case back to be retried by a jury which would give the father heavier damages, not for his own loss but for his dead son's.

Five days later came the other *Rose v. Ford* case. A little girl of three was killed in her pram by a car and her father claimed against the motorist for her loss of expectation of life. She was exactly the same age as the little boy. She had no greater right than he and no smaller right than he to look forward to many years either of happiness or the reverse; but, whereas the first jury gave the little boy's father £80, the second jury gave the little girl's father £1,000. And whereas the Court of Appeal said that £80 was much too small for the boy's father, Mr Justice Charles said that £1,000 was far too much for the girl's father, and declared that the proper damages were £150. Eighty pounds, a hundred and fifty pounds, one thousand pounds. Was ever the law reduced more foolishly to the semblance of a sweepstake?

There is something, one may feel, rather nauseating in a law which encourages parents to obtain cash for a child's death. Quite apart from that, however, it is obvious that Parliament and the common law between them have produced such a muddle as to make sweeping reforms of this branch of the law inevitable. It is absurd that a plaintiff killed or seriously injured by another's negligence, which was 99 per cent. to blame for the accident, should have no redress because he or his chauffeur was 1 per cent. to blame. It is absurd that, if the personal representative of a dead man or a dead child is entitled to hard cash for the loss the dead person suffered through having his life cut short, the jury, without help or guidance, should have to assess in pounds sterling the respective values of the remaining lease of life to children of three, adults of twenty, middle-aged folk of fifty, and old persons of ninety. And Parliament, which placed on motorists the duty of insuring their liability, may surely be asked to express in clearer and more reasonable terms the nature of that liability. If the cause of action must continue Parliament should at least lay down some standard for arriving at the loss sustained.

Topics of the Week

Trouble in the Air.—For many weeks past a storm of discontent has been brewing over the conduct and tardy progress of the aerial re-armament programme. The storm has not been provoked, this time, by Mr Winston Churchill. To do him credit, he consistently warned the Government of the then Mr Baldwin—from the end of 1934, when Mr Baldwin announced the first expansion in our air defences, onwards—and then the Government of Mr Chamberlain, that their programme, its extent, and the personnel in charge of it, were alike inadequate to the country's needs. The storm which has gathered in recent weeks is one of anger, not of sorrow. It has rapidly become obvious that neither on the side of aircraft production, nor on that of defence for the civil population, has there been anything approaching the requisite degree of vision, organising ability, and efficiency in execution. This feeling has been intensified in all parties by a realisation that a Government with a crushing majority, working on aerial re-armament for over three years, has arrived at a point where, by reference to possible contingencies in Europe, we are far from that "parity with the air force of any European Power within striking distance of our shores" which Earl Baldwin promised us nearly two years ago.

The errors in the conduct of the air programme seem to be of two kinds: those of omission, i.e. lack of preparation for those dislocations in industry familiar at the

outset of the last war, and those of commission, i.e. the conferment of responsibility upon men unsuited to it and lacking the requisite experience. Both errors seem to have been perpetrated on the industrial side and on the side of Air Ministry's organisation itself. As a result, the programme appears to have become temporarily bogged by reason of lack of skilled labour in certain sections, lack of machine tools, etc., and undue complexity and multiplicity of designs. Some sections of the industry and of the Air Ministry are cutting across the bows of others. In such a situation, widely criticised in the City in recent weeks, those responsible at the top have the duty to set things in order first. The personal relations between the Prime Minister and Lord Swinton, the Air Minister, are known to be of the most friendly and intimate kind and Sir Thomas Inskip, Minister for Co-ordination of Defence, has stoutly withstood, and been equally stoutly supported by two Prime Ministers in resisting the charges of disorganisation and lack of co-ordination that have long been made against his domain. But now the entire press, including *The Times*, admits that "something is rotten" in the state of our aerial re-armament; and they call for new methods, and new men.

The Air Debate.—The debate initiated by Sir Hugh Seeley, the Opposition Liberal Whip, on Thursday showed both the vigour and outspokenness of the Govern-

ment's critics and the seriousness with which the Government viewed the charges. Sir Hugh, a serving officer in the Auxiliary Air Force, described the public's alternation between reassurance over the Government's periodic pronouncements, and alarm at such news that the Government is seeking to buy American aircraft. To Lord Winterton fell the task of replying, which he did in an expository speech of an hour and forty minutes' duration. The Prime Minister, Sir Thomas Inskip, and Mr Churchill did not speak. Lord Winterton explained that the men recently turned out of employment in aircraft factories had already been mainly re-engaged; and announced that the Austin shadow-factory was beginning production. The most important announcements were that the programme for 1,750 first-line machines at home would probably be complete before next March, and that the total first-line force—exclusive of reserves in the ratio of three or four to one—would be doubled, i.e. raised to 3,500 by March of 1941. The Government spokesman's explanation did not seem to carry much weight in certain respects: for instance, it was not clear whether the Government were as fully aware as the Opposition of the dangers of large-scale dislocation in production due to unforeseen shortages of certain components. On the question of competence to cope with the situation, Lord Winterton rather gave the impression that nothing could possibly go seriously awry since the Government knew all about the difficulties and dangers. His remarks on progress of training and intake of pilots were reassuring; but on the question of instrument-supplies, not so satisfactory. The Opposition showed their discontent with paper promises, scheduled once more for remote fulfilment, by giving notice of motion to appoint a committee of inquiry. Meanwhile, there the matter rests for a week, during which Lord Winterton's detailed statement may be more closely examined.

League Council Meeting.—The meeting of the League Council which opened at Geneva last Monday has been mainly concerned with the political aftermath of the Anglo-Italian agreement. The most awkward questions on its agenda were the Spanish aspect of that agreement and the decision whether the League itself was to give its members any ruling on the question of the recognition of Italian sovereignty over Abyssinia. Lord Halifax, it is true, made no reference to either topic in the speech in which he commended the agreement to his colleagues on Tuesday. "The agreement," he contended, "might be said to deal solely with Anglo-Italian affairs," and he studiously confined himself to the exclusively Anglo-Italian parts of it. Nobody, of course, would dispute that it is a good thing at any time for two Powers whose empires interlace to list their respective fortresses, possessions and spheres of influence and to subscribe to a military and political standstill agreement on the basis of the *status quo*. Indeed, if this were all that was contained in the agreement, world-wide approval would have been as unanimous as Lord Halifax tentatively claimed it to be. On Wednesday, however, this construction of the agreement was torn down by the Spanish delegate, Señor del Vayo, who demanded "real non-intervention" and pilloried "certain democracies which had conspired with the aggressor" and had "signed agreements" with him "which legalised his intervention." To this Lord Halifax made a vague reply; and in the ensuing debate the Spanish delegate received support from New Zealand as well as from the Soviet Union.

On the question of the recognition of Italian rule in Abyssinia, Lord Halifax relied frankly on the argument of expediency. Those who sought to establish a better world on the basis of acknowledgment of League principles were "really right to feel reluctant to countenance action . . . by which they might appear to be infringed." But the Italian Government had obtained control of virtually all the former territory of Abyssinia; the only means by which her position could be challenged by League members would be by going to war; and "the strongest claim was that of peace." M. Taczaz, in his reply on behalf of the Negus, who was present at the meeting, demolished this "realist"

argument in a firm and dignified rejoinder. "There is," he declared, "the maintenance of peace by law, and there is the maintenance of peace at any price," and he asked the Council to reject any proposal which would encourage aggressors. We go to press before the Council has reached a decision on the British Government's desire for a resolution which would leave every member of the League free to make a separate bargain with Italy and with its own conscience.

America and Non-Intervention.—There has suddenly and unexpectedly arisen a possibility of a reversal of American policy in regard to non-intervention in the Spanish War which may have far-reaching effects. The United States Neutrality Act does not apply to civil wars; but a special resolution of Congress, imposing heavy penalties on any American citizen who supplied war materials to either side in Spain, was passed on January 6, 1937, and signed by the President two days later. On May 5th it was announced that a new resolution for repealing that of January, 1937, is now to be brought before the Senate. The mover is, of all people, the isolationist Senator Nye, and his move is being made with the acquiescence of the chairman of the Senate Foreign Relations Committee, Mr Pittman. The State Department is preparing a comprehensive report on the implications of the proposed step, but the administration has not yet given any indication of its own policy—beyond making it clear that it will not try to put any obstacles in the Senate's way.

The motives behind Senator Nye's action remain obscure. That the immortal feud between Senate and Administration, however, has something to do with the new resolution is indicated by the fact that there is said to be a majority in favour of it in the Senate, whereas the sense of the House seems on the whole to be against it. A more powerful motive, however, seems to spring from the anti-Fascist feeling which is now rapidly gathering head all over English-speaking North America. The unhappy Administration at Washington, who have been labouring like convicts in chains to execute Congress's non-intervention policy, are now being accused on this account in the American Press of being "un-American" and "crypto-Fascist." For a long-harassed Administration this charge must be the last straw; for it is notorious that the President and the Secretary of State have both been ploughing the sands of public opinion for months, and even years, past in an apparently vain attempt to make their countrymen realise that the United States is not, and cannot be, insulated from the rest of the world. Nor is it easy to detect the pro-Fascist taint in an address, given at Washington on May 6th, to the American Chamber of Commerce by the Secretary of War, Mr Woodring. The speaker declared that the march of aggression must be halted; otherwise a wave of indignation might sweep over the democratic countries and it might be difficult to keep the peace. On the surface, American opinion is, for the moment, at sixes and sevens. Is it possible that some rapid and important change is taking place in the depths?

Public Works.—There are two opposing tendencies at work in the field of building and construction. On the one hand, the demand for houses is abating and private activity is perceptibly slackening; and the public works, national and local, upon which the constructional trades at present depend for approximately one-third of their employment, seem likely to be of growing importance for the maintenance of industrial activity. On the other hand, the increasingly imperative demand for building resources, to implement the re-armament efforts of the Services and to facilitate the more rapid progress of Air Raid Precautions, makes it more and more necessary that civil public works should not compete with these developments, and that some settled scheme of priorities should be worked out. Sir Kingsley Wood's recent invitation to local authorities to submit a programme of their proposed capital works for the next five years can, therefore, be variously

interpreted. It is clearly a welcome departure that local authorities should be encouraged to take a long view of their capital expenditure, and, in particular, to take advantage of slack periods in industry to press on with their public works. The reminder of the Ministry of Health that authorities could in this way assist in the stabilisation of industrial conditions is proof that economists' proposals for slump precautions have not gone quite unheeded. It is, however, unlikely that the Minister's circular in fact portends a planned campaign to arrest the downward trend of trade. The immediate probability is rather that the Government are anxious to obtain data to assist them in the formulation of plans to secure the unhampered acceleration of the defence programme. And it is not outside the bounds of possibility that, on the basis of the five-year plans submitted, civil public works will be damped down rather than expedited. To plan and co-ordinate capital works in advance is wholly commendable; but defence is to-day the dictator of policy.

Colliery Accidents.—The sympathy of the entire nation has gone out this week to the stricken villagers of Duckmanton, in Derbyshire, where, for the second time in sixteen months, disaster and death have visited Markham Colliery. In January, 1937, nine miners lost their lives in an accident at this pit; and last Tuesday 72 men were killed as the result of an explosion. The occasion calls for more than regret. The Royal Commission appointed over two years ago to inquire into colliery accidents have now completed the hearing of evidence. This week's terrible disaster was not needed to remind the Commission of the vital importance of their task, or to bring home to the Government and the public the urgent necessity of taking action to render coal-mining more safe. Some danger is inseparable from the miner's calling; but it has been officially stated that 40 per cent. of pit accidents are preventable, even under present conditions. Between 1928 and 1936 8,362 miners were killed and 1,296,317 injured in British mines. Only a small proportion suffered through explosions of firedamp and coal-dust. The greatest toll of life and limb is taken by daily mishaps which escape general notice, falls of ground, shaft, haulage and machinery accidents. Coal-mining accounts for nearly one-third of all accidents in industry. So long as it can be stated that over 900 miners and more than 6,000 road-users lose their lives in this country every year, and that over 140,000 miners and more than 200,000 road-users are injured annually, the prosecution of measures to increase public safety, at work and on the highways, will remain as urgent a task as the protection of the community against war-time risks from the air.

Assisting the Unemployed.—As the result of considerable agitation concerning the hardships imposed upon the unemployed by last autumn's increase in the cost of

living, the officers of the Unemployment Assistance Board were empowered last October to give extra weekly payments up to 5s. to men who could show that their families were in special need. Last week, it was announced that these "winter" allowances would now lapse. Winter conditions had ended and the official index of the cost of living, which was 160 on November 1st, had fallen to 154 at the beginning of April. In opposition to this step, it was argued that the fall in general prices was due in the main to bacon and eggs, which the impoverished did not consume in large quantities, while meat, bread and milk were as dear as they had been five months before. On Monday, the Minister of Labour defended his action, but described a new plan to empower the Board to meet additional expenses in special cases arising out of winter conditions. Elasticity, within set financial limits, should be the essence of unemployment assistance. The present payments leave no margin for special hardships; and to fix any rigid relation between the Board's payments and an admittedly inadequate measure of the cost of living would be unjustified.

Belgian Government's Success.—The Budgetary crisis in Belgium, which we discuss in a leading article on page 363 of this issue, looked for a few days as though it might bring a major political crisis with it. There was talk of the Government falling, and fear of the political and financial uncertainties reacting upon one another in a vicious circle. Middle class organisations proposed to hold demonstrations throughout the country last Sunday against an increase in taxation, and they were only restrained by a definite veto from the Government. The debate on the Budgetary position began in the Chamber on Tuesday afternoon, and the Government's proposed financial compromise, which was expounded by the Minister for Finance, M. Soudan, and the Prime Minister, M. Janson, was well received. Even some of the Catholic Deputies showed signs of approval. At midnight on Wednesday, the Government secured a vote of confidence by 101 votes to 67, with eight abstentions. The crisis tax is to be restored; duties on tobacco, beer and petrol are to be increased; but on the other hand the existing social welfare legislation is to be left untouched. Ways and means of raising the rest of the money required for balancing the Budget are to be examined by a parliamentary committee in consultation with the Government. The political conditions, at any rate, are now not unfavourable for the discharge of a difficult financial task.

Abortive Putsch in Brazil.—Just after midnight on Tuesday, there was an attempt at an insurrection in Rio de Janeiro against the regime of President Vargas, who eclipsed the exploits of his German and Italian confreres by putting down the revolt with his own hand. At one moment the President's position was

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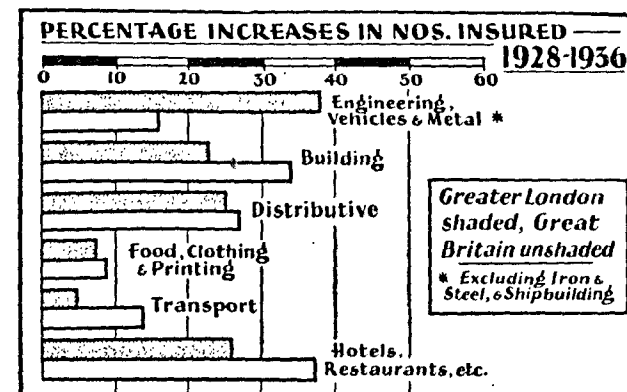
serious, since part of the palace guard seems to have been in the plot. But Dr Vargas has been more fortunate than Dr Dollfuss. At the head of sixteen loyal soldiers, he was able to hold out until a rescue party arrived. Apart from this dramatic incident, the failure of the revolt seems to have been a foregone conclusion, since the insurgents' plans were no secret to the Government. For the world at large, the interesting question is whether these Brazilian Greenshirt Integralistas, whom President Vargas has now once more foiled, have or have not any association with a foreign Power. The domestic situation in Brazil is not unlike that in Hungary. In Brazil there is a large German minority, thickly clustered in the southern states of the Union. In Hungary, Nazi propaganda has been active, and, though there is an anti-Nazi element among the German population, these non-Nazi German-Brazilians are subject to pressure and even intimidation. In Brazil again, there is a native Nazi movement (the Greenshirt authors of this week's unsuccessful Putsch); and this native Nazidom is suspected of being a hot-house plant. Brazil, however, is in one important respect more fortunately placed than Hungary. Instead of being Great Germany's immediate neighbour, she is separated from her by the breadth of the Atlantic. She is at one with the United States and all other American countries in being determined to keep the aggressor Powers of the Old World at arm's length from the American Continent. And she has a resolute ruler, as President Vargas demonstrated once again this week. Though we may not have heard the last of the Integralistas, this week's events in Brazil must count as a check to the drive towards Fascism.

Hire Purchase.—Miss Ellen Wilkinson's Bill to eliminate some of the obvious evils of hire purchase has passed through the House of Commons. The success of this measure has been welcomed by reputable hire purchase firms; and hirers who depend upon this method of purchase for amenities they could not otherwise afford will be deeply grateful for the safeguards provided by the Bill. In its final form, the Bill has been adjusted to meet some of the criticisms advanced by interests who were, in general, sympathetic. In particular, as a leading article in *The Economist* on April 23rd (page 192) showed, it had been argued that the defrayment of one-third of the total payments due was too small a proportion in many cases to permit the hirer to terminate his agreement by returning the hired goods. This objection was especially cogent in the case of the second-hand motor trade, in connection with which it was also maintained that the increase in the scope of the Bill to include agreements worth up to £100 would have an unfortunate effect. Accordingly, in the Bill passed on May 6th amid general applause, the right of the hirer to determine his agreement is limited to cases where one-half of the sums due has been paid; and when the agreement relates to a motor vehicle (or railway wagon or other railway rolling stock) it will only come under the Bill if the sum involved does not exceed £50. These, and other amendments relating to livestock, cash prices and the whereabouts of hired goods pending court orders, have notably enhanced the Bill's value and practicability in the eyes of the trade. Under the Bill as it now goes to the Lords, hirers, broadly, may terminate their agreements on terms reasonable to both parties; and sellers may not repossess themselves unfairly of hired goods. All parties, interested and disinterested alike, have united to commend Miss Wilkinson's pertinacity and good sense.

Agricultural Policy.—On May 7th, a conference of the National Union of Agricultural Workers criticised the Government's agricultural policy. Their resolutions laid stress upon the need for cheap money for agricultural development; and the inadequacy of existing rates of unemployment benefit for agricultural workers under the insurance scheme instituted in 1935. More generally, the conference complained that the drift of skilled farm workers

to the towns was due to the failure to provide suitable houses, and to successive governments' neglect to provide for the proper cultivation of the land. An attempt is being made to cope with the housing difficulty in country districts, and a Bill with this objective received a second reading in the House of Commons on Monday. It is certainly true that the acreage under arable cultivation in Britain has steadily fallen for sixty years (except for the war years); and that, although there has been an appreciable change-over from arable to grass land on soils of intermediate quality, some 1½ million acres have been wholly abandoned in that period. And, in recent years, the home production of oats, barley, beef and eggs has been declining. The Government's decision to store food against the eventuality of war gives point to criticisms of these trends in British agriculture. At present the official policy, apart from the established subsidies for beef, wheat and oats and marketing boards for milk and pigs, is to build up the fertility of the soil for extra cropping in time of need, by subsidising the use of lime and basic slag. But these fertilisers are, not unnaturally, being largely applied to arable and good quality pasture. The real problem is to bring the poor grassland, into which so many acres of mediocre arable have degenerated this century, back into profitable and productive use. Britain cannot live of her own; but (as the N.U.A.W. conference urged) farming is among the most important of war-time defences. And, moreover, nutrition and public health require that Britain's urban populations should have freer access to fresher foods than at present.

Industry in Greater London.—The striking nature of the recent expansion in many of Greater London's industries, and its disparity with the average rate of growth in the country as a whole, have been a subject of widespread comment—and in some instances, it may be added, of appreciable embarrassment to public authorities, like London Transport, who have been responsible for the provision of special facilities in response to the new demand. To prevent misunderstanding of the extent of London's industrial growth, we take this opportunity to point out that the diagram showing "Percentage Increases in Numbers Insured, 1928-36," which formed part of a series of charts illustrating Greater London's population and industries, in *The Economist* of April 16 (page 167), set out a number of increases which, for Greater London, were the resultant of two separate factors. The first was the growth in the specified industries proper; while the second was the enlargement of the area covered by the Ministry of Labour's figures for Greater London in 1936. In the chart accompanying this present Note, we have eliminated the second factor (whose basis is statistical rather than dynamic), by showing percentage increases, in 1936, in the same area as was comprised in the Ministry's figures for 1928. As the areas added in the Ministry's 1936 computations are those in which, for the most part, industrial development has been more rapid than in Greater London as a whole, a comparison of the "old" area above tends to give a conservative impression of progress in the London region as a whole. Nevertheless, the revised chart, like the original one, gives a vivid impression of the remarkable expansion in London's engineering, vehicle and metal industries (excluding iron, steel and shipbuilding), relative to those of the country as a whole.



EUROPE BEYOND GERMANY

When independent Austria foundered on March 11th, scuttled from within by Austrian members of the German National-Socialist Party and abandoned by the Government of Dr von Schuschnigg under a German threat of war, Greater Germany became the arbiter of much more than Austria's destinies. The Nazis' Third Reich engulfed the nodal point of all Central and South-east European commerce and communications; established new and common frontiers with Italy, Hungary and Yugoslavia; doubled its existing land frontier with Switzerland; surrounded Bohemia and Moravia (the more important half of Czechoslovakia), down to Bratislava, the capital of Slovakia; and came within fifty miles of the Adriatic. Its new boundaries gave it command over the Westward trade of the four remaining Danubian countries using that internationalised river: Hungary, Yugoslavia, Roumania, and—though to a less extent—Czechoslovakia. The collapse of the Austrian dyke allowed not only the Nazi political regime to overflow Austria and to percolate the political systems of her erstwhile neighbours, it also choked the conduits of their commerce with the outside world. Overnight, their economic systems became forcibly and far more extensively integrated with the arbitrarily determined domestic and foreign trade, as well as with the currency and exchange controls, of Germany. The removal of Austria from the map of Europe has aroused acute domestic discussion in Hungary, Yugoslavia, Roumania and Czechoslovakia. The facts, fears, and influences now conditioning these countries' reactions to the fate of Austria are set forth in the following survey, the outcome of recent observation in each country.

Introductory

"SIR," said Dr Johnson, "it concentrates a man's mind wonderfully to know that he is to be hanged in a fortnight."

Since the incorporation of Austria in the Third Reich, there has been much concentration of mind in Hungary, Yugoslavia, Roumania and Czechoslovakia. On the face of it, it might be expected that the reaction of these four countries to the disappearance of Austria might differ according to their political sympathies. For instance, since 1921 the three Little Entente States—Czechoslovakia, Roumania and Yugoslavia—have been linked together by a system of Treaties, which was from the beginning devised as a mutual defensive alliance against Hungary or Bulgaria, two of the defeated Central Powers of South-eastern Europe. On the other hand, Hungary herself had been since the War the loudest claimant for Treaty revision, in which she was actively supported after 1926 by Signor Mussolini, and after 1933 by Herr Hitler. The taking of Austria has removed the linch-pin of the entire Central European equipage; and Hungary, long desirous of making a geographical change, finds herself in the invidious position of

Mr H. G. Wells' character who found the Last Trump in an antique shop, bought it, and blew it. The Danubian world, and perhaps more besides, has been so violently blown topsy-turvy since March 11th that neither Hungary nor the three Little Entente States can henceforth count on pursuing their traditional policies in consistency and safety.

Till the removal of Austria, the trend in the foreign policies of Hungary, Yugoslavia and Roumania had been towards adherence to the Rome-Berlin axis; whereas after March 11th, and still more so after the signature of the contingent Anglo-Italian Pact, signed in Rome on April 16th, both the uncertain consistency of that axis and the great increase in German political and economic pressure throughout Central and South-eastern Europe, plunged public opinion and politics in all four Danubian countries into a welter of disputation. From this welter, however, certain landmarks are beginning to stand out clearly.

In order of importance to the general European situation, we may proceed to examine the factors dominating Czechoslovakian, Hungarian, Yugoslav and Roumanian policy.

Czechoslovakia

Economically, Czechoslovakia is less bound up with Great Germany than any of the other three Danubian States. In 1937, 18 per cent. of her total exports went to Great Germany (4.2 per cent. to former Austria), while 21.8 per cent. of Czechoslovakia's total imports came from Great Germany (7.3 per cent. from former Austria). These totals will almost certainly not be achieved from now onwards, as Great Germany will absorb most of Austria's output and fill most of her needs. Czechoslovakia alone among Danubian countries enjoys the virtual absence of any foreign indebtedness, an ample and fluid money market, a well-founded banking structure, a national economy almost exactly balanced between agriculture and industry and a foreign trading position which can be made to respond rapidly to sharp variations in world prices.

Difficulties are now imposed on Czechoslovakian transit traffic towards world markets. Czechoslovakia can, it is true, send her manufactured products to world markets via Polish Silesia and the French-built, French-financed Silesia-Gdynia Railway through the Polish Corridor; or she can also use the downstream Danube route to the Black Sea; or the Budapest-Zagreb-Trieste Railway to the Adriatic. These routes, however, would naturally only come into question on two suppositions; first, that the transit negotiations with Germany this very week prove fruitless, or fruitful only at great cost—which need not be expected

since Germany needs the traffic; and secondly, if Czech-Polish, and Czech-Hungarian, relations improve.

Parties and Politics

The Czechoslovak Republic had its origin in the two-fold aim at the Peace Conference (a) to restore to Czechs and Slovaks their right to existence as a nation, and (b) to restore to the Czechs the old natural frontiers of the Bohemian crownlands. This second part of the programme involved the incorporation of Sudeten German and other minorities who, through three and more centuries, had filtered, or had been deliberately transported by the Habsburgs, within the frontiers of the old crownlands. The structure of the post-war Czechoslovak State also contained other weaknesses. For example, there was no Slavonic aristocratic, industrial, or ruling class ready to run things. Accordingly, this reborn nation's will to defend its own existence manifested itself, in common with the wills of the other Danubian countries, including Austria, in economic protectionism; in Czechoslovakia's case, of an agrarian kind, as in Austria.

The Czechs found themselves the heirs of one of the most highly industrialised areas of the Old Monarchy. The Czech and Slovak peasants, by the post-war land reforms, formed the basis of a big Agrarian Party. It was directed

by a group of "new men" in the Republic: the new chiefs of the agrarian monopolies, who became the loudest champions of that agrarian protectionism which shored up their finance, commerce, monopoly boards (e.g. for wheat, potatoes, cattle) and private estates. All Czechoslovak Coalition Governments during the last few years, therefore, have had to face a widening gulf between the Czech Right-wing Agrarians and their business friends, on the one hand, and the vast mass of small peasants, traders, social democrats, workers, etc., on the other.

The chief problems of the present Prime Minister, Dr Milan Hodza, a Slovak Agrarian, are, first, to keep his more liberal Slovak Agrarian wing in step with the Rightward Czech Agrarians, thus preserving Agrarian predominance; and, secondly, to prevent the Right-wing Czech Agrarians from pushing their policies so far as to break up the entire Coalition. If the latter occurred—as, for instance, nearly did happen last year over the conduct of foreign policy—Dr Hodza and M. Beran, Czech leader of the entire Agrarian Party, might precipitate another Coalition still further to the Left, which would widen the breach between Czechoslovakia and Germany. Or it might force President Benes to do what his predecessor, Masaryk, did in 1923: form a non-party Cabinet of officials, drawn from experts of any party.

Government and the People

The dispute over Czech internal politics came to a head in the vernacular press during the last few weeks, as the demands of the Sudeten Germans became more and more extreme. The climax was reached on April 24th, when Herr Henlein, leader of the Sudeten German Party, made his speech at Carlsbad. His recognition of Nazidom as the inspiration and objective of his party may have been a shock to some; but it represented a slap in the face to those Agrarian leaders, like Dr Beran, who had long advocated and worked for political collaboration between the Sudeten Germans and the Czech Agrarians. The shock was intensified by Herr Henlein's other two extreme de-

mands; for the complete reorientation of Czechoslovak foreign policy, and for territorial autonomy over all the German areas. Herr Henlein's declaration a week later that his demands were a minimum, even for negotiations with Prague, was the final shock.

The naturally strained situation in the German areas has now been aggravated by the Government's decision to hold the postponed local elections in 11,000 out of 15,000 districts at the end of this month and the beginning of next. The Government's critics maintain that to hold these elections at a time when, with the other hand, the Government is patently not enforcing its full and required authority in these areas (so as to avoid even giving the pretext to Great Germany for charging it with "repressive measures") amounts to a capitulation to the familiar procedure of the Nazis in all small and neighbouring countries. This procedure is the ruse of the "Trojan wooden horse" which worked so eminently successfully in Austria, and before that in the German Government of Herr von Papen. If the Czech Cabinet, say the critics, are hoping to secure French and British sympathy by not opposing even the illegal and terroristic activities of the Sudeten Germans against their German and Czech political opponents, then they are really offering up, as a barren sacrifice to incalculable foreign politicians, not only the security and integrity of the entire Czechoslovak State, but also the lives and liberties of many thousands—indeed, many hundreds of thousands—of its citizens.

Minorities and the State's Existence

This is not to say that public opinion in Czechoslovakia is intransigent towards the Sudeten Germans. Czech critics of their own Government admit that every concession compatible with the security of the State, and with the equal treatment of all its citizens without exception, should be made. They add that if Great Germany intends in any case to destroy Czechoslovakia either by war or by peaceful garotting, the agency will at first be that of Herr Henlein. Consequently, the Czech Government should take

its stand now on fundamental principles, and leave to Great Germany and its agent in Czechoslovakia the onus, not only of declaring their intention, but also of manifesting the will to achieve it by methods which no democratic Government could countenance.

The overwhelming conviction among all Czechoslovaks is that the German Nazis and their Sudeten agents do not desire anything but complete separation of the Sudeten areas from the Czechoslovak State. The same observers expect the German demands to be backed up by force. Thus, many competent Czech observers say, it will probably come to a fight, or else to the obliteration of Czechoslovakia from the map of Europe. They realise that Great Germany has no desire to contain the Czech and Slovak peoples, who amount to 10,000,000; but, they say, once the Sudeten area is taken by Germany, there is no reason why the entire region should not fall to separate claimants, as Poland did at the time of the Partitions. As will be seen below, there is a considerable portion of Hungarian opinion which is only waiting for the opportunity to restore Magyar rule over Slovakia entire; and the minority of 80,000 Poles are demanding autonomy round Teschen. Once you allow the principle of blood relationship to decide State frontiers, the entire map of Europe would be changed—but only at the cost of creating a "crazy patchwork" of States, probably far worse than the present frontiers of Europe. As it is, in Czechoslovakia the very demarcation of possible boundaries between Germans and Czechs cannot be achieved without the creation of equally large new minorities or transfers of population on an enormous scale.

The Military Factor

It should be noted that there are rumours this week of the introduction in Czechoslovakia of three years' compulsory military service. The Czech land army at present ranks fourth in importance in Europe after those of Russia, France and Germany. It is highly trained and excellently equipped

by the important Skoda works, in which both French and British armament firms are financially interested. It is at present about one-quarter of the German army's strength; but as the German army in the event of a general European war would need to be split up as between the western, eastern and southern frontiers of Great Germany, it is to be expected that the efficient full strength of the Czech army would be available in the ratio of 2 to 5 against any possible set of concerted attacks from Great Germany. As, however, strategists assert that the attacking force in modern warfare must be at least five times as strong as the defence in order quickly and completely to swamp it, it is highly probable that even a local conflict involving Great Germany and Czechoslovakia would last many weeks, and perhaps months, before Czechoslovakia were completely overrun.

It is just this "pause" which contains the greatest threat of a general European war. For Czechoslovakia's Pacts with France and Russia are valid, and have recently been reaffirmed by the French and Russian authorities, for such a terrible contingency. As to the extent of possible military assistance, the air weapon is immediately the most important. Germany's industrial areas are vulnerable to aerial attack from the South-east. The question, which has been greatly disturbing the co-ordinated German Press, of assistance to Czechoslovakia from Russia by land and air, is still open. It depends on the attitude of Hungary towards Slovakia (see below), and on the attitude of Roumania and Poland to the possibility that Russian *matériel* and men might attempt to "run" the Bukovina corridor which joins northern Roumania to south-eastern Poland. Such conjectures are common topics of discussion throughout Europe beyond Germany; but their realisation, even only in part, would obviously call into play a constellation of military forces in the proverbial "cockpit of Europe", from which the Continent as a whole could not hope to be isolated.

Hungary

Hungary's foreign trade is now more bound up with that of Great Germany than the trade of any country but Bulgaria. In 1937 41 per cent. of her exports went to Germany and Austria, and 44.2 per cent. of her imports came from what is now Great Germany. But Hungary has now an added economic problem, in that the removal of Austria has broken the economic system known as the Rome Protocol system; this system having been erected by Signor Mussolini in 1934 in order to consolidate the economic relations of Austria, Hungary and Italy. The overwhelming bulk of Hungary's exports to Austria, Germany and Italy was composed of cereals and other agricultural produce.

The Agricultural Problem

The predominant economic problem in Hungary since the depression began in 1930 has been that of agriculture. Land reform in Hungary after the war was not carried as far as in most European agrarian States. This meant that there was always a vast difference in technique, financing, costs and yields on the remaining estates of the big landowners as compared with conditions on the smaller estates—especially the very small holdings, often amounting merely to allotments. The big estates which were run on large-scale lines could be organised to meet greatly reduced incomes during depression; but the small estates could not. Thus, a large group of subsistence farmers was pushed into penury, at the same time as, out of a total population of under 9,000,000, at least one million were landless peasants. The upshot has been that about 3,000,000 small holders and landless peasants now constitute a desperate phalanx of discontented citizens.

In addition, this agrarian problem has bequeathed a

financial problem; the encumbrance of a heavy internal mortgage debt borne by the banking structure and dependent for its alleviation on the eventual achievement of a higher price level for agricultural produce and of greater proceeds from agricultural exports. It looked as if these achievements might have been secured up to the spring of 1937; but the downturn in world prices, coupled with the elimination of Austria has decreed otherwise.

Hungary's Fascists

In the background of Hungarian domestic politics—as, indeed, in that of Yugoslav and Roumanian and Czechoslovak politics—there is an extremist Right-Wing movement. Capitalising economic discontent, anti-democratic, anti-Semitic, it is bent on securing power by obtaining the support of the suffering lower middle class and of young people who cannot immediately find those good positions to which they think they have a right. In Hungary's case, this movement is composed of many elements, united only in their use of the "arrow-cross" as a symbol and in their extreme racialism. This *Nyilos* movement has its sympathisers in some higher officers of the Army, in one particularly highly-placed officer of the General Staff, and in certain permanent officials in certain Ministries. It holds advertised meetings, addressed by its various leaders, of whom Major Szálasi is by far the most important. This retired officer, formerly on the General Staff, is held responsible for a considerable amount of disruptive propaganda. If the *Nyilos* movement goes on gaining ground unchecked, it will do so at the expense of the Government Parties and of M. Tibor Eckhardt's Little Landowners' Party.



Anti-Semitism and Depression

In face of the external pressure now exerted by Great Germany and of the internal pressure generated by this extremist movement, M. Darányi's Government has had recourse to a somewhat dangerous, and in any case dubious, expedient. It has attempted to forestall the "arrow-cross" organisations by introducing a long-heralded but long-delayed anti-Semitic Bill which provides for the gradual elimination of Jews from businesses, the professions and public service in five years. For this purpose—which may also have been calculated to please Great Germany—a Jew is defined as one of Semitic origin who was not baptised before August 1, 1919. This definition is not as logical as that of the German authorities, which is a definition by blood. It has therefore caused widespread uncertainty among Jews; and the Bill's requirement that only 25 per cent. of any business or organisation should be run by Jewish staff, so defined, has led to an almost complete paralysis of economic activity on the part of the entire Jewish population, racially defined.

It must be remembered that the Hungarian Cabinet was reshuffled early this year to admit the inclusion of Dr. Imrédy, president of the National Bank, to whom was entrusted the task of carrying out his own Five Year Plan for the expenditure of 1,000 million pengő for public works and re-armament. The task of raising this sum would have been great, in any case, for 600 million pengő were to be raised by a capital levy and 400 million pengő by internal loan. Now, since the *Ausgleich* with the Habsburgs in 1867, the industrialisation of Hungary was left by the traditionally proud Magyars to the Jews. Trade, commerce, industry, even banking, were looked on by the most cultivated Magyar families as unfitting occupations for their sons. Consequently, to-day, and after the intense pre-war and post-war industrial protectionism of successive Hungarian Governments, the Jews are predominant in the technique of industry and skill of commerce and finance. The Regent recently adjured young Hungarians to give up this attitude to business in his radio broadcast. The Darányi Government's anti-Semitic Bill aims, perhaps naturally and perhaps even justifiably, at "rehabilitation of the national life" and a more even balance between Jew and Magyar in the national economy. But that has not prevented its immediate economic effect, in conjunction with the down-swing of world prices and business activity, from narrowly approaching a disaster.

Magyar and German

As the Opposition Liberal Party leader, Dr Charles Rassay, said in a noteworthy and widely quoted speech in Parliament against the Bill, to relegate so important an economic element in the nation to the rank of second-class citizens, to threaten the future incomes of a great part of them, and yet to repose hopes for the Five Year Plan's funds upon their contributions by loan and levy, is to strain sanguineness to the point of folly. Moreover, besides greatly adding to the inevitable difficulties facing Dr Imrédy at this juncture, the Bill has had the comprehensible effect of causing many of the purest Magyars to nurse misgivings. The reason for this is, in the main, that, as Dr Rassay aptly said: "You can dress this Bill up in the national colours, but on the paper is the trade mark 'Made in Germany.'" Magyars, whose long and proud history is part of their life to-day, and whose forbears fought for independence against Austrians, are far from happy at the prospect of losing control of their political and economic destinies to a Prussianised Great Germany. And their misgivings have been heightened by the feeling that both towards the uprush of the "arrow-cross" extremists and towards the most urgent problems of foreign policy, the Darányi Cabinet is betraying a certain nervelessness and indecision.

Hungary and Czechoslovakia

Since the abolition of Austria, and since the focusing of German animosity against Czechoslovakia, Magyar revisionism has, in certain influential quarters, taken an

ominously dangerous twist. The leading Hungarian journals, almost without exception, have recently been even outdoing those of Great Germany in anti-Czech ferocity. With this quite recent intensification of anti-Czech feeling goes the really dangerous trend: a tendency to canvass the possible profit to Hungary of an immediate "adventure" against Slovakia if once the Czechoslovak State should be engaged in war. The outstanding statesmen in Hungary—men like Count Bethlen, M. Kánya (the Foreign Minister), Dr Imrédy, Dr Rassay, M. Tibor Eckhardt, and others—have too wide an experience of European and world politics ever to countenance such perilous counsels. But the counsels are there; they are not controlled, even in the otherwise controlled Press. Public opinion has been bred up for nearly twenty years to reckon with revision; rearmament is now beginning to go ahead; and it might well tax the powers of a Sisyphus, let alone a Hungarian statesman to-day, to withstand a popular clamour, fomented by extremist movements, for a desperate adventure. Desperate it would indeed be, for Hungary as much as for Europe; since such an irresponsible act is the only joint *casus belli* explicitly stated in the Little Entente Treaties. Once Roumania and Yugoslavia were put upon their mettle to conserve their own territories, the pressure upon France and Russia would be scarcely resistible. Voluntarily to turn the Danubian plain into a European battlefield would be suicidal for Hungary, if not at the outset, then within weeks or months. It might do more than anything to realise Hungary's greatest fear: the entry of Russia into the Balkans.

What can Hungary do?

The prospect before Hungary's statesmen, therefore, is not rosy. How could it be? But it would be grossly false to conclude, as many French and English newspapers have already concluded, that "after Austria, Hungary is finished." Though Hungary has now an indefensible frontier with Great Germany, though she may become dependent even as to more than 44 per cent. of her trade on her colossal new neighbour, her ambit of manoeuvre, if only she can find wise and firm hands at the controls, is of no mean amplitude. Great Germany needs the best of economic and political relations with Hungary as well; and a Hungarian policy of irreproachable neutrality on all sides would undoubtedly better serve her own destinies—as well, perhaps, as those of her erstwhile friend, Italy—than one of irretrievable self-immolation in a cause whose victory could only spell thralldom for the proud and individualistic Magyar people, and whose defeat might well spell utter destruction. Every Magyar learns "Lord, remember this people, who have suffered enough in the past to atone for all the future!" In essence, the problem before Hungarians is precisely that before their avowed "best enemies," the Czechs: namely as a small and long-oppressed nation, acutely race-conscious, to devise a *modus vivendi*, not with many equally small neighbours, but with the towering Teutonic colossus.

Before a problem of this magnitude—and it is by far the most serious problem for Hungary since the time of Rákóczi, or of Kossuth, Déak and the rebuilders of modern Hungary—it would seem that no single-party Cabinet could capture the complete confidence of the nation. There have been many rumours in recent weeks that one or other of Hungary's leading statesmen, both in and out of office, would be called on to perform this task.

In any case, such a Concentration Cabinet would have, from the outset, to tackle two Herculean tasks: first, to assert with all firmness the internal authority of the State against those elements which the Regent in his broadcast last month characterised as "untimely" or "disorientated" or "revolutionary"; and secondly, to put the very able Minister of Economy, Dr Imrédy, in a position to combat the threat of serious economic depression and to carry out his Five Year Plan. Neither of these immediately imperative tasks can be accomplished without the other. Together, they constitute a more immediately pressing problem than that of Hungary's alignment in a necessarily friendly *modus vivendi* with Great Germany. In short, Hungary's independence can be lost abroad, but it can only be won at home.

Yugoslavia

Foreign Policy

THE establishment of the Rome-Berlin axis impelled the Government of Yugoslavia, under M. Stoyadinovitch, to improve relations both with Germany and with Italy. The Italo-Yugoslav Pact was hurriedly completed just over a year ago. It was highly unpopular. The Italo-British Pact mitigated this feeling in Yugoslavia; but it could not in any way reconcile Croats, Slovenes and Serbs to the sudden dislocation of the Rome-Berlin axis, caused by the destruction of Austria's integrity. The new frontier; the small but Nazi-orientated German minority round Maribor (Marburg); the antipathy of the Catholic Croats and Slovenes to what transpired in Vienna (strengthened by the attitude of the Vatican); all these forces drove the erstwhile anti-Serb Croats and Slovenes back upon Belgrade, and forged a new kind of popular clamour for unity.

Yugoslavia and the Axis

If Hungary's problems in foreign policy are crudely and uncomfortably stark, those of Yugoslavia are wreathed in complicated and conjectural mists. In 1937, while Yugoslavia sent 35 per cent. of her total exports to Great Germany and took 43 per cent. of her total imports from that big new constellation, Yugoslavia sent only 9 per cent. of her exports to Italy, and took only 8 per cent. of her imports from her Western neighbour. In the last two years, Italy has been unable to supply sufficient of Yugoslavia's needs in manufactures and raw materials—a drain on Italy's own resources—and the 1937 figures above show enormous reductions from those of 1932, when Yugoslavia sent no less than 23 per cent. of her exports to Italy and took 13 per cent. of her imports from Italy. The reason for this remarkable change lies in the inability of the Italian authorities effectively to unfreeze the blocked lire which mounted up in 1935, 1936 and 1937, as Italy's own needs of raw materials for other purposes did not permit of "civil" exports of manufactures to Yugoslavia. Consequently a political tug-of-war beside the economic tug-of-war has been going on in Yugoslavia, between the two partners on the Rome-Berlin axis, for the good graces of M. Stoyadinovitch and his Cabinet.

Domestic Politics

Yugoslavia, therefore, enjoys more economic latitude, as against Great Germany, than Hungary or Roumania; her rail communications to the West are short; and she has a sea-coast nearer to Western Europe. Her peoples are frugal, unpretentious, adaptable and tough; and, like their Czechoslovak cousins to the north, they live with an ever-present consciousness of having had to fight for their independence. This combination of qualities is perhaps responsible for their strong attachment to the Czechoslovaks. And it is perhaps responsible for the radical cleavage of opinion between Government and people during the last year or more. The gulf has been manifested by various events: the Government has had to tighten up the press censorship to a more rigid degree than obtains in Hungary and than obtained, until a few weeks ago, in Roumania. Public meetings on matters of foreign policy are nearly always banned. The almost comic result is that the arrival of a French or Czechoslovak statesman, even of a lecturer, has been the signal for such a demonstration of affection in the streets that the police have had to clear them. The younger generation in particular is most strongly pro-Czech, pro-French, and anti-German; which has led to difficulties in the Universities.

The meeting of the dictators at Rome last week has caused fresh perturbation in Belgrade; for reports have circulated that the Duce handed over Czechoslovakia and Hungary to the Fuehrer as spheres of German interest, but retained Yugoslavia as an Italian sphere. This has not exactly evoked jubilation in Belgrade.

The problem of Yugoslavia's foreign relations is thus exceedingly complex. If Belgrade takes to its bosom the anti-Italian phobias of Croats and Slovenes, it must play the game of Great Germany. On the other hand, Croats and Slovenes themselves, after nursing secret pleasurable emotions about Imperial Catholic Vienna, now see a Power enthroned there against which the speech of the Vatican has been very plain indeed. If Germany and Hungary become involved in a joint "forward policy" against Czechoslovakia, Yugoslavia's position becomes extremely delicate; for she holds hundreds of thousands of Magyars as a minority herself, along her Hungarian frontiers; and if Yugoslavia—not, perhaps, her present Prime Minister—were to decide to implement the Little Entente alliance on Czechoslovakia's behalf, she would have to look to France. So, of course, would Roumania. But neither of them can look to France for direct assistance without bumping against the Rome-Berlin axis at the precise points where Italy now joins Great Germany. Consequently, Yugoslavia's policy has to be drawn up on some kind of supposition about the real validity of this Rome-Berlin axis in the event, not of a general European war, but of the outbreak of a conflict in Central Europe. Now, no one can presume to advise Yugoslav statesmen what they should say, beforehand, about such a contingency. But it is understandable that eminent Croats and Serbs should refuse to say what they will *not* do: e.g. that they will *not* implement the Little Entente and French alliances. For that would be suicidal for Yugoslavia. Thus, M. Stoyadinovitch's policy has recently tended towards a strengthening of the ties between his country and Czechoslovakia, Roumania, and France; ostensibly with the hope, common to Roumania also, that Britain and France in resuming good relations with Italy will stay the advance of Pan-germanism at its newest frontiers. In this respect, Italy's eventual position is crucial.

Meanwhile, profiting by a liquid money-market, the Yugoslav Government have advanced a little more along the road of recovery than the Hungarian, and are issuing a 50-year 6 per cent. internal loan of 5,000,000,000 dinars (nominal) to produce 4,000,000,000 dinars, for re-armament, public works, and railways. In economic conditions, Yugoslavia is in a more favourable relative position than the other three Danubian countries to profit by a redirection of foreign trade. The prospects before her seem better than those ahead of Hungary or Roumania.

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Roumania

DURING the last six months Roumanians have lived under a series of surprises, at home and abroad. As the New Year opened they were looking forward to a General Election on January 20th. For four years the so-called Liberal Party, on whom the mantle of the Bratianu dynasty had descended, had contrived to control Parliament. It was openly criticised for the quite abnormal degree of corruption associated with its rule; and its leaders were out of touch with newer trends in Roumanian thought. At the General Election the Liberals counted on being able, by means of an alliance with two small splinter-parties to carry 40 per cent. of the electorate and thus secure 60 per cent. of the seats in the Chamber. To the Right and Left were, respectively, the Iron Guard (then called "All for Fatherland") and the Peasant Party.

The first shock came when the Right and Left made an electoral alliance: an unprecedented phenomenon. Their common aim was to oust the Liberals—which they did by reducing the Liberal *bloc's* poll to 37 per cent.—but it was reinforced by a common dislike of King Carol's hand in politics and of his personal *entourage*. The electoral result was a stalemate; the King appointed the late M. Goga as Prime Minister, who had less than a tenth of the poll; and his violently Right-wing, anti-Semitic regime lasted only 45 days. Instead of proceeding to new elections, the King then superseded all Parties; appointed a Palace Cabinet headed by the Patriarch; and proclaimed a new Constitution in which he was supreme.

On the face of it, all this might seem highly illiberal. In fact, King Carol, observing the moral disarray into which domestic politics had fallen, and acutely embarrassed and disturbed by the development of the Iron Guard's foreign relations, rallied round himself the leading men of his generation and entrusted to them the Government.

The Iron Guard

The effect of this was quickly seen. On Easter Sunday, when no one suspected it, King Carol personally took the offensive against the Iron Guard and M. Codreanu. With his trusted officers he reorganised the administration of two large towns in Western Roumania on a surprise visit; the police raided Iron Guard premises (especially the Green House on the outskirts of the capital); and documents of an extremely incriminating kind were found. The Iron Guard press was banned; and a conviction for libel imprisoned M. Codreanu for a few months while, according to official reports, a criminal case is being prepared against him. The Iron Guard's supporters in the country were also arrested, to the number of 200 or so; and the ex-Premier, M. Goga, fled to Hungary. (He died last week.) The unravelling of the Iron Guard's domestic and foreign relations will take much time; but it is already clear that its former changes of name—one was after the murder of the then Prime Minister, M. Duca, in 1934—have made no change in its activities or leadership. It is still strong with certain sections of public opinion; but the King's *coup de main* has been widely popular.

Foreign Policy

In the front rank of Roumania's problems stands that of foreign relations. Great Germany took 27 per cent. of her exports in 1937 and sent her 38 per cent. of total Roumanian imports. Germany needs oil from Roumania—at least until the new drillings at Nagy Kanizsa in Southern Hungary become workings. Roumanians realise this; and, while recalling the Carthaginian Peace of Bucharest when Roumania collapsed before Germany in May of 1918, they are, like the Poles and the Yugoslavs, in the invidious position of a smaller Power directly in the line joining two great and antipathetic Powers. The Little Entente treaties still hold Roumania to Czechoslovakia and Yugoslavia in the event of a disturbance of the Danubian *status quo* on the part of Hungary. But where

will Hungary soon stand? What if Russia, seeing Czechoslovakia involved in conflict and German military power rolling up to the Carpathians and Transylvania, decides to ask Roumania to invite her in for the defence of Roumanian frontiers—and of the oil wells? The Roumanians once destroyed their own wells to prevent the German forces from obtaining oil in the last war; and it takes two years to re-equip them and resume operations.

What, on the other hand, can Roumania now do to appease both Russia and Germany and keep them at arms' length? The dilemma is hard to rebut. The new Foreign Minister, M. Petrescu-Comnen, has so far reaffirmed the integrity of the Little Entente, improved relations with Russia (which the supplanters of M. Titulescu since 1936 have done so much to upset), and tried hard to improve the rather strained relations between both Poland and Yugoslavia, Roumania's allies, on the one hand, and another of her allies, Czechoslovakia, on the other.

Undoubtedly the overwhelming desire of most Roumanians is to avoid being drawn into the orbit of even a Central European conflict. To this end, many "official" Roumanians point to the possibility of erecting a *cordon sanitaire* between Russia and Germany, composed of the two contiguous allies, Roumania and Poland. Unhappily, for them, neither of the latter States is quite a free agent; both are bound by French alliances; both are contiguous with Russia; and neither can remain aloof if war in Europe should ever become general.

Roumania and Russia

The Bessarabian dispute between Russia and Roumania has almost ceased to exist. It can be easily solved by agreement. The Russians have kept it technically open, in order to be able the better to bargain up to the last moment. But Roumanians realise that their army could not hope to hold up a real Russian thrust towards an encroaching antagonist in Central Europe; and—a fact which must never be left out of account—the meagreness of Roumania's finances has never enabled her to raise the standards of living of her population along the Russian frontier to levels comparable even with those of the Russians on the other side. This is a strong rein on any violently anti-Russian counsels in Roumania. As one Roumanian of wide experience said to the writer: "Well, if it comes to a scrap, we can hope to get by with the Nelson touch. We can affect not to see the nationality of aeroplanes above our soil. We can look in vain for signs of foreign soldiery. Isn't that what the London Non-intervention Committee has successfully been doing for two years? Why shouldn't we adopt your brand of Non-intervention? Could you blame us?"

The Immediate Prospect

Such arguments, however, cannot alter the situation inside the country. Oil stocks are mounting; production in the world may have to be curtailed again; prices are falling. The peasants face the same problems, caused by falling prices, as those of Hungary. Great Germany offers a market—of a sort. The sort of market is by now familiar: one in which export proceeds become blocked until Germany herself decides she can safely unfreeze them by delivering a limited variety of manufactured goods. Thus, Roumania is already caught up in the wave which spread outward over Europe after March 11th. King Carol and his advisers have executed a daring stroke on behalf of their country. That this stroke hit the Fascist Iron Guard at once, and with force, shows on which side their sympathies may in future tend. That the King thought it imperative thus to throw even the reversion of his crown into the European arena is proof of the perilous extremity to which things had gone in Roumania. But of herself, and by herself, Roumania cannot hope to steer clear of the currents that are now sweeping throughout Central and South-eastern Europe.

The Economic Factor

THE incorporation of Austria in Germany is henceforth not so much of a threat to communications as it is to those traders in Czechoslovakia, Hungary, Yugoslavia and Roumania—indeed, in Italy, France, Switzerland and Britain as well—who actually competed with German traders for a share of the Austrian market. There is a shortage of workmen in several German industries; and it is doubtful whether in these cases Germany will make an effort to raise her own production in order to supplant former Austrian imports from third countries. She will have to subject the population of Austria to the same restrictions in consumption which are in force in Germany in similar cases; but for some time she may leave the Austrian market—at least provisionally—open to some of its former suppliers. Finally, it is extremely difficult to foresee how far wholesale rationalisation of production in the two countries will increase their *aggregate* output, and to what extent the shortage of workmen in Germany will be remedied by using the Austrian unemployed.

The table below shows the role played by Germany and the Danube countries in the foreign trade of Austria and the limits to which Germany may be able to fuse the two distinct economic areas. Of the figures of Austrian foreign trade only those referring to imports have been examined, since it is presumed that Germany will carefully avoid any measure which may hamper exports by former Austrian industry.

The figure of Austria's total imports in 1937 was 1,461 million schillings, compared with 1,268 millions during 1936 and 3,263 millions in 1929, the best of the last ten years. The share of each of the Danubian and Central European States was as follows:—

From	1936		1937	
	Million Sch.	Percentage of Total Imports	Million Sch.	Percentage of Total Imports
Czechoslovakia ...	144.0	11.4	160.3	11.0
Hungary	118.3	9.3	131.7	9.0
Yugoslavia	76.8	6.1	115.3	7.9
Roumania	101.5	8.0	87.4	6.0
Danube Area ...	440.6	34.8	494.7	33.9
Germany	216.5	17.1	233.6	16.0
Italy	59.0	4.7	80.3	5.5

Imports from the Danube area were in both years nearly exactly double the imports from Germany. Germany had a practical monopoly in Austrian imports of musical instruments, dyestuffs, electrical apparatus and machinery, apparatus and machinery in general, metal products, paper and paper goods, and tools. Her share in total imports of Austria has exceeded 60 per cent. in all these seven groups of commodities. For fertilisers,

shoes and leather goods, furs, glassware, pottery, iron products, motor cars, chemical raw materials, the share of Germany varied between 40 per cent. and 60 per cent. of Austria's total imports.

On the other hand, Czechoslovakia has an outstanding interest in Austrian imports of silk goods and pottery, where her individual share was higher than 50 per cent. of Austrian imports of these goods; and more than 30 per cent. of Austria's imports of coal, mineral products and earths, cotton yarns, cotton goods, wool yarns, woollen goods, glassware and metal products came from Czechoslovakia. There are six items—coal, mineral products and earths, glassware, pottery, iron products and metal products—in which Germany and Czechoslovakia each supplied more than 20 per cent. of Austria's needs in each category. In these latter cases Czechoslovak deliveries will probably recede.

Dislocation of Austria's Trade

In many cases—banks, glass factories, chemical works, etc.—long-standing business agreements between Austrian and Czech firms have now been dissolved. Again, of Austria's imports of coal, amounting to an annual 2,500,000 tons, Czech mines supplied 1,000,000 tons and the Polish-Siberian mines about 900,000 tons. Before the absorption of Austria, Germany demanded that the Austrian imports be cut down in favour of German mines. The Austrian financial and commercial authorities could not do this without upsetting their exports to Czechoslovakia and to clients of Czechoslovakia. Now it is in process of execution. Further, imports of meat into Austria from Hungary, Yugoslavia and Poland are being reduced.

The relations between Czech and Austrian textile industries were always very close. They were one industry before the war. They co-operated closely after the war, the Czechs sending half-finished goods to Vienna, whence they were exported all over the world, ranking as Austrian by origin under commercial treaties embodying the most-favoured-nation clause. Now this trade is being interrupted in favour of Saxony's industry; but Great Germany's exports take place through clearing agreements that do not benefit by that clause; and her imports of textile material must be accommodated to other and prior needs.

The Hirtenberg and Enzesfeld arms factories have been taken over by the Sulzer works in Berlin; and a branch of the new Hermann Goering steelworks has been started in Linz. Accordingly, it may be presumed that the former international participations in the output of iron ore and steel from the famous Alpin-Montangesellschaft—Austria's mountain of iron ore—will be modified in favour of Germany, which formerly, through the Stahlverein, controlled the concern through a majority shareholding.

Great Germany and South-Eastern Europe

WHEN Austria was swallowed by Germany something more important than a refashioning of Danubian trade statistics occurred. In future, as official German publications pointed out, Austria's nodal economic position will be turned back to front: i.e. instead of serving as an *entrepôt* centre for all Europe—east, west, north and south—Austria is to become the economic as well as the political and military Ostmark of Great Germany. Her foremost economic duty is to act as a conduit leading towards Saxony, Thuringia and the Rhineland, the centres of German industry. The trade and transportation of all Central and South-Eastern Europe has for so long been centred upon Vienna that Germany, in addition, can proceed to levy what the transit traffic will bear; negotiations with Hungary, Czechoslovakia and Yugoslavia have already been opened on this account; and Germany has announced that she will construct a great Danube port at Vienna, proceed with the Rhine-Danube canal at top

speed, and put an armed flotilla on the Danube, which is still an internationalised river.

The foregoing gives some indication of the extent to which the incorporation of a small but economically and geographically important country within a neighbouring Great Power may affect the trading relations of a Continent. It may be advisable at this point to consider the trade of Germany and of her competitors with all Central and South-East European countries. These trading relations can be gauged from the following figures:—

TOTAL TRADE OF HUNGARY, ROUMANIA, JUGOSLAVIA, BULGARIA AND GREECE TOGETHER (in 1936 and 1937)

From or to—	Imports %	Exports %
Great Germany	42.3	36.8
Czechoslovakia	7.1	6.7
Italy	2.9	5.8
U.K., France and U.S.A., together	16.7	19.4

The next table sets out the percentage share of each country's imports and exports falling to the industrial countries competing in Central and South-Eastern Europe:—

FIGURES IN PERCENTAGES OF EACH COUNTRY'S TOTAL TRADE

	Im- ports from	Ex- ports to	Im- ports from	Ex- ports to	Im- ports from	Ex- ports to	Im- ports from	Ex- ports to
	Great Germany		Italy		Czecho- slovakia		U.K., France, U.S.A.	
(1) Hungary:								
1929	33.2	42.1	4.7	9.7	21.5	16.4	9.7	5.9
1932	38.0	45.3	15.6	7.8	10.4	6.8	12.7	12.5
1937	44.2	41.0	7.3	15.9	5.5	2.5	11.3	11.3
(2) Roumania:								
1929	36.6	37.0	6.9	7.7	13.6	6.2	18.9	11.0
1932	28.6	18.7	11.0	10.6	12.2	7.0	28.3	27.3
1937	38.0	26.9	4.4	7.4	10.1	8.4	21.0	16.4
(3) Yugoslavia:								
1929	33.0	24.1	10.8	24.9	17.5	5.4	14.3	6.9
1932	31.1	33.4	12.7	23.1	15.6	13.2	16.3	5.7
1937	42.7	35.2	8.2	9.4	11.1	7.9	15.5	17.4
(4) Bulgaria:								
1929	29.8	42.4	10.7	10.5	9.0	4.8	20.4	8.4
1932	31.9	41.0	15.6	12.5	8.4	3.1	18.8	6.0
1937	58.2	47.1	5.0	4.2	5.0	5.6	10.0	19.3
(5) Greece:								
1929	10.6	25.6	5.6	18.3	3.4	1.1	35.0	33.8
1932	11.9	18.7	5.7	16.5	3.4	1.6	32.4	38.5
1937	29.6	32.2	3.0	6.0	1.9	4.5	16.7	28.2
(6) Czechoslovakia:								
1929	46.2	37.9	3.6	3.8	...	...	13.4	15.7
1932	40.8	33.5	3.7	3.4	...	...	19.4	17.3
1937	19.7	21.0	2.3	3.9	...	...	20.4	21.7

Great Germany's share in these countries' imports increased quicker than her share in their exports. But that is because, meanwhile, they have been unable to unfreeze their proceeds in Germany.

The most important fact shown by this table is the decline in trade between Great Germany and Czechoslovakia. Between 1929 and 1937 Germany's share in Czechoslovakia's foreign trade has been nearly halved. Although their shares increased considerably, the three great democracies have not even been able to balance the losses which Czechoslovakia has sustained in her trade with Great Germany.

Italy, who tried to get a foothold in Central Europe by means of the Rome Protocols, is now largely dependent on Great Germany, as shown by the development of Great Germany's percentage share in Italy's foreign trade.

Conclusion

THE forcible fusion of Austria with Germany eight weeks ago has uncovered problems of European magnitude. The extent of these problems can now, for the first time, be roughly gauged; their implications weighed; their possible effects on Europe assessed.

Not the Rome-Berlin axis as we have hitherto known it, but the new Berlin-Balkan axis is that round which Continental politics and economics may soon be making new revolutions.

The going may not be easy for Great Germany, either politically or economically, in the next few months. But none but the wilfully blind can now mistake its direction. Something uncomfortably like a politico-economic *sortie* by Great Germany has already advanced fast and far into Central Europe. Economically, an entirely strange, arbitrary, productive, financial and commercial system has ramified into the farthest recesses of the Continent with incredible velocity; in fact, in four years. It has forced a whole series of European countries into varying degrees of economic servitude—a situation from which they cannot now escape by normal, orthodox trading. The system is tending towards a gradual freezing-out from those regions of nearly all States whose trade is conducted on orthodox lines. In that process, the national economies and industrial populations of France, Holland, Scandinavia, Switzerland and Britain are as likely to feel the pinch as inevitably, if not as fast, as those of Czechoslovakia.

Readers of *The Economist* during the last fifteen years are familiar with the advocacy of proposals to free and to

In other words, nearly one-quarter of Italy's foreign trade is now dependent upon that of Great Germany.

Naturally, Germany's foreign trade now depends to a steadily increasing extent on all other Central and South-Eastern European countries. To gauge this dependence it is necessary to trace back Great Germany's *real* foreign trade—i.e. the aggregate *foreign* trade of Germany and Austria, *minus* imports and exports between Germany and Austria themselves. It then appears that the percentage shares of Czechoslovakia, Hungary, Roumania, Yugoslavia, Bulgaria, Greece and Italy in Great Germany's foreign trade developed as follows:—

GREAT GERMANY'S IMPORTS FROM, AND EXPORTS TO, SEVEN COUNTRIES; PER CENT OF TOTAL GERMAN IMPORTS AND EXPORTS

	Imports from	Exports to	Imports from	Exports to	Imports from	Exports to
	All Seven Countries		Czechoslovakia		Italy	
1929	15.4	17.2	5.7	5.9	3.5	5.1
1932	17.2	14.3	4.8	5.0	4.2	4.4
1937	22.1	20.3	3.7	3.1	4.4	6.3

In spite of the decrease of Czechoslovakia's share in Great Germany's total foreign trade, Germany's dependence on other Central and South-Eastern European countries has considerably increased. Roughly one-fifth of Great Germany's total foreign trade is now bound up with Central and South-Eastern Europe entire. Both these last two tables (i.e. Germany's share in the foreign trade of Central and South-Eastern European countries, as well as the share of all these countries together, in Great Germany's foreign trade) are conclusive. They show that Germany's penetration of Central and South-Eastern Europe has assumed, with the incorporation of Austria, the character of a drive towards a self-sufficient Central and South-Eastern Europe under the political and economic tutelage of Great Germany. And Italy emerges as being four or five times more economically dependent on Great Germany than is Great Germany upon her. The political and strategic implications need no emphasis.

increase the trade, first between the Danubian and Balkan States themselves, and secondly between them, Germany, and the Western Powers. To-day, and for four years past, a Great Power, whose own trading system is the antithesis of free, has extended a system of commercial domination beyond what would have been the bounds of reasonable conjecture four or five years ago. To-day, at the fifty-ninth minute of the eleventh hour, possibly those responsible in the remaining democracies of Europe for commercial policy—and, unhappily, for preparing to feed populations and equip armies in wartime—may pause to consider what economic measures may be taken to provide the countries of Central and South-Eastern Europe with, at any rate, an increased amount of latitude in disposing of highly valuable and strategic products in markets where free foreign exchange is still obtainable.

But we must be under no illusion. Such facilities will not substantially modify the importance of the market and the products of Great Germany for Central and South-Eastern Europe. It is neither possible nor desirable for the Western countries to contemplate doing anything which would seek to isolate Germany economically beyond the degree that her present regime implies. This means that if Germany so chooses, these countries can be subjected to increasing pressure, not merely of a political but of an economic kind. But by taking a liberal view of their trade relations, the rest of the world can do much to make the strain more bearable. Common prudence as well as equity demand that it should do so, and do it promptly.

Overseas Correspondence

From Our Special Correspondents

United States

No Evidence of Recovery

NEW YORK, May 3.—The business indices of the Federal Reserve Board for March revealed nothing new:—

	March, 1937	Feb., 1938	March,* 1938
Industrial production	118.0	79.0	79.0
Manufactures	117.0	75.0	75.0
Minerals	128.0	102.0	103.0
Construction contracts, total	56.0	51.0	48.0
Residential	45.0	32.0	36.0
All other	64.0	66.0	58.0
Factory employment, total	100.9	82.9	81.6
Durable goods	96.3	73.9	72.4
Non-durable goods	105.9	92.4	91.4
Factory payrolls, total	101.1	73.2	73.3
Durable goods	100.0	63.7	63.9
Non-durable goods	102.6	85.2	85.1
Freight car loadings	83.0	62.0	60.0
Department store sales	93.0	88.0	86.0
Department store stocks	76.0	70.0	69.0

* Preliminary.

April brought no evidence of improvement compared with March. The automobile and steel industries appear to have experienced some recession, but the date of Easter gave retail trade a relatively good appearance.

With production about 30 per cent. below the first quarter of 1937, corporate earnings in the aggregate have declined severely. The National City Bank has computed that 280 corporations, which earned \$309 millions in the first quarter of 1937, earned \$100 millions in the first quarter of 1938—a decline of 67 per cent.

This decline was not at all evenly distributed, and the totals are greatly affected by the figures of very large corporations. It is, however, rather exceptional to find a corporation whose earnings are down by less than 50 per cent. The aviation industry is a conspicuous exception—its earnings were, in the first quarter, well above those of the same period of 1938. The utilities, as usual, fared better than industrials; but, among railways, earnings are all but non-existent.

At the end of April there was still no tangible sign of upturn. On the other hand, there is little evidence that there has been any actual retrogression since December. The rapidity of the descent from prosperity to extreme depression in four months was extraordinary; but the stabilising of the depression at this level for the past four or five months has been hardly less remarkable.

Large Export Surplus

While export trade now appears to be declining, imports, which fell continuously from March, 1937, to February, 1938, show some signs of being stabilised. The following table shows the course of trade during the past thirteen months:—

	MERCHANDISE TRADE OF U.S. (\$ 000,000)		Balance (+ = export surplus, - = import surplus)
	Imports	Exports	
March, 1937	\$ 307	\$ 257	- 50
April	287	269	- 18
May	285	290	+ 5
June	286	265	- 21
July	265	268	+ 3
August	246	277	+ 31
September	233	297	+ 64
October	224	333	+109
November	223	315	+ 92
December	209	319	+110
January, 1938	171	289	+118
February	163	263	+100
March	173	276	+103

Imports reached a peak in March, 1937, and by February, 1938, had fallen by nearly 50 per cent.; but March showed a slight upturn from February. Exports continued to rise virtually to the end of 1937, and then declined until March. The consequence of these movements has been a remarkable surplus of exports, which during the past six months has averaged \$100 millions a month.

It would appear that this trade balance had been largely met by drawing upon foreign balances in New York. In the March quarter gold imports figured in the movement: net gold imports in January were \$27 millions, in February \$51 millions, and in March \$53 millions. Silver imports in the first quarter amounted to \$58 millions—about half as much as the gold imports; and if gold and silver imports are subtracted from the active trade balance, the total visible balance in the first quarter comes almost into equilibrium.

Credit Expansion and the Banks

It could not be expected that the credit expansion programme launched in April by the reduction of required reserves and by the release of the Inactive Gold Fund would produce statistical consequences immediately, but it must be remembered that the programme had been preceded by a series of manoeuvres. The following table shows the variations in demand deposits in the reporting member banks during recent months:—

	DEMAND DEPOSITS (Reporting member banks)	
	Outside New York City (\$ 000,000)	New York City (\$ 000,000)
1936		
Dec. 30 ...	9,123	6,448
1937		
Sept. 8 ...	8,812	5,999
		\$300 millions released from I.G.F.
1938		
Feb. 16 ...	8,638	5,847
Mar. 30 ...	8,168	6,100
		Change in I.G.F. policy. Prior to end of I.G.F. and reduction in reserve requirements.
Apr. 27 ...	8,528	6,070

Between the end of 1936 and the end of March, 1937, the demand deposits of the reporting member banks outside of New York fell almost \$1,000 millions; between the end of 1936 and the middle of February, demand deposits in the New York banks fell \$600 millions. But the data show that, from September, 1937, to April, 1938, demand deposits in the New York banks have been steady with some tendency upward; and, outside New York, they decreased through March and rose in April.

During April, all reporting member banks increased their demand deposits from \$14,268 millions to \$14,598 millions,

Guaranty Trust Company of New York

Incorporated with limited liability in the State
of New York

32 Lombard Street, E.C.3

50 Pall Mall, S.W.1 Bush House, Aldwych, W.C.2

27 Cotton Exchange Buildings, Liverpool

CAPITAL & SURPLUS.....\$260,000,000

NEW YORK PARIS BRUSSELS HAVRE ANTWERP

or \$330 millions, the entire increase occurring outside New York City. Total loans and investments increased slightly by \$34 millions; "other securities" declined by an equal sum; but holdings of Government securities rose by \$200 millions, and of Government guaranteed securities by \$43 millions, more than cancelling the decline of \$184 millions in loans.

In other words, the big increase in deposits was mostly a reflection of increased cash reserves, and this in turn is largely a consequence of the release of gold from the Inactive Fund. The month of April, therefore, is the first month in which one can note positive consequences of the expansionist policy (described in *The Economist* on April 23rd, page 191).

The following table reviews the changes in reporting member bank assets since the inauguration of the policy.

	(\$ 000,000)	
	Sept. 8, 1937	Apr. 27, 1938
Total Loans and Investments	22,315	20,844 — 1,471
Loans	10,041	8,587 — 1,454
U.S. securities	8,190	7,987 — 203
Guarantee securities	1,132	1,199 + 67
Other securities	2,952	3,071 + 119
Reserves	5,162	6,060 + 898
Demand deposits	14,811	14,598 — 213

In eight months, our economy has had to repay almost \$1,500 millions of bank loans—about evenly divided between brokers' loans and commercial loans. In this period, the net investment position of the banks shifted, but did not change in the aggregate. The expansionist programme produced an increase in reserves with reserve banks, and limited the decline in deposits to a small figure; but it will be recognised that the repayment of \$1,500 millions of loans reflects the severity of the strain under which our economy has been labouring during that period.

It is arguable, if not demonstrable, that the reserve policy mitigated the severity of the strain, by maintaining approximately a given level of deposits. And it is decidedly worth noting that April is the first month in that period when total loans and investments of the reporting member banks showed an upturn, although small.

France

The Return of Capital

PARIS, May 11.—The first measures of M. Daladier's Cabinet, judged by their psychological effect, have been very successful. The devaluation of the franc and the increase in taxation led to a great wave of confidence; and, as a result, there has been a very large repatriation of exported capital (much greater than after previous devaluations), and Treasury bonds have been bought up to the rate of 1,000 million francs a day. The Minister of Finance, after having twice lowered the rate of interest on these bonds, from 4 per cent. to 3.5 and 3.25 per cent., was compelled to suspend subscriptions.

At the same time, there was a sharp rise in public funds, as the following table shows:—

	Lowest, 1938	May 5th	May 10th
3%	65.5	76.0	76.5
4% 1918	62.4	74.6	76.4
4% 1932	68.05	81.3	82.4
4% 1925 (exchange guarantee) ..	104.0	123.1	131.5
4% 1937 (exchange guarantee) ..	103.85	123.7	128.0

On May 7th, the index of 300 French stocks stood at 230, against 190 on April 9th. The Government's success, so far, may be explained by the clever technical execution of the monetary decisions (on the lines of the *expérience Poincaré* in 1926), and by the improved political atmosphere. Fears of disorder after the rupture of the Popular Front were not realised; competition between the Communists and Socialists, with the 1940 elections in view, seems to have begun; and these two parties may come more and more to assume the rôle of a Parliamentary opposition.

Collaboration with Labour

On the other hand, M. Daladier is keeping in touch with the workers' organisations. There is no real break with the policy of previous Governments, but, rather, new possibilities of collaboration in a more realistic application of the 40-hour week and in a programme to increase production.

Negotiations are already on foot to fix a working year of 2,000 working hours; and representatives of the coal-miners have accepted the principle of the 42-hour week.

This collaboration is one of the chief reasons for the success of the Daladier Cabinet, together with the return of capital, which, for a time at any rate, has restocked the Equalisation Fund and the Treasury. The steps taken to devalue the franc and to increase taxation are, however, no more than necessary measures to ease immediate pressure. The fundamental problems of economic and financial recovery and the further return of exported capital will be solved by the more constructive and long-sighted portions of the Daladier programme.

The second batch of decrees may, for instance, include important steps to stimulate building activity, which is at the lowest level since the War. Considerable results might be obtained in this direction, because there is a great need of modern buildings. But to do this would necessitate a complete reversal of the policy followed for many years. To-day the landowner is strangled, not only by the rise in prices and taxation, but also by the constant menace of measures in favour of debtors, which greatly reduces the security of investment in building. It is certain, however, that steps to stimulate building would greatly assist general recovery. Meanwhile, following the fall of the franc, foreign trade and tourism have begun to revive.

Improvement in Foreign Trade

The April trade returns show signs of this improvement:—

	April, 1937	March, 1938	April, 1938
	(in million francs)		
Imports:—			
Foodstuffs	830	901	994
Raw materials	1,991	2,076	2,270
Manufactured goods ...	477	549	611
Total	3,298	3,526	3,875
Exports:—			
Foodstuffs	277	295	385
Raw materials	733	684	710
Manufactured goods ...	961	1,251	1,288
Total	1,971	2,230	2,383

Comparison with March shows a slight increase of 10 per cent. in imports and a less marked increase of 6 per cent. in exports, both of which changes may be explained by the fall of the franc. Taking into consideration the fact that the rate of exchange against the pound was 160 in April, compared with 110 in April, 1937, there has been a slight increase since last year in the import surplus.

Imports of foodstuffs and raw materials (with the exception of materials for re-armament) and of manufactured goods show a decline. The volume of exports of manufactured goods show an increase. Imports from the colonies have been maintained, while the decline in exports to foreign countries is less marked than that of imports.

Wholesale prices, which had been stable for many weeks, showed a further rise after the latest devaluation of the franc.

	April 30th	May 7th
General index (1914 = 100)	619	638
Domestic products	662	673
Imported products	543	576
Foodstuffs	623	637
Industrial products	617	640

Fresh warnings have been given by the authorities against speculation and unwarranted increases in price. In their efforts to keep prices down, the authorities will be helped by the heaviness of world prices and the diminishing purchasing power of the French people.

Germany

Austria's Foreign Debts

BERLIN, May 11.—The problem of Austria's foreign debts, which has been almost entirely ignored by the German Press—indeed, some financial journals did not report the moratorium decree of April 30th—seems to have been ill-understood abroad. Until the Reich opens negotiations for the revision of loan contracts (as the Minister of Economics recently foreshadowed would be done for Reich loans generally), the problem of Austria's foreign debts is purely one of transfer.

Abroad, the question has been treated as one of the Reich's liabilities for the debts themselves—of whether the foreign

loans "have been accepted as a liability by Germany." This is certainly not the question. Austria is now a state (*Land*) of the German federation, like Bavaria and Saxony; and it seems that its foreign loans are state, not Reich, loans. This is not necessarily their ultimate status, but it seems to be the present legal position, automatically brought about by Austria's incorporation. The Reich merely regulates the transfer of money for the service of these debts, and, for the moment, only this question is relevant to Austria's loans.

As reported last week, the Reich extended to Austria its law of June 9, 1933, which suspended, without any qualification, the direct transfer of the service on foreign loans. Under that law, interest and amortisation were to be paid (in German currency) into the *Konversionskasse*, the debtor thereby fully discharging his liability to the creditor.

But the law of 1933 also empowered the Reich Minister of Economics and the Reichsbank, acting together, to make exceptions; that is, to permit transfer. Under this empowering clause, and usually after negotiations, under clearing agreements and so on, exceptions were made for the Dawes, Young and other loans. The empowering clause, as part of the 1933 law, applies to Austria; and the competent Reich authorities can, without any further law or decree, transfer money for the service of Austrian debts. They did, according to official information, transfer money for the service of international loans due on May 1st, but not for other loans; and reports from New York mention two particular bond defaults.

The legal position is, therefore, that all Austrian loan transfers, including those for the three international loans, are defaulted, but that the Reich, under the empowering clause, has made a partial exception, by which, however, it is not bound for the future. How far it will bind itself for the future will depend on negotiation, and ultimately on the amount of pressure the creditor countries bring to bear.

The Reich Loan

Of the Reich's Rm. 1,000 millions 4½ per cent. Treasury certificate loan, the Rm. 750 millions offered to the public through a banking syndicate was over-subscribed. In consequence, the publicly subscribable part has been increased by Rm. 450 millions. Including the Rm. 250 millions taken in advance by the banks, the new loan amounts to Rm. 1,450 millions. With the Rm. 500 millions railway loan of January, 1936, the consolidation loans floated since early 1935 have totalled Rm. 10,000 millions. It seems that Austrians contributed to the new loan to a considerable extent.

Current company reports are satisfactory. The Bemberg Rayon Company resumed the payment of dividends with a dividend of 6 per cent. The Vereinigte Glanzstoffe raised its dividend from 5 to 6 per cent. The Westdeutscher Kaufhof (formerly Leonard Tietz), whose shares were almost valueless a few years ago, paid 5 per cent. This last payment is noteworthy because it marks the end of the Nazi campaign against the department stores; instead of being dissolved, they have been Aryianised.

Of 118 industrial companies, about 62 per cent. maintained their dividends unchanged in 1937, while 36 per cent. raised them. Of 100 banks, 31 per cent. maintained their dividends, and 68 per cent. increased them.

The index of the cost of living for April was 125.6, against 125.5 for March. The index of wholesale prices on April 27th was 105.5, against 105.6 on April 20th. Further measures are foreshadowed for "combing out" the independent petty trading and producing class in order to compel its members to take industrial wage employment. In some cases, such as that of street traders, the procedure is to withdraw their licences.

Increased National Income

A return of the Reich Bureau of Statistics shows that the nominal gross income from wages and salaries in 1937 totalled Rm. 38,333 millions, against Rm. 35,010 millions in 1936, and Rm. 25,960 millions in 1933. Of the gross income in 1937, Rm. 20,915 millions went to manual workers, Rm. 8,922 millions to compulsorily insurable employees (technical, clerical, etc.), and Rm. 8,496 millions to non-insurable employees and officials.

The share taken by manual workers has risen substantially since the industrial recovery, and is about the same as that of the pre-depression period. The real national income from wages and salaries is estimated to be 9 per cent. higher than in 1929, the average real income for manual workers to be 4 per cent. higher than in 1929, and for non-manual employees 23 per cent. higher.

Industry is active. Railway goods traffic in March was 6.6 per cent. more than in March, 1937. The official steel report for April states that large consumers were in general sufficiently supplied, but that complaints of shortages were

still heard. The export market improved, orders increased, and stocks decreased. Semis, bars, joists and wire rods were more in demand for export, in particular to Scandinavia.

Coal sales both at home and to abroad were unsatisfactory. The latest returns of foreign trade—for March—show increases in both exports and imports of heavy iron and steel. Imports of pig iron are steadily increasing, and exports of machinery reached 35,860 tons, which is the highest recent figure. Of the increase of Rm. 395 millions in the capital of the Hermann Göring Iron Company, the Reich (the founder) will take up Rm. 265 millions in ordinary shares. The remaining Rm. 130 millions, in the shape of 4½ per cent. preference shares, is to be divided among iron consuming concerns, according to a schedule under which each concern must subscribe Rm. 50 per employee.

The glass industry reports better home and foreign business, but adds that, in certain branches, exports have been entirely killed by Czechoslovak and Japanese competition. The length of Reich motor roads open to traffic on April 1st was 2,026 kilometres.

Discussing shipbuilding policy, the President of the Hamburg-American board of directors, Dr Hoffmann, emphasised that Germany will not build any luxury liners of the largest size. When the Norddeutsche Lloyd built the "Europa" and "Bremen" ten years ago, the company accepted the calculation of experts that a size of about 50,000 tons best combined profitability with speed. Giant ships, at first greatly successful, become increasingly unprofitable. The new Hapag ship of 36,000 tons, with a speed of 23 knots and a seven days' passage from Hamburg-New York, will not compete with the great English and French vessels, but rather with vessels of the class of the "Nieuw Amsterdam" and the British ship which is to replace the "Mauretania."

Japan

Legislation for War

TOKIO, April 8.—The record of the annual Session of the Diet, which ended on March 28th, is exceedingly good. In addition to the Finance Bills, the National Mobilisation Bill, the Electric Power (Control) Bill, the Aircraft and Machine-tools Bills, the Bank Bill, the North China Company and the Central China Company Bills, and some seventy other Government measures were carried through both Houses, almost in their original form.

In the Budget estimates for 1938-39, approved by the Diet, estimated expenditure totals 3,514.5 million yen, including supplementary estimates of 646.7 million yen. Besides these ordinary estimates, supplementary war expenditure of 4,886.5 million yen was also voted. The total national expenditure for the fiscal year 1938-39 thus amounts to no less than 8,400 million yen, of which 5,628 million yen is to be borrowed. This gross total is 2,812 million yen higher than the comparable figure for the fiscal year just closed.

State Control

The National Mobilisation Act provides for the wholesale State regimentation of the national economy and the conscription of both capital and labour, in the event of war or any similar emergency. The Electric Power Act empowers the Government to take over the main transmission lines and fuel-power electric plants from private firms, and manage the production and distribution of energy through a semi-official company. The Bank Act authorises the increase of the fiduciary issue from 1,000 million yen to 1,700 million yen.

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The Aircraft and Machine-tools Acts aim at the development of these two sections of the engineering industry. The North China Company and the Central China Company Acts contain regulations for the organisation and management of the semi-Government organs to be established for the economic exploitation of North China and the rehabilitation of the lower Yangtse valley.

Satisfactory Railway and Company Results

The gross operating receipts of the Imperial Government Railway, for the fiscal year ended on March 31st, show that passenger receipts were 360.1 million yen and goods receipts 279.2 million yen, making a total of 639.3 million yen. This was the largest total of receipts ever recorded, and is 67.4 million yen larger than the actual receipts of the preceding year. The increase is larger in passenger than in freight receipts.

According to Mitsui Gomei Kaisha's half-yearly analysis of the profit and loss accounts of Japanese industrial undertakings, the aggregate net earnings of 1,000 companies, for the half-year ended last December, amounted to 556.5 million yen, an increase of 37 million yen on those earned by the same concerns in the preceding half-year. Except for electricity and gas, breweries, trading companies, and stock and produce exchanges, all groups—and particularly the steel, engineering and armament trades and shipping—showed a considerable increase in profits; and even textile results were not so disappointing as might have been anticipated. The ratio of net profits to capital was 12.6 per cent., and that of amounts put to reserve was 3.6 per cent. In the preceding half-year the profit percentage was 12.6 per cent., and the reserve percentage was 3.7 per cent.

Imports in March, valued at 244 million yen, fell by 156.5 million yen, or 39 per cent., compared with March, 1937; while exports, valued at 225.7 million yen, decreased by 50.2 million yen, or 18.2 per cent. In the first three months of 1938 imports showed a heavy fall of 383 million yen, or 38 per cent., compared with the corresponding quarter of last year, and exports a decline of 131 million yen, or 18.7 per cent. The shrinkage in imports is explained by import restrictions and exchange difficulties, while the contraction in exports is presumably attributable to the world recession in general and, to some extent, to boycott.

Canada

Parliament's Programme

OTTAWA, April 25.—The Federal House of Commons has reassembled after a fortnight's Easter recess. The date of the Budget, which the Government has been holding back in the hope of being able to include the tariff changes necessary to implement the new trade agreement with the United States, is uncertain. The latest news from Washington is that the process of bargaining about the detailed schedules is likely to occupy some time. It would cause inconvenience if the Budget were postponed until June. The present intention is to wind up the session at the end of June, in order that the Conservatives may be free to attend their national convention, which is due to be held in Ottawa from July 5th-7th.

Full financial returns for the fiscal year, which ended on March 31st, are not yet available, but preliminary figures show that the yield of income tax, at \$120,365,531, was up by 18 million dollars and the Customs and Excise, at \$319,046,053, by 44½ millions. The Government has reintroduced in a modified form the Bill, rejected by the Senate a year ago, designed to transform the present Railway Commission into a Transport Commission with enlarged authority. It has met some of the provincial objections to the original measure by exempting highway traffic from the supervision of the Commission. Rates on the inland waterways for bulk traffic in such commodities as grain are also excluded. In view of the opposition manifested by at least three provincial Governments, it is likely that the Federal Government will not proceed this session with its proposed legislation about unemployment insurance. Before framing its Bill, the Government will wait for the Report of the Royal Commission on Dominion-provincial relations.

Considerable interest will attach to the proceedings of the Senate's special committee, appointed to investigate and report upon the railway problem. It has to inquire particularly

into the reasons why the plans for co-operation between the Canadian Pacific Railway and the Canadian National Railway, drafted by the Duff Commission some years ago, have borne so little fruit.

Satisfactory Wheat Outlook

Almost summerlike weather now prevails. Farmers are busy everywhere and seeding conditions are excellent in most places. In the prairie provinces, reserves of subsoil moisture available at the end of the winter were larger than in any recent year, and have been supplemented in the past month by good rains at intervals. The result is that the prairie grain-growers are planting their grain on a really moist seedbed—an experience denied them over a wide area since 1930—and, even in the drought-stricken regions, the new crop is getting off to a good start.

Owing to the complete poverty of many farmers, large quantities of seed are being distributed at the public expense, but, even with this assistance, some reduction in grain acreage is anticipated. The price situation for cash wheat, improved recently by a strong export demand, remains satisfactory, and, on March 31st, visible stocks of Canadian wheat were placed by the Bureau of Statistics at 84,160,585 million bushels, which was 31 million bushels below the figure for the corresponding date in 1937, and the lowest total at this date since 1920.

The general level of business is perceptibly lower than it was a year ago; but the recession has not attained the serious character of the slump with which the United States has been struggling; and there are now signs that, during the present month, the decline has been checked. The following table shows the movements of the major components of the general economic index of the Bureau of Statistics:—

Week Ended	Car-loadings	Wholesale Prices	Bank Clearings	General Economic Index
April 17, 1937 ...	82.4	86.0	108.4	111.8
April 2, 1938	71.5	83.3	90.4	106.0
April 9, 1938	71.6	83.3	92.9	106.8
April 16, 1938 ...	74.7	83.0	93.9	107.8

The curtailment of foreign orders continues to affect purchasing power adversely, and sales of department stores in March averaged 6.6 per cent. lower than in March, 1937—but the real decline was substantially smaller, if allowance is made for the fact that Easter did not fall this year until April.

Business Marking Time

Many industries are working on a reduced scale of operations, and unemployment has been rising. During March, however, the majority of Canadian manufacturing firms were able to maintain their February scale of activity, which was an encouraging sign. The heavy iron and steel industries are being kept reasonably busy with orders for railway equipment. In March, the production of steel ingots was 113,897 tons, compared with 95,025 tons in February (a short month) and 118,451 in March, 1937. Sales of new cars in the first quarter of the year were disappointing; and the motor manufacturing plants have curtailed their output.

On the other hand, there is a much better demand for farm implements and other industrial products from the prairie provinces, and there has been no abatement of mining activity. Higher prices for base metals are likely, while several promising gold mines have come into production since the beginning of the year. The newsprint industry is still struggling with the difficulties created by the heavy accumulation of stocks by American publishers; but the price of sulphite pulp has improved.

Prospects of Recovery

The general impression is that business will more or less mark time during the present quarter, but should, if good crops are assured by July, move forward in the second half of the year. Meanwhile some stimulus is expected from at least a partial recovery of American business as the result of "pump-priming."

Hopes are also cherished that the British Government, after the mission which is now on this side of the Atlantic makes its Report, will place substantial orders for aircraft with Canadian firms. Representatives of twelve companies, which claim to have equipment for manufacturing aircraft in Canada, conferred at Ottawa, on April 23rd, with the Minister of National Defence, and asserted that they could easily expand their operations, and were willing to place their services at the disposal of the British Government. One difficulty about the expansion of aircraft manufacture in Canada, however, is the shortage of skilled labour.

Letters to the Editor

Germany and the Basque Country

TO THE EDITOR OF THE ECONOMIST

SIR,—Although German intervention in Spain has been considerably less than Italian, it has been distinguished by greater ability and efficiency. Germans have maintained stony silence as regards their military activities and have pursued, with all their energies, a successful acquisition of the chief economic undertakings of the country.

Nowhere has this policy been pursued with greater vigour than in Euzkadi (the Basque country), where they are quietly but thoroughly endeavouring to secure dominance in all the industries and banking houses. There is a highly skilled and efficient industry, engaged in the production of guns and shells of all calibre. During the last months of Basque resistance, in the area of Bilbao alone, without the ability to import raw materials or machinery of any kind, it turned out considerable quantities of munitions for the small Basque army. Its production, by virtue of low overhead costs and an almost negligible transport problem, can be carried on at a considerably lower expenditure than in most other countries. The skill of the Basque worker is beyond reproach; his work and output compare very favourably with that of Belgian, French and American workers in similar industries.

To prove the importance of other Basque industries, I need only give the following figures:—

	Proportion in Spain which is Basque. Per cent.
(1) Capital of Mercantile Companies ...	60
(2) Economic banking power ...	70
(3) Profits of the Bank of Spain ...	32
(4) Small Public Savings Banks ...	33
(5) Production of metallurgical coke ...	65
(6) Production of steel billets ...	74
(7) Production of iron blooms ...	77
(8) Paper industry ...	70
(9) Explosives industry ...	69
(10) Mercantile Marine ...	53
(11) Fishing Fleet ...	30
(12) Wages paid in the construction of fishing vessels ...	28

NOTE.—The sources of the figures for each item are:—(1) See below. (2) Balance sheets of the private banks, whose publication is obligatory. (3) Annual reports of the Bank of Spain. (4) Official Bulletin of the Confederation of Savings Banks of Spain. (5), (6) and (7) "Mining and Metallurgical Statistics of Spain," published by the Mining Board of the Directorate-General of Mines and Fuels. (8), (9), (10), (11) and (12) "Anuario-Financiero," published by Señor Ibanez; "Anuario Estadístico de España," published by the Directorate-General of the Geographical, Cadastral and Statistical Institute.

In short, the Basque country is the wealthiest part of Spain. Apart from its mineral resources and the skill of its workers, its harbours and mercantile trade would make it a valuable asset to any country. For centuries past the Basque people have been the close friends of ours. An age-old democracy themselves, their sympathies have always been directed towards Great Britain and France. Unless some arrangement or agreement can be formulated, however, whereby their independence and freedom is still guaranteed, they will no longer be able to play their part in maintaining world peace.

I am, Sir,
Your obedient servant,
FRANCIS L. TOWERS.

London, S.W.1.

Milk Distribution

TO THE EDITOR OF THE ECONOMIST

SIR,—In reply to Mr J. L. Davies' suggestion (based on the experience of London) that the abolition of the minimum retail price for milk would not lead to a fall in the actual price, it might be well to quote the Reorganisation Commission of 1935: "The opinion that we have formed is that, in general, the position of distributors has been improved during the period of the operation of the schemes." The Food Council, in their Report for 1937, point out that, in a number of those cases where minimum prices have been

exceeded, it has happened "in one or two months only" in the course of the year.

I should not like to appear to hold the view that any industry will achieve the maximum possible efficiency under so-called free competition. But if, in the interests of efficiency, we are to have a Government-controlled monopoly in milk distribution, it would be unfortunate to adopt as a norm the current level of profits, bolstered up as they are by minimum prices. A spell of uncontrolled competition would modify the views of the distributors as to the profits to be ensured to them by the Government under its scheme of rationalisation—and I still hold it would secure some (though by no means all) of the economies to be derived from rationalisation.

Why the Government retain the minimum price is a mystery. The views of the farmers (to which, together with those of the Government, Mr. Davies attaches importance) have been published. "Free competition in retail prices would . . . lead to serious undercutting, with the result that the collection of payment from buyers would become difficult. There would be a bigger volume of bad debts, and distributors would inevitably seek to force a reduction in the producers' wholesale price." (*The Home Farmer*, official organ of the Milk Marketing Board, May, 1937.) An odd argument, which incidentally accords ill with the view that the abolition of the minimum price would not lead to a reduction in the distributors' margin.

I am, Sir, etc.,
R. F. KAHN.

King's College,
Cambridge.

Britain's Oil Supplies

TO THE EDITOR OF THE ECONOMIST

SIR,—When Commander Bowles talks of "the beneficent revolution in our national economy" that would result from substituting coal for fuel oil "in all spheres," he is employing words in a sense unfamiliar to the ordinary man. The amount of fuel oil used annually in this country is under two million tons, and its equivalent in coal would not be more than three million tons—in other words, one-sixtieth of a year's ordinary coal consumption on the inland market.

His argument that, because the Navy does not burn coal, it is "in pawn to people like the Shah of Persia and the politicians of Mexico," is simply a stock phrase in a campaign which has lately been described by our foremost authority on naval construction as "public nuisance." A nuisance to the Admiralty, no doubt. By gad, Sir, Commander Bowles is right. The Admiralty are a pack of Bolsheviks who want our ships to go faster than they ought to.

I am, Sir,
Your obedient servant,
ROBERT BYRON.

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Books and Publications

Economists and Taxation

PROFESSOR EINAUDI has written an exceptionally interesting book*. It is no doubt too much to hope that it will be translated. It is not too much to hope that it will have many English readers, because it is in effect an attack on the whole English tradition of thought and policy about the principles of taxation.

In the introduction, the author explains that he nearly called his study "A Defence of the State against the Doctrinaires." The first chapters are, in the main, an onslaught on common conceptions about double taxation, unearned income, the "exemption" from tax of capital appreciation, and the National Debt.

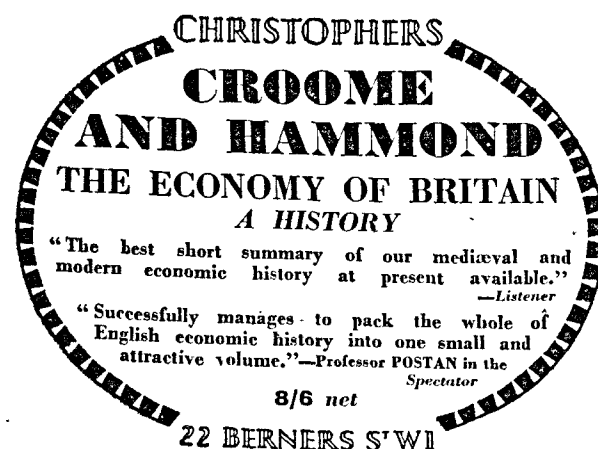
Then, in succeeding chapters, the author falls upon the empty pretences of utilitarianism and accountancy. All our accepted notions and conclusions, based upon assumptions that "such and such is reasonably true," having been shown in all their naked deformity, Professor Einaudi can conclude with an eloquent apologia for the traditional methods of Italian taxation.

It is not, of course, suggested that, in less than three hundred pages, Professor Einaudi has shown—to take two eminent names—Marshall and Pigou to be impostors. Far from it: his book is not a treatise, and will not appeal to those who expect a book to consist of great gobbets of the final truth. What he has done is to raise in a challenging form the vital question whether economists should give detailed advice about the criteria of taxation before they are entirely certain of the bases of their arguments. Professor Einaudi answers this query with a loud negative.

To him the doctrinaire is an individual to whom wisdom is the solution of theoretical riddles—who pursues the "phantoms" of justice and equality, until there is no certainty, no stability and few incentives left for the unfortunate taxpayer. The wise economist, on the other hand, is he who, when writing for the statesman's benefit, eschews advice if the advice cannot be definitive, and aims only at keeping the statesman's applications of principle efficient and consistent.

For this view there is obviously much to be said; and Professor Einaudi says it in his trenchant exposure of "myth" and his delighted *reductions ad absurdum* of many accepted principles. Sometimes he overstates his case—as when he claims that the supporters of the argument that minimum sacrifice is secured when the State raises money exclusively from the rich would advocate the elimination of all incomes above a certain maximum, and thus impoverish all by the destruction of a potent incentive. And sometimes he provokes easy retorts—by, for example, assuming that the capital value of the return from a certain instrument is reduced by the same percentage as that of the tax to which the return is subjected.

* "Miti e Paradossi della Giustizia Tributaria." By Luigi Einaudi. Giulio Einaudi, Turin. 278 pages. 50 Lire.



It makes no difference that Professor Einaudi's old Italian system (which is recommended in place of our more subtle laws), with its emphasis on fixing a stable sum to be raised from each member of each class of producer, based upon the periodically ascertained average earnings of that class, raises many and difficult problems of its own. The pot's answer to the kettle says nothing.

Finally, it should be added that Professor Einaudi writes with great clarity and a pretty taste in invective. His argument is easily comprehensible, even to those with a limited knowledge of Italian, and the polemics well repay resort to a dictionary.

Shorter Notices

"Brighton's Co-operative Advance, 1928-1938." By W. H. Brown. The Co-operative Union. 2s. 6d.

This book is a small contribution to two important and neglected branches of economic study, namely, the history of working-class movements and the publication of business records. The Brighton Equitable Co-operative Society represents the latest phase of a movement which has passed through several well-marked stages. It was first an association which aimed at founding an Owenite community and took to retail trading as a side-line; then a Joint Stock Co-operative Friendly Society patronised by Christian Socialists; and finally a retail trading association of the modern type. With it have been associated some of the greatest personalities of co-operation, including Dr William King, whose series of tracts in *The Co-operator*, 1828-30, remain an outstanding exposition of the nature and objects of the movement, and G. G. Holyoake, the historian of co-operation. Mr. Brown's present volume includes much valuable material, but suffers from the fact that it is produced partly to celebrate a centenary. The necessity for entertaining casual readers has no doubt prevented the author from making full use of the statistical material to which he has obviously had access.

"Stock Exchange's Ten-Year Record." Compiled and published by F. C. Mathieson and Sons. 588 pages. 20s.

That this is its thirtieth appearance is sufficient proof of investors' wide appreciation of Messrs Mathieson's standard work of reference. The "Record" is on lines that are now familiar; a list of companies classified as in the Stock Exchange Official List, with the highest and lowest prices and dividends paid in each of the last ten years; and particulars of shares or stock outstanding at the beginning and end of the period. For the ready study of prices and dividends over a long series of years, this book with its predecessors is almost unrivalled.

Books Received

Britain and the Dictators. By R. W. Seton-Watson. Cambridge University Press, 460 pages. 12s. 6d.

Brilliant survey of post-war British foreign policy, against a full and sharply defined European background. Reassesses the Peace Settlement and Germany's grievances. Explains the rise and world implications of dictatorships in Russia, Italy and Germany, and the importance of small States. Examines the Abyssinian and Spanish questions, and evaluates British diplomacy.

An Island Community. Ecological Succession in Hawaii. By A. W. Lind. (London) Cambridge University Press. 337 pages. 13s. 6d. net.

Foreign Exchange and Foreign Bills. 11th Edition. By W. F. Spalding. (London) Pitman. 336 pages. 10s. 6d. net.

The History of the Clydesdale Bank, 1838-1938. By J. M. Reid. (London) Blackie and Son, Ltd. 299 pages. No price stated.

Les Opérations des Banques d'Emission sur le Marché libre. By M. Kriz. (Paris) Librairie du Recueil Sirey. 280 pages. 35 francs.

Signpost, 1938. An Independent Guide to Pleasant Ports of Call. (London) Simpkin Marshall, Ltd. 366 pages. 3s. 6d. net.

The Principles of Rational Industrial Management. By J. J. Gillespie. (London) Pitman. 229 pages. 10s. 6d. net.

When Capital Goes on Strike. By A. Dahlberg. (London) Harper and Bros., 90 Great Russell Street, W.C. 218 pages. 10s. 6d. net.

THE BUSINESS WORLD

Background of the Franc

THE new Daladier franc has now been in existence for over a week. The motive behind M. Daladier's devaluation is easy to perceive. Whereas M. Blum tried to bully the French investor into repatriating his capital, M. Daladier has held out to him both a bribe and a threat. In effect he has said, "If you bring your money home at once, you can secure all the profit arising from a rate of approximately Frs. 179—which is a better rate than you had any right to expect, and also a rate rather below the franc's present intrinsic value. But if you delay, I warn you that I will do my best to reduce the rate, franc by franc, and day by day."

So far, this technique has worked, apparently, with fair success. At a rough guess, by the middle of this week some £100 millions sterling (or 18 milliards of Daladier francs) had been repatriated. Over half this sum probably came from London, the remaining withdrawals being divided equally between the Continent and New York. There have also been significant repercussions abroad. In London, the Exchange Equalisation Account has been selling gold to Paris in exchange for sterling, and has so far been unable to use the whole of the proceeds to take over Treasury bills. In consequence, the withdrawal of French funds has temporarily depleted the cash, first of the French banks' London offices and then of the British banks generally. Thus money has had to be called from the market, and so the official buying of bills, which has been in evidence, has come as a welcome easement to the market, as well as providing employment for some of the Exchange Account's cash. Ultimately, the French withdrawals of funds, covered by Exchange Account sales of gold, will entail a diminution both in London bank deposits and in the volume of Treasury bills in the London Market. The final result is the paradoxical one of rendering the banks more liquid, but this week shows that this dual process of contraction cannot be made to keep pace with so rapid an efflux of funds and gold. The immediate effects are described in our Money Market Notes below, which also show that there has been some French dishoarding of British currency.

French funds have also been repatriated from Belgium, and while that country also has ample gold reserves out of which to meet withdrawals, the outward movement comes at an awkward moment. The Belgian Government have been allowing a budget deficit to accumulate without making any attempt to deal with it. Within the last few days this question has suddenly come to a head, but the ensuing political crisis has, happily, now been resolved. From the economic angle, there may have been some tendency to over-emphasise the effect on Belgium of the fresh depreciation of the franc. France is Belgium's neighbour, and admittedly Frs. 160 represents the present-day intrinsic value of the franc better than Frs. 179. Yet Belgian and French trade are complementary as well as competitive, and Belgium to-day attaches far more importance to the relation of the belga to sterling than she does to its relation either to the franc or to gold. Again, a fresh rise in French prices, due to M. Daladier's taxation and other proposals, appears inevitable. This may well amount to at least 6 per cent., which would raise the intrinsic value of

the franc to the equivalent of Frs. 170. This last consideration may equally be commended to British industrial interests.

A new devaluation of the belga appears, on the whole, unlikely. It is true that Belgium is on the gold standard, and that her gold stocks are, consequently, vulnerable. Against this, she has ample gold reserves, both disclosed and undisclosed. At a rough guess, she held at the New Year the equivalent in gold of £150 millions sterling, of which about one-third has since been lost. The brunt of the loss, however, fell on the Belgian Stabilisation Fund. The National Bank only sustained a loss of about £14 millions, and still has in gold and devisen a cover of practically 100 per cent. of the note circulation. Apart from this, Belgium is unlikely to decide to devalue without careful thought, especially as her wages are now at a low level. In any case, she will await the outcome of the negotiations initiated last week in Paris, and will probably also elect to see if the Daladier devaluation is offset by a fresh increase in French prices. The pressure of an under-valued franc will at the worst only develop slowly, and so Belgium can well afford to postpone any crucial decision. It is therefore easy to see why she has contented herself with raising her Bank rate from 2 to 4 per cent., and the rally in the belga suggests that the exchange market has taken the hint.

The real interest of the present position lies in the future of France herself. Already, the Bank of France's discount rate has been reduced from 3 per cent. to 2½ per cent. The Daladier franc has had a flying start, but an answer has still to be given to the question whether it is ushering in a period of stability or sowing the seeds of a new instability. It has given the Government a fresh opportunity for putting the country's finances in order. Thus it affords leeway for a fresh rise in internal prices. It gives the French owner of expatriated capital a bait, and has made the early issue of a Defence Loan practical politics.

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This raises from a new angle the perennial question of French Government finance. On April 9th, we published a summary of M. Blum's estimated needs, and this is repeated below, with slight amendments:—

	Frs. millions
Ordinary budget deficit	4,000
Extraordinary defence expenditure	15,900
Other extraordinary expenditure	6,800
Railway deficit	8,700
Miscellaneous	4,300
Impending debt maturities	10,000
Total	49,700

These requirements, broadly speaking, hold good to-day, but there are already certain off-sets. Thus, M. Daladier's taxation proposals are to raise additional revenue of Frs. 4,000 millions. Since April 9th, Frs. 8,000 millions has been raised in the market and another Frs. 8,000 millions has been borrowed from the Bank of France. A further Frs. 2,000 millions can still be borrowed from the Bank of France, while fresh borrowing powers of Frs. 10,000 millions are envisaged. Thus in one way or another, a total sum of Frs. 32,000 millions has either been obtained or is in sight, reducing the year's prospective deficit to a round figure of Frs. 18,000 millions.

The amount already repatriated has already been estimated at £100 millions, or, again in round figures, Frs. 18,000 millions. How much of this will be available for the new Defence Loan, and on what terms? Part of this repatriated money may be required by its owners as working capital, though in many cases they will be able to rely upon the Government re-armament disbursements for the replenishment of their working capital. Besides, in the absence of a fresh flight of capital, the sums being borrowed from the Bank of France will increase the nation's stock of liquid funds. But M. Daladier is not bound to stake everything upon the single throw by issuing immediately a Defence Loan for anything like Frs. 18,000

millions. He may well choose to see how a smaller initial loan is received. As regards terms, the odds are against M. Daladier including an exchange guarantee, for the implication that the Daladier franc was suspect would be disastrous psychologically. There are rumours of a 4½ per cent. loan at 95, but it might be considered prudent to offer slightly more generous terms.

Can M. Daladier keep French capital at home after he has induced its return? The recent stability of both French wholesale prices and the cost of living suggests that the French price structure is reasonably sound. The main doubt in the mind of the French manufacturer is whether he can keep to the delivery dates laid down in his contract, or whether labour troubles will defeat him. Without such an assurance, the French investor would not be over-disposed to venture his repatriated capital in French industry. This may defeat M. Daladier's fundamental aim of raising French production. For this reason, M. Daladier's proposals regarding labour conditions, and indeed his general attitude to labour, ought not to be long delayed. They are indeed urgently needed to round off his programme.

The United Kingdom and the United States have already accepted the Daladier franc as coming within the terms of the Tripartite Agreement. This is a valuable decision, both in itself and as a gesture of goodwill. How much further this country can go in expressing its sympathy with France's desire to put her financial house in order is at the moment uncertain. That France should be strong and prosperous is undoubtedly in Britain's best interest, but the initial movement towards recovery must come from France herself. We trust that M. Daladier will not be weary in well doing; that he will vigorously continue the reconstruction which he has well begun; and, in particular, that he will announce and initiate the remainder of his recovery programme without undue delay.

Mars and the Stock Exchange

We may well hope that Europe's statesmen will be equal to the task of ensuring that the subject of the following article from a correspondent of "The Economist" shall have only a historical relevance. If, however, there is substance in the current market assumption that a comprehensive political settlement on the Continent would produce a substantial rise in security prices, then "war risks" are clearly one of the factors which the markets discount to-day. A review of the course of values in the last war may thus help investors to measure the extent and probable incidence of those "risks."

WHAT is likely to happen to security prices in the event of war? Are there any principles which would serve to give guidance on the behaviour of stock markets in such circumstances? Can we reach any conclusions on the question whether fixed interest securities are likely to fall more—or less—than ordinary shares? The best method of approaching the problem posed in these questions may be to analyse the experiences of the stock markets during the Great War of 1914-18.

The first and one of the most striking phenomena of that period was the substantial depreciation of prices for Government securities, though it may be argued that in view of the vast borrowings that were taking place, the fall was, on the whole, less than might have been expected. The decline in long-term fixed interest securities may be illustrated from the behaviour of 2½ per cent. Consols:—

AVERAGE PRICE OF CONSOLS, 1913-1922	
1913	732½
1914	742½*
1915	651½
1916	58
1917	541½
1918	567½
1919	541½
1920	471½
1921	48
1922	56½

* Seven months only; Stock Exchange closed on outbreak of war till beginning of 1915

By 1918 Consols had lost a quarter of their value, and they lost considerably more just after the War. But they recovered in 1922, and ten years later were on their way to surpassing the pre-War level. Taking all in all, investors who, playing for "safety," kept to gilt-edged stocks fared reasonably well.

What happened, however, to the general investor? An approximate answer may be based on the indices of security values, under various headings, published in the *Bankers' Magazine*. The table below shows certain figures for July 20, 1914, just before war alarms affected the market; on July 30, 1914, and January 20, 1915, before and after the prolonged closure of the Stock Exchange, and at the end of 1915 and succeeding years:—

INDEX OF SECURITY PRICES, 1914-20
(July 20, 1914 = 100)

	July 30, 1914	Jan. 20, 1915	Dec. 1915	Dec. 1916	Dec. 1917	Dec. 1918	Dec. 1919	Dec. 1920
British and Indian Funds ...	94	91	84	76	75	81	71	63
Foreign Government Stocks	94	90	76	71	71	74	60	49
British Railway Ord. Stocks	95	94	80	76	72	78	71	59
American Railway Shares ...	92	94	109	109	69	81	87	91
Commercial and Industrial...	94	85	73	63	88	100	112	66
South African Mines	84	75	75	80	80	93	125	76

It is a striking fact that in the early period of the War commercial and industrial holdings (mainly equities) depreciated more than Government securities. From 1916 onwards, however, the trend veered in favour of commercial and industrial securities. Their real gain, however, came not during, but after, the War; for it was in the post-Armistice boom that industrials rose and Government securities fell most rapidly. Once the boom was over, there was a complete reversal: ordinary shares suffered a somewhat catastrophic fall in value, while in due course Govern-

ment securities began to revive as Bank rate was reduced. It would seem that any investor who had not acquired the technique of selling somewhere near the top of the market would have found Government securities, on the whole, a better investment than industrial shares during and after the last War. If he had missed the significance of the post-War boom he would have lost heavily in ordinary shares, especially if he had had large holdings in the old-established British export industries.

The moral would appear to be that while, in general, equities are likely to appreciate in periods of inflation and rising prices, this is not necessarily true during war time, when trading conditions are abnormal. At such a time markets are disturbed; industries are taken over; costs may rise faster than prices, owing to shortages of labour or raw materials; and output may be limited or rationed. In any future war, even more than in the last, the output of necessities is likely to be nationalised or rigidly controlled by the authorities, while the output of luxuries may be severely curtailed. In such conditions the investor in industry and commerce will need to exercise great care and discretion if his choice is to be wise and profitable.

To give these considerations a definite application, we may suppose that, at the beginning of any international conflagration, like that of 1914, there would be a fall in industrial shares as great, or greater, than that in gilt-edged stocks. Until war-time profit records begin to be released, there would be no really satisfactory basis of valuation for industrial shares, and the general uncertainty would be bound to have a depressing effect. At the same time, one would expect the authorities to be supporting the gilt-edged market. Subsequently a recovery in equities might be looked for, owing to the rise in the shares of companies which were particularly favoured by the new conditions; and at the same time gilt-edged values would probably be slowly weakening. But at this point unexpected factors would begin to assume increasing importance. Many industries would be taken over, lock, stock and barrel, and the value of their shares might well follow a curve similar to that, say, of railway stocks in the last war. Other industries, including armaments, would probably be sensitive to profit taxes or public attacks on profiteering. Altogether, the rise in industrial ordinary shares might not, while war conditions continued, be very great, particularly as the authorities would have a species of public vested interest in keeping the market for industrial shares as quiet as possible, to minimise its possible interference with their operations in the gilt-edged market.

Finance and Banking

Gold Ban Removed.—The Bank of England notified the bullion market, towards the end of last week, that the ban on forward dealings in gold and on bank loans secured by gold had been lifted. This ban, together with an embargo on dealings in gold coins at a premium over their bullion value, was one of a series of measures taken by the authorities in this country as a contribution towards the defence of the Poincaré gold franc. The Bank's "requests" to the market were intended to discourage the hoarding of gold by French nationals. Another objective was the prevention of speculative sales of francs against purchases of gold, which at the time had become a favourite "hedge" operation with French interests. The various bans failed altogether in achieving their ultimate purpose, and succeeded only in transferring the market in coins to Continental centres, such as Amsterdam, and in driving forward gold operations underground. The ban on dealing in coins was removed during the gold scare of 1937, when the wholesale dishoarding of gold obviously destroyed the last vestige of its justification. The latest decision, which restores virtual freedom to the London gold market, has immediately followed the devaluation of the French franc and is clearly connected with that development and its related phenomena. The return flow of funds to France, and the sales of gold effected this week from

What would be likely to happen immediately after a war, when the authorities had, to some extent, relaxed their grip, and accumulated demands were swinging into action with exceptional force? Some inflationary tendencies there would doubtless be; but it is uncertain if history would repeat itself on anything approaching the scale of 1919 and 1920, with its fantastic financing of cotton and shipping. And there would be at least a possibility that post-war taxation plans would involve a capital levy or some similar measure which would depress industrial markets more than gilt-edged.

It is important, therefore, to stress the dangers involved in any generalisation that if war comes investors should buy industrial shares. There would, however, be two factors in favour of a carefully selected purchase of equity securities. First, in the event of a substantial rise in commodity prices and the cost of living, equity holdings in any industry which was able to share to some extent in the rise would have possibilities as a "hedge," which would be absent from fixed-interest securities. Secondly, an unusually discriminating—and fortunate—investor might be able to find undertakings of secondary importance which, under war-time conditions, would develop into market leaders. One can lay down, fairly closely, the essential conditions for such an investment. The company concerned should be producing something necessary but not vital (for in the latter case it would probably be taken over and controlled). It should be sufficiently important to make the Government encourage it to increase output by maintaining a strong profit motive, but it should be not too conspicuous in the public eye. It should also have an imaginative management which would successfully switch over its operations from war to peace needs when the time came. These requirements are stringent, and the choice of war-time beneficiaries would call more for the qualities of the turf than of the investment adviser.

On the whole, our survey suggests that the task of investing in equities, in time of war, is more delicate and difficult than is generally realised. That equities have a rising trend in a period of rising general prices is a truism; but, in the abnormal conditions of a war, the choice of individual counters would require the utmost discrimination and a decision on the right moment to sell would be even more important. For any major upheaval involves three periods of interruption with the normal flow of business: the first, when hostilities begin; the second, when they finish and "restocking" starts; and the third, when "restocking" is over and normal conditions again emerge.

French quarters, provide sufficient indication that no official measures are needed at present to discourage hoarding of gold. While the ban was in force, forward dealings in gold in London were made conditional upon the provision by the buyer of a statement that he needed the gold for commercial purposes. Although "commercial" requirements of gold, not unexpectedly, showed a considerable increase while the ban was in force, the freeing of the market is none the less expected to lead to a considerable increase in forward gold business.

* * *

April Clearing Bank Averages.—The April returns of the ten English clearing banks reflect mainly seasonal movements. The termination of the financial year means that the period of heavy tax collection has come to an end

B R I T A N N I C
ASSURANCE COMPANY LIMITED
(Established 1866)

Annual Income - - - - - £6,600,000
Funds - - - - - £30,000,000

All classes of Life, Fire, Accident,
Motor and General Insurances transacted

Chief Office: BROAD STREET CORNER, BIRMINGHAM

the discount market is likely to find itself short of Treasury bills.

The Bank Return

This week's Bank return has been revolutionised by the heavy withdrawals of French funds. The note circulation is reduced by £8.3 millions, part at least of which is due to French dishoarding. The Reserve is equally strengthened by £8.3 millions, but so far as French dishoarding is concerned there has been no corresponding addition to bankers' deposits, as the money in question has passed straight through to the Exchange Equalisation Account.

	May 12, 1937	Apr. 27, 1938	May 4, 1938	May 11, 1938
Issue Dept.:				
Gold	318.7	326.4	326.4	326.4
Notes in circulation	479.9	489.3	490.5	482.0
Banking Dept.:				
Reserve	39.6	38.0	36.7	45.2
Public Deps.	32.5	10.9	10.7	36.9
Bankers' Deps.	87.7	113.3	117.5	87.9
Other Deps.	37.2	36.5	36.0	35.5
Govt. Secs.	108.3	114.0	117.8	105.7
Discounts & Advances	5.9	7.1	8.2	7.6
Other Secs.	21.3	19.4	19.3	19.4
Proportion	25.1%	23.6%	22.3%	24.1%

There have also been very heavy transfers of cash from both the British banks and the London offices of the French banks to the Exchange Equalisation Account. The latter had to cover the repatriation of funds to Paris by

means of gold sales to the French authorities, and in payment for its gold received the sterling actually withdrawn, francs being paid out by the Bank of France against its gold purchases as the counterpart. The Bank return shows that the Exchange Account has not yet been able to invest all this sterling in bills, though the week's drop of £12.1 millions in Government securities suggests that the Account may have bought bills from the Bank. The special buying of bills noticeable in the market early this week may also have been on behalf of the Exchange Account, for the Bank return shows no sign of this operation. Even so, last Wednesday the Exchange Account still had considerable surplus cash at its disposal, as public deposits registered an increase of £25.9 millions. The drop of £29.6 millions in bankers' deposits must under-estimate the French withdrawals from banks domiciled in Great Britain, for there are various offsets, including the cash derived from the special buying of bills and also from such part of the contraction in the note circulation which was not due to French dishoarding.

The Bullion Market

Some dishoarding of gold has been noticeable this week, but as a rule it has

been fully offset by fresh hoarding, with the authorities a seller on balance. On Tuesday, however, when the West African and Rhodesian gold was offered, the authorities had to buy. The demand has come partly from Holland and Switzerland, and gold has been bought in fairly large quantities. Sales, on the other hand, have been more of retail dimensions.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Discount	Amt. dealt in	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
May 6	139 8	4 pm	821	18 5/8	18 7/8
" 7	139 8 1/2	3 pm	438	18 11/16	18 7/8
" 9	139 10	2 pm	908	18 11/16	18 7/8
" 10	139 9 1/2	1 1/2 pm	717	18 11/16	18 7/8
" 11	139 11	1 1/2 pm	571	18 11/16	18 7/8
" 12	139 10 1/2	2 pm	375	18 11/16	18 7/8

* Above or below American shipping price. The New York price of silver remained at 43 cents per ounce - 999 fine during the week.

The only feature in the silver market is a slight widening of the premium of cash over forward. This is due to the relative shortage of spot silver in London. There have been attempts to sell forward at 18 1/2 d., with no buyers, but Indian reselling of forward position at a lower price made the market more active on Thursday.

INSURANCE NOTES

Included in the profit and loss debits in the above table are transfers to contingency fund of £50,000 in each of the two years. Total assets of the Northern (excluding associated companies) amount to £17,287,000.

There was a moderate increase in mortgages and loans. Holdings in British Government securities increased from £1,796,000 to £2,045,000 and Foreign, Dominion and Colonial Government securities were somewhat larger. Debenture stocks at £2,327,000, compared with £2,270,000 in 1936. Preference stocks, at £1,204,000, fell by £26,000, but ordinary stocks (excluding shares in subsidiary companies) increased from £1,247,000 to £1,428,000. The market value of the Stock Exchange securities held on December 31, 1937, was "substantially in excess" of book values. Shares in subsidiary companies remain unchanged in the books at £2,742,000. There is a general reserve of £2,000,000 and a substantial profit and loss balance. Total assets in the consolidated balance sheet amount to £25,438,000, of which London and Scottish life assets account for £4,717,000. The dividend is 75 per cent. and costs £228,000, contrasted with available interest earnings of £192,000.

North British and Mercantile Insurance.—New sums assured in the life department were slightly smaller at £5,620,000, and annuity consideration moneys fell from £659,000 to £645,000. The net rate of interest was £3 11s. 9d. per cent. against £3 12s. 10d. per cent. Death claims amounted to £1,002,000, a figure £101,000 smaller than in 1936. Premium income increased from £2,434,000 to £2,527,000 and annuities

paid from £482,000 to £497,000. The fire department premiums amounted to £3,561,000, against £3,402,000, and the underwriting results, although very satisfactory, were not quite so favourable as in the last few years. The premium income of the Railway Passengers, which constitutes the accident department of the company, increased from £1,255,000 to a new record figure of £1,346,000. In the marine department (Ocean Marine) premiums increased from £236,000 to £298,000, while claims were £263,000 against £157,000.

The underwriting results are shown below—

	1936	1937
Amount Percent- of age of Profit Premiums	Amount Percent- of age of Profit Premiums	
Fire	369,286	356,938
Railway passgrs.	138,019	143,055
Fine art and gen.	91,193	54,344
Ocean marine	40,000	40,000
Life	67,460	67,460
	665,958	661,797
Less items deb. to profit and loss account	158,848	238,617
Net trading surplus	507,110	423,180

£1,000,000 has been transferred from profit and loss to increase the additional reserve in the fire account to £3,000,000. Life assurance, annuity and sinking fund assets amount to £32,165,000, £8,263,000 and £534,000 respectively. The total assets, including those of the Railway Passengers, Ocean Marine, Fine Art and General, amount to £62,189,000. In the life balance sheet, there is a further large decrease in policy loans from £2,216,000 to £1,870,000. British Government securities are £130,000 smaller at £9,085,000 and foreign and Dominion Government securities amount to £3,301,000, against £3,526,000. On the other hand, debenture stocks have increased from

£5,016,000 to £5,492,000, preference stocks from £1,211,000 to £1,436,000 and ordinary stocks from £842,000 to £1,148,000. The dividend is 6s. 3d. per share (whether partly or fully paid), which is equal to 25 per cent. of the nominal amount of each share, and costs £520,000, compared with interest earnings, after deducting the cost of the preference share dividend, of £526,000.

General Accident Fire and Life Assurance Corporation.—New life assurances, which are transacted by the Central Life Assurance Company, whose figures are combined in the accounts of the Corporation, amount to £2,844,000, compared with £2,854,000 in 1936. The net rate of interest on the life assurance and annuity funds increased from £3 19s. 3d. per cent. to £4 2s. 6d. per cent. Total premiums in the other branches increased from £8,887,000 to £9,704,000. In the fire branch, premium income was £721,000, against £675,000, and the underwriting results were better even than usual. The accident and general department, which is the most important of the branches, showed an increase of £723,000 in premium income to £8,745,000, and in spite of a heavy loss ratio in motor insurance the results were quite satisfactory for this class of business. Marine premiums, at £238,000, revealed an increase of £47,000, but the results were unfavourable:—

	1936	1937
Amount Percent- of age of Profit Premiums	Amount Percent- of age of Profit Premiums	
Fire	135,754	183,213
Accident & Gen.	405,874	345,583
Marine	22,231	46,219
Profit on sale of investments	30,054	10,144
	549,451	492,721
Less items deb. to profit and loss	421,986	353,933
	127,465	138,788

The total assets, including subsidiaries, increased in the year by £1,544,000 to £19,667,000. After taking into account the investment reserve the book values of current assets (including investments), less liabilities, is £415,000 in excess of market value on December 31, 1937, using rates of exchange ruling on that date. This amount, however, is amply covered by the general reserve fund of £2,000,000. The profit and loss balance, after payment of the final dividend, is £806,000. Among the investments British Government securities increased from £1,265,000 to £1,514,000 and Foreign Government securities from £2,218,000 to £2,843,000. Deben-

tures decreased from £3,998,000 to £3,734,000, but increases were shown in preference and ordinary stocks. The dividend is 70 per cent., compared with 68 per cent. in 1936, and costs £264,000, against available interest earnings of £285,000.

Alliance Assurance.—Fire premium income showed an increase in 1937 from £2,149,000 to £2,176,000. As usual, the underwriting results were extremely good, claims falling from £830,000 in 1936 to £746,000 last year. No fire insurance is transacted in the U.S.A. and a large proportion of the business is in high-class risks in this country. Premiums in the accident department expanded by £122,000 to £1,427,000 and marine premiums by £68,000 to £412,000. The underwriting results are given below:—

	1936	1937
Amount Percent- of age of Profit Premiums	Amount Percent- of age of Profit Premiums	
Fire	354,652	432,613
Miscellaneous	163,430	146,315
Marine	45,070	37,009
Life	51,061	51,481
Trans. Fees, etc.	17,844	19,534
	632,057	686,952
Less items deb. to profit and loss	258,468	344,627
	373,589	342,325

In addition to the profit and loss items included above, £150,000 was transferred in 1936 and £100,000 last year to the reserve fund.

In the life department, new sums assured increased from £3,526,000 to £3,836,000, but annuity consideration moneys were £62,000 smaller at £252,000. The net rate of interest was £3 13s. 10d. per cent. against £3 15s. 6d. per cent. Strong departmental reserves are held. In addition to the usual 40 per cent. of premium income, there are reserves of £2,500,000 and £540,000 in the fire and accident department, while the marine fund is now nearly three times the premium income of 1937. The total assets exceed £41 millions, of which £26 millions refer to the life and annuity funds of the Alliance and its subsidiaries. There is a general reserve of £1,750,000 and the free profit and loss balance, after deducting the cost of the 1937 dividend, is £730,000. Loans and mortgages fell by £785,000 to £11,263,000, but British Government securities increased by £506,000. Debenture stocks amount to £7,146,000, against £6,625,000 and preference stocks to £2,399,000, against £2,179,000. Exclusive of holdings in subsidiary companies, ordinary stocks

increased by £417,000 to £1,823,000. For the eleventh successive year, the dividend is 18s. per share and costs £474,000, against net interest earnings of £356,000.

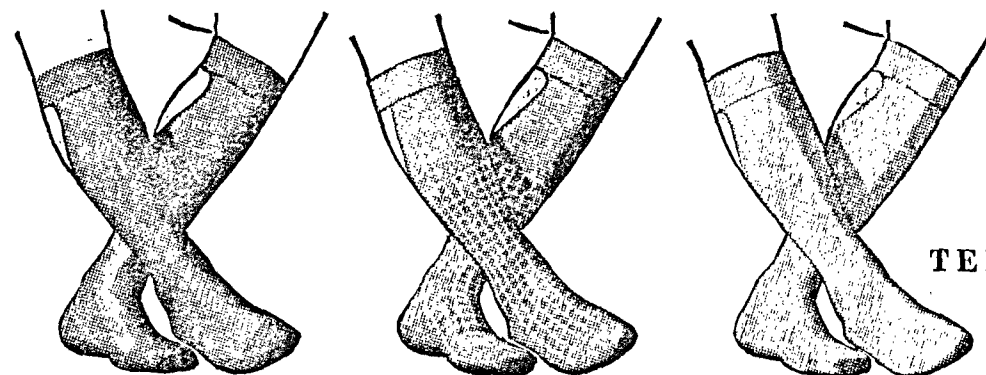
Yorkshire Insurance.—New life assurances reached a record total of £2,855,000 last year, compared with £2,780,000 in 1936. The net rate of interest earned on the life assurance fund was 4d. per cent. lower at £4 3s. 8d. per cent. Annuity consideration moneys fell from £155,000 to £123,000. Fire premium income was practically unchanged at £894,000, but underwriting profits showed considerable expansion and were very satisfactory. In the accident department, premium income increased from £1,336,000 to £1,470,000, but the results were disappointingly small. Marine premiums increased by 26 per cent. to £427,000, but only the amount of interest credited to the marine fund was transferred to profit and loss. The results of the past two years are shown below:—

	1936	1937
Amount Percent- of age of Profit Premiums	Amount Percent- of age of Profit Premiums	
Fire	117,923	142,825
Accident & Gen.	28,885	23,843
Marine	10,129	13,570
Life	13,570	13,570
Profits from Reversions	8,000	8,000
	178,507	188,238
Less items deb. to profit and loss	112,793	119,590
	65,709	68,648

In each of the last two years, £30,000 was transferred to general reserve, which now amounts to £1,195,000. There is also an investment reserve of £100,000. The total assets of the Yorkshire now amount to £16,580,000, against £15,848,000 in the preceding year. The only noteworthy change among the assets was an increase from £3,658,000 to £4,314,000 in mortgages and loans. The dividend is again at the rate of 47 1/2 per cent., free of tax, and costs £139,000, compared with interest earnings of £103,000.

Guardian Assurance.—In the life department, new sums assured last year increased from £1,760,000 to £1,816,000. The rate of interest was 9d. less at £3 16s. 8d. per cent. Annuity consideration moneys showed little change at £86,000. Fire premiums amount to £1,116,000, against £1,137,000, and underwriting results

TENOVA SOCKS need no suspenders



Tenova socks have a band at the top containing Lastex yarn, which is part of the sock itself. The band holds them gently but securely up. For town, 3/6, 4/6, 5/6 and 7/6. For tennis, from 3/6. For golf, 7/6. Black silk for evening, 7/6 and 12/6. Obtainable from good shops for men.

TENOVA
self-supporting socks
Patent No. 323457. Reg. Design 748974
Tenova Ltd., 157-161 Regent St., London, W.1. Regent 2424.

	1936	1937
Amount Percent- of age of Profit Premiums	Amount Percent- of age of Profit Premiums	
Fire	177,854	212,910
Accident	126,633	146,112
Marine	25,000	50,529
Life	...	...
	329,487	409,551
Less items debited to profit and loss	151,106	220,493
Net trading surplus	178,381	189,058

were very satisfactory. The reserve for unexpired risk is 50 per cent. of the premium income, but 40 per cent. has been used in the table given below. In the accident department premium income increased from £1,185,000 to £1,253,000 and a small loss in 1936 (due to motor insurance) was replaced by a substantial profit of £66,000. Marine premiums showed considerable expansion at £331,000 and a small net profit emerged. It is the practice of the Guardian to include investment and exchange profits and losses in the departmental accounts. This practice lacks nothing in soundness, but we have, for the sake of uniformity of treatment, followed the more usual practice of including these items as though they appeared in the general profit and loss account.

The results of the last two years are given below—

	1936		1937	
	Amount of Profit	Percent- age of Premiums	Amount of Profit	Percent- age of Premiums
Fire	158,583	14.0	171,542	15.4
Accident	6,391	0.6	6,559	5.2
Marine	8,256		4,250	
Life	18,545		18,545	
	178,353		259,896	
Less items deb. to profit and loss	117,619		111,548	
Net trad. surplus	60,734		148,348	

The departmental accounts are strong, the fire, accident and marine funds amounting to 156 per cent., 83 per cent. and 155 per cent. of premium income, respectively. The total assets of the Guardian and its subsidiaries amount to £16,467,000, of which £8,687,000 are accounted for by life funds. There was no noteworthy change in the distribution of investments, but some reduc-

tion occurred in British, Dominion and foreign government securities respectively and increases in debenture, preference and ordinary stocks. The ordinary dividend is 110 per cent., compared with 100 per cent. in 1936, and costs £184,000 contrasted with net interest earnings, after deducting the preference dividend, of £150,000.

★

Sea Insurance.—Premiums increased from £139,000 to £149,000 in the fire department, and from £103,000 to £112,000 in the accident department. Losses have been in the normal course of events in the accident department, but last year there was a profit of £2,956, against a loss of £3,105 in 1936. Marine premiums expanded by £105,000 to £570,000, but (as was foreshadowed in the chairman's speech last year) the 1936 account closed less favourably than the accounts of recent years. The results of the last two years are shown below:—

	1936		1937	
	Amount of Profit	Percent- age of Premiums	Amount of Profit	Percent- age of Premiums
Fire	7,456	5.4	4,502	3.0
Accident	3,105	3.0	2,956	2.6
Marine	57,875		34,986	
	62,226		42,444	
Less items deb. to profit and loss	22,524		20,789	
Net trading surplus	39,702		21,655	

Total assets amount to £2,408,000. The profit and loss balance, after payment of the dividend, is £211,000. The dividend is at the usual rate of 17½ per cent. and its cost is covered by interest earnings.

The State (including the British Equitable) Assurance.—The State, which owns the British Equitable, is a subsidiary of the Royal Exchange. It transacts various classes, but not life assurance, and its accounts include the transactions of the British Equitable. The total life assurance premiums of the latter company were £170,000, and the life funds amount to £1,746,000. The expense ratio, although very high at 22.5 per cent. of the premium income, is explained by the relatively large volume of new business, which last year amounted to £835,000. The net rate of interest fell from £4 2s. 10d. to £4 1s. 10d. Fire premiums were slightly larger at £528,000, accident premium income increased from £228,000 to £246,000, and marine premiums from £84,000 to £101,000. The underwriting results are given below for the past two years:—

	1936		1937	
	Amount of Profit	Percent- age of Premiums	Amount of Profit	Percent- age of Premiums
Fire	18,537	3.5	30,802	5.8
Accident	12,148	5.3	8,374	3.4
Marine	3,347	4.0	6,845	6.8
Life	1,814		1,814	
Profit on Invest.	...		2,604	
Less items deb. to profit and loss account	35,846		50,439	
	<u>41,080</u>		<u>47,954</u>	
Net trading surplus	- 5,234		2,485	

Total assets amount to £3,216,000, of which the life assets of the British Equitable account for £1,784,000. A detailed list is still given by the British Equitable of its individual investment holdings. The dividend declared by the State is again at the rate of 25 per cent., and costs £19,000, compared with interest income of £34,000.

Investment

L.C.C. Loan.—The London County Council has become a fairly regular visitor to the London market for large amounts of new money. On Tuesday, the market learned, with a certain regret, that lists were to be opened on Thursday for an issue of £10 millions of 3½ per cent. stock, dated 1968-73 at 101½. Coming after the Australian £7,000,000 issue, of which some 66 per cent. remained to be digested by the underwriters, the announcement proved the signal for an all-round setback in trustee securities. The decision to make so large an issue at this moment, indeed, provided a test of the market's absorptive capacity, which, in the view of many, might have been judged excessive in advance. In the "thin" market conditions of recent weeks, relatively small factors have produced relatively significant effects, and a £10 millions issue to-day is a formidable amount for the market to take in its stride. Yet the loan marks the abandonment of the experimental period of 3¼ per cent. issues, and in terms of redemption yield it offered an appreciable advantage compared with the L.C.C. 3½ per cent. stock, 1952-62, which stood at 104½ before the announcement, to return £3 3s. 6d. to redemption date. The yield on the latest issue, to earlier redemption date, is £3 8s. 6d., but since the first interest payment is not due until January next year, the trustee who requires a fairly immediate return may be attracted to the issue after, rather than before, allotment. In respect of dates, the loan is distinctly "long," and many investors are tending to show a preference for the shorter, rather than longer, dated stocks.

The fate of the loan, therefore, has been received with interest, although a limited response was expected, and the lists remained open for the full time. It does not follow that a smaller issue, on similar terms, would necessarily

provoke the same response, particularly if its life were shorter. But it is evident that the question of size is a highly important consideration at present, which must be treated discreetly if the best response is to be obtained for trustee issues. It would be hasty, however, to reach any inferential conclusions regarding the prospects of new defence borrowing from this week's experience. The modern Treasury technique by which new issues are "nursed" pending their ultimate absorption by the public, is a weapon which other trustee borrowers lack. And the recent strength of the National Defence Bonds, which have now reached 104½, provides a striking illustration of the success of this method. Whether such successes can be repeated indefinitely is another matter, but that they will be attempted again may be regarded as certain.

P. and O. Winding-up Rights.—A question first raised some ten years ago, and revived at the last P. and O. meeting, has now been clarified. The company's charter and regulations are silent regarding the respective rights of preferred and deferred stockholders in the event of liquidation. Opinion was taken ten years ago, which held that preferred stockholders would not enjoy preferential rights as to capital, but would rank rateably with the deferred stockholders in surplus assets. This view has been confirmed by other authorities, who, at the same time, have discussed the division of reserves which might otherwise have been available for dividends. In their opinion, any surplus arising from excess provision for depreciation would not fall exclusively to the benefit of the deferred stockholders. In this case, the ordinary rule of *pari passu* distribution would apparently apply. But counsel suggest that different considerations would apply to free reserves (within

the definition of Article 95 of the company), which would otherwise have been available for dividend; such sums appear to be exclusively applicable to the deferred stockholders. Counsel advise that, so long as the company is a going concern, neither class of stockholder has any right to profits as such, but that the preferred stockholders are entitled to priority distribution of a 5 per cent. cumulative dividend from such part of the profits as the directors deem available for distribution. The directors have circulated these opinions to stockholders; most of the points, of course, would only arise, and could only be finally settled, in the event of a liquidation.

★ ★ ★

Capital Market Doldrums.—During April the capital issue market came to a standstill. In fact, no public issues were made, and our figures show that a number of offers to shareholders were more than offset by apparently large net repayments of National Savings Certificates, which consisted mainly of end-of-year transfers. The following table gives our usual analysis of new money subscribed in recent months:—

(000's omitted) Excluding Conversions					
Monthly Average 1937	United Kingdom	British Possessions	Foreign Countries	Total	
Old basis	£18,603	£1,842	£525	£20,970	
New basis	32,296	5,283	592	38,171	
Monthly Total (Old Basis)	Govt.	Other			
Feb., 1937	150	7,998	1,242	Nil	9,390
Feb., 1938	150	12,001	4,095	Nil	16,246
Mar., 1937	Dr. 200	7,339	2,261	Nil	9,400
Mar., 1938	300	4,266	80	2,399	7,045
Apr., 1937	99,154	8,786	3,129	Nil	111,065
Apr., 1938	Dr. 1,300	125	Nil	Nil	Dr. 1,175
(New Basis)					
Feb., 1937	150	26,416	13,714	1,057	41,337
Feb., 1938	150	13,900	5,422	Nil	19,472
Mar., 1937	Dr. 200	25,672	5,507	Nil	30,979
Mar., 1938	300	10,194	140	2,399	13,033
Apr., 1937	99,150	12,485	11,495	Nil	123,130
Apr., 1938	Dr. 1,300	3,110	478	Nil	2,288

Precedents for a net debit for new capital issues would be hard to find.

★ ★ ★

Industrial Profits in April.—Company reports published last month show that profits continued to increase at a satisfactory rate. April's aggregate net profits for 225 companies were 17.19 per cent. higher, but for the third successive month the rate of advance was not so great as a year ago. The record of net profits and percentage increases is shown in the following table:—

Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year	Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year
1936		£	%	1937		£	%
April	254	38,660,148	9.66	May	255	25,053,946	14.09
May	269	27,354,879	9.41	June	265	43,924,563	21.19
June	214	26,140,561	13.50	July	193	15,260,299	19.62
July	228	14,337,131	15.69	Aug.	62	6,042,402	9.41
Aug.	47	5,562,452	14.21	Sept.	81	7,269,607	27.80
Sept.	107	9,074,987	12.32	Oct.	177	14,884,260	26.97
Oct.	146	8,104,438	18.09	Nov.	206	23,579,407	20.25
Nov.	177	15,591,516	13.49	Dec.	152	18,101,112	14.69
Dec.	175	18,438,723	15.49				
1937		£	%	1938		£	%
Jan.	110	13,222,882	15.92	Jan.	107	13,832,382	19.90
Feb.	208	27,956,588	8.95	Feb.	202	29,792,378	6.52
March ..	307	53,554,168	12.52	March ..	337	56,721,336	9.19
April ..	245	31,712,217	23.36	April ..	225	28,481,318	17.19

* After debenture interest.

Results for April, 1938, were somewhat affected by the excellent performance of the shipping group, whose exclusion would reduce the rise in profits to 12.1 per cent. The next largest individual group—iron, coal and steel concerns—contributed 9 per cent. to total profits and 12½ per cent. of the increase. Substantial proportionate rises were also reported by electrical equipment, rubber, and tea companies. The general evidence suggests that the rate of increase in industrial profits is tending to slacken.

Company Notes

Stewarts and Lloyds Advance.—The full accounts of Stewarts and Lloyds are very satisfactory. The increase in the dividend on the deferred stock from 7½ per cent. to 12½ per cent. on a larger capital had justified the most optimistic hopes of the market, and the accounts reveal a position which is even stronger than had been anticipated. Trading profits have increased from £1,392,310 to £2,506,882, an increase big enough to double the rate of earnings on the deferred stock, despite considerably larger appropriations for taxation and special depreciation. Both sides of the balance sheet show a considerable expansion, the increase in the fixed assets from £9,516,672 to £10,330,826 reflecting the further expansion which has taken place at Corby. The following table analyses the profit recorded during the last three years:—

	Years to December 31		
	1935	1936	1937
Gross profit	£964,685	£1,392,310	£2,506,882
Fees, pensions, etc.	62,150	73,213	76,487
Debiture interest	102,000	127,500	127,500
Depreciation	308,519	418,802*	623,581*
Taxation reserve	—	225,000	550,000
Preference dividend	102,244	100,581	100,443

Deferred shares:—

Earned	389,772	447,214	1,028,871
Paid	200,223	295,410	579,468
Earned (%)	9.7%	11.4%	22.2%
Paid (%)	5%	7½%	12½%

Contingencies reserve	180,000	150,000	150,000
Stock reserve	—	—	300,000
Carry-forward	168,952	170,756	170,159

* Including £100,000 special depreciation in 1936 and £250,000 in 1937. † Tax payable reduced by special claim for obsolescence. § On deferred capital of £4,626,740 in 1935 and 1936 and £5,669,650 in 1937.

Some phrases seldom ring true

"You could have knocked me down with a feather."

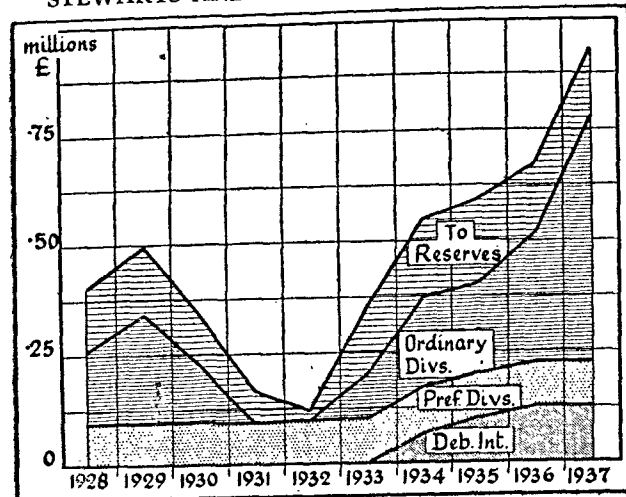


but

YOU CAN BE
SURE OF SHELL

The substantial changes in the company's profit-earning capacity are graphically illustrated in the chart below:—

STEWARTS AND LLOYDS PROFITS, 1928-37.



The latest accounts forcibly demonstrate the importance of timing in new capital development. The company has been able to use the new Corby plant to the full in a period of increased demand. Last year, the tonnage of tube sales actually increased by 11.2 per cent., despite an increase of 6.8 per cent. in the price charged in the home market, and an increase of 31.8 per cent. in export prices. Such a high level of demand can, of course, hardly be maintained indefinitely. The decline in domestic building activity must have some effect upon the company's business. In the export markets, moreover, the fall in purchasing power of primary producing countries, coupled with the "high price" policy of the International Cartel, has already caused a decrease of 29 per cent. in the tonnage of tubes exported in the first quarter of the year, although the value of that tonnage is still higher than a year ago. At the same time, however, the company is progressively developing new uses for steel tubes, and investors may expect the continuance of a satisfactory level of profitability. At 36s., the deferred stock units yield nearly 7 per cent., which appears to discount any reduction in profits which can be foreseen in the near future.

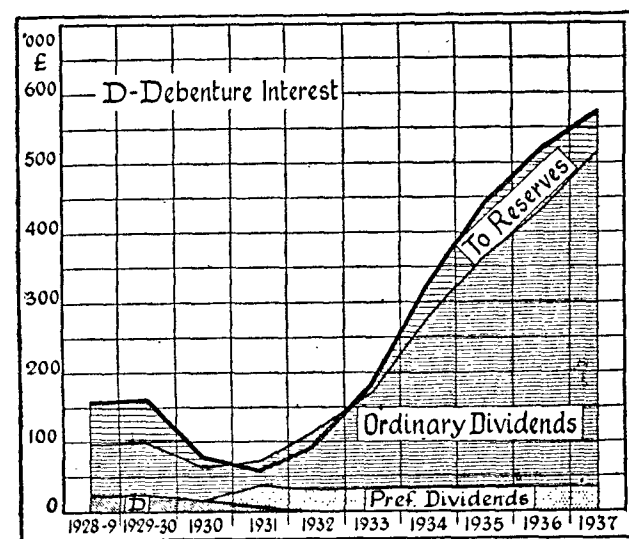
British Oxygen Progress.—The market displayed some disappointment with the announcement, last week, of an increased dividend of 17 per cent. on British Oxygen ordinary. The units, in fact, fell sharply to 3½, on the presumption that, although the company enjoyed a good year, distribution policy had been conservative. The full report and consolidated profits statement confirm this impression. Total profits attributable to the parent company amount to £1,160,181, compared with £995,781—an advance of 16 per cent. Of this sum, increased amounts of £336,294 and £115,212 respectively have been appropriated for depreciation and subsidiary companies' reserves, and the net profits of the parent company (including net amounts received from subsidiary companies in dividends) have increased from £600,279 to £698,774. A doubled appropriation of £100,000 for taxation (in addition to a supplementary charge of £27,500 shown in the parent company's profit and loss account, which has been taken into account in striking the consolidated profit figure) has restricted the increase in ordinary earnings to £53,392, and the 17 per cent. dividend is covered by

earnings of 19.8 per cent. The course of recent profits is set out in the following table and chart, the latter covering a full ten-year period:—

	Years to March 31		
	1935	1936	1937
	£	£	£
Consolidated Results			
Consolidated profits	...	995,781	1,160,181
Depreciation	...	301,409	346,195*
Retained by subsidiaries.....	...	94,093	115,212
Taxation	...	50,000	100,000‡
Staff funds	...	29,327	23,430
British Oxygen Results			
Earned for dividends	442,101	520,952	575,344
Preference dividends	32,500	32,500	32,500
Ordinary stock:—			
Earned	409,601	488,452	542,844
Paid	334,185	401,297	483,013
Earned (%)	17.4†	18.2†	19.8
Paid (%)	15	15	17
Reserves	75,000	75,000	50,000
Carried forward	22,399	34,554	44,385

* Includes £9,901 written off patents by parent company.
† Based on increased capital at end of each year. ‡ In addition, £27,500 provided by parent company for N.D.C.

BRITISH OXYGEN PROFITS, 1929-37.



(The chart covers years to March 1929 and 1930, nine months to December 1930, and calendar years from 1931 onwards.)

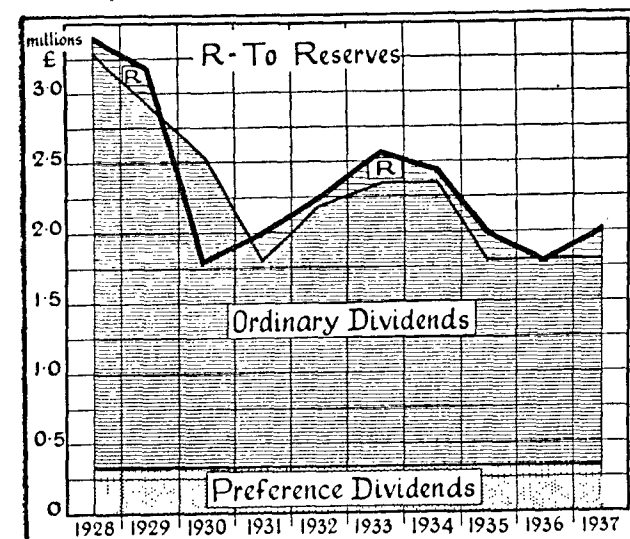
In recent years, the British Oxygen group has made rapid strides. Such acquisitions as Quasi-Arc, Ferro-Arc Welding and the Odda Smelteverk carbide undertaking, coupled with the parent company's extensions of plant, have raised the total book values of fixed assets from £2,319,020 at the end of 1935 to £3,258,602. Since the report records that business showed a continued expansion last year, both at home and abroad, it is evident that the extension of interests has been well justified. It has, moreover, been consolidated by provisions for depreciation which appear generous. Nor have the technical limits of expansion in the company's trade yet been approached. It is true that the rejection of the Caledonian Power Bill, for the third time, appears to set the seal on the establishment of a carbide plant in the Highlands, but from the stockholders' point of view, a development of this magnitude would have required several years for fruition. The company is not immune from depression—in 1931-32, earnings averaged less than 5 per cent.—but it has become more firmly established among the new industries with a rising trend of consumption. Yet the shareholder may still be required to exercise his patience before these ultimate benefits are distributed. The new carbide plant in South Wales will require further expenditure, and since a bank loan of £200,000 appears in the latest balance sheet, the possibility that further capital may be raised cannot be overlooked. As a long-term holding, British Oxygen ordinary, at 3½, appear reasonably valued, to yield £4 16s. 6d. per cent.

J. and P. Coats Report.—After three successive years of declining profits, stockholders were gratified to learn that total earnings increased by 16 per cent. in 1937. Although the 10 per cent. dividend is unchanged, it is covered by the best margin since 1933. The course of profits in the last three years is shown in the table below:

	Years to December 31		
	1935	1936	1937
	£	£	£
Profits after depreciation	2,116,102	1,925,137	2,230,007
Charges and fees	109,762	130,393	152,548
Preference dividends	330,000	330,000	330,000
Ordinary Stock:—			
Earned	1,676,340	1,464,744	1,747,459
Paid	1,475,000	1,475,000	1,475,000
Earned %	11.8	9.9	12.5
Paid %	10	10	10
Exch. Diff. Reserve	250,000	...	50,000
Carry forward	339,365	329,109	551,568

In the following chart, however, the relation of the latest year's improvement to a declining trend of profits, is more clearly evident:—

J. AND P. COATS' PROFITS, 1928-37



The latest results, perhaps, are better than might have been expected. The chairman last year expressed the hope, with inevitable reservations, of some recovery in 1937. But although some export markets improved, the international situation generally has deteriorated, depression in America has deepened, and the effects of war in China must be serious. Such factors are obviously of first importance for a concern which conducts four-fifths of its trade overseas. And if the English Sewing Cotton figures are any guide to home conditions, little benefit was obtained from domestic markets. Last year's recovery was appreciable, yet total profits were not so high as in 1932. Until 1931, a basic rate of dividend of 15 per cent. was declared, usually with a bonus. In 1931, the basic rate was reduced to 10 per cent., and though bonuses were paid between 1932 and 1934, none has been distributed in the recovery period. The interpretation of the company's balance sheet position is necessarily hampered by the fact that interests in subsidiaries account for nearly 75 per cent. of total assets, but a further fall in stocks has reduced their book value during the past two years from £2,301,000 to £1,899,000. The company's position and immediate prospects suggest that the £1 ordinary stock units, at 39s. 6d., are fairly valued to yield £5 1s. 6d. per cent.

Bowater's Paper Developments.—According to reports this week, negotiations between Bowater's Paper Mills and International Paper Company for the purchase by the former of the Corner Brook Mill (which is owned by a subsidiary company of International Paper) have been virtually completed. If the transaction is carried through, it will transfer the control of additional newsprint capacity,

hydro-electric power supplies, and important timber limits in Newfoundland to Bowater's Paper Mills. The negotiations must be regarded as a first stage in the company's development programme in Newfoundland; for it has been engaged for months past in negotiations for the very extensive timber limits in Gander River area, to which the chairman referred at the annual meeting last December. It would, therefore, be premature to assess its potential importance in terms of earnings for Bowater's Paper Mills shareholders, particularly since no details have been divulged regarding the purchase consideration which is contemplated in the Corner Brook deal, and the method by which it may be financed. Shareholders, however, will fully appreciate the background of the negotiations. During 1937, the Bowaters' group was seriously menaced by a sharp increase in pulp prices, and the Newfoundland development scheme is designed primarily to provide it with supplies of raw materials outside the Scandinavian pulp market, in which prices have been effectively controlled by a cartel agreement. In fact, the deal is, to a large extent, an insurance against the possibility of famine prices in the future, and its potential benefits, therefore, are essentially of a long-term character.

Odhams Press Setback.—The recent reduction in the ordinary dividend from 15 per cent. to 12½ per cent. had prepared the market for a setback in Odhams Press profits. Trading profits are, in fact, reduced from £455,246 to £412,521, and other income—mainly dividends and interest receipts—from £154,289 to £94,417. After taking into account a reserve provision of £85,000 in respect of subsidiary companies in 1936, the company's total income has been reduced from £524,886 to £507,266. In their report, the directors state that the reduction is due mainly to the disturbance of trading arising from the Coronation celebrations. The reduced dividend is satisfactorily covered by earnings of £149,115 (against £165,139), which are equivalent to 22.3 per cent. on the ordinary capital. Shareholders may note that the directors' references to the circulations of the principal publications of the group are satisfactory, but they appear to be couched in rather more restrained terms than a year ago, and no reference is made to advertising revenue. The balance sheet reflects the high gearing of the ordinary capital, of which £750,000 is in issue, compared with total prior charges of £2,625,000. A substantial increase in debentures held in subsidiary companies, accompanied by a comparable reduction in amounts due on current account, is presumably associated with the funding of the *Daily Herald* indebtedness to the parent company. A consolidated profits statement would undoubtedly be welcomed by shareholders, in view of the importance of the earnings position of the subsidiaries, several of which have issued prior charges to the public. A yield of 7.4 per cent. on the 4s. ordinary shares, which stand at 6s. 9d. ex dividend, suggests that the immediate earnings prospects are regarded with a certain degree of caution.

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Reckitt and Colman Merger.—The meetings of Reckitt and Sons and J. and J. Colman, held at the end of last week, were distinguished by the announcement of a preliminary agreement for amalgamation between the two companies. Full details are not yet available, but the scheme broadly entails the transfer to a new operating subsidiary, Reckitt and Colman, Ltd., of the trading assets of the two companies, whose already close relations are marked by a pooling and joint trading arrangement for all foreign trade, made in 1920, and for trade in South and Central America since 1913. The board of the new company will be nominated by the holding companies in an agreed proportion (the first directors consisting of the two existing boards), and its capital will be owned entirely by J. and J. Colman and Reckitt and Sons, the latter having a substantial majority interest. The former company, according to Sir Jeremiah Colman's speech last week, has trade connections dating back nearly a century, but the company's shares only became available to the public investor in January, 1935. The short profits record, however, is satisfactory. Book values of the company's assets total nearly £5½ millions, and the issued capital consists of £1,495,620 in 5 per cent. preference shares and £2,007,012 in ordinary shares. Dividends of 16 per cent. have been paid in each of the past three years, covered by earnings of between 23 and 24 per cent. Reckitt and Sons' steady profits record has been familiar to investors for a longer time. The company's total assets are roughly £8,700,000, but the issued capital consists of £372,989 in 4 per cent. debentures and bonds, £500,000 in 4½ per cent. and £909,695 in 5 per cent. preference shares and £3,648,000 ordinary capital. Distributions of 22½ per cent. have been made on the latter since 1929, covered recently by earnings of 26 to 27 per cent. Some products, such as starch, are made by both companies, but in many ways their products are complementary. Sir Jeremiah Colman warned shareholders against expecting too much from the amalgamation in the immediate future, although he anticipated that substantial economies would ultimately be secured. Shareholders of each concern will await the terms of participation in the new operating company with interest. It is a merger which is almost axiomatic, by reason of the coincidence of business interests and of the investment ranking of each of the constituent equity shares.

Union Cinemas Position.—The revelations in the Union Cinemas report to December last (on which we commented in our issue of April 30th, page 251) clearly suggested that the outlook for all classes of shareholders was bleak. At the meeting last week, Mr John Maxwell outlined the new board's policy for the future. It is proposed to carry on the business for a year on the present basis, in order to obtain an indication of the real earning power of the assets, assisted by the utmost economy of management. This decision has been taken with the assent of committees representing both preference and ordinary shareholders. No further capital expenditure will be undertaken, apart from the completion of existing contracts. According to Mr Maxwell's statement, the investigation of certain transactions points towards the possibility of legal action by the company. A considerable improvement has been shown in the recent earnings of the cinemas, but in any estimate of future earnings, it is necessary to take into account a depreciation provision of £50,000, while an amount of £13,000 in respect of interest charged to capital on the construction of new cinemas last year will become chargeable to revenue as the properties are opened. It is clear to-day that the values at which the shares of the original company stood in the market before the merger were inflated beyond reasonable bounds. The case vividly illustrates the inherent weaknesses which may be associated with an amalgamation based largely on comparative share values.

Spillers' Prospects.—Sir Malcolm A. Robertson at last Saturday's meeting provided a full explanation of the recession in Spillers' profits last year, which we discussed

on page 251 of *The Economist* of April 30th. Owing to violent fluctuations in prices, 1937 was one of the most difficult years ever experienced in the grain trade. Since exporting countries no longer had heavy surpluses, a closer adjustment between supply and demand produced unusually sensitive markets. At different periods, grain prices felt the unsheltered force of large Continental purchases, poor Canadian and Argentine crops, Russian sales and good crops in the United States and Australia. Spillers do not speculate in wheat cargoes, but such changes produce serious difficulties in making purchases for day-to-day requirements. In addition, the maize market proved particularly difficult. Nor have trading conditions been comfortable in the animal foods section, for here the company's interests are closely associated with those of the agricultural producer, who has been faced with a sharp rise in foodstuff prices. Deliveries of animal foods, however, reached new records, and the outlook is regarded favourably, especially in view of the proposed Pig Marketing Scheme and the possibility of a poultry scheme. The impression left by the chairman's survey is that the past year's difficulties were exceptional in character and that the company's long-term earnings prospects are unimpaired.

Rhodesia Railways Progress.—Striking improvement is recorded in the results of Rhodesia Railways for the year to September, 1937—the first to cover the amalgamation with the Mashonaland Railway. The broad outline of the year's results was provided in the "Chartered" report last February, which showed that gross revenue increased from £3,637,197 to £4,709,069. After deducting working expenditure totalling £2,776,407 (against £2,519,789) net earnings amounted to £1,932,662, compared with £1,117,408. An advance of 10·18 per cent. in working expenses compares favourably with an increase of 28·54 per cent. in the volume of goods and mineral traffic handled last year. Of the increase of £1,071,872 in gross receipts, £643,404 was derived from minerals traffic, £398,208 from general goods, and £41,050 from passengers. Net revenue amounts to £916,772 compared with a profit of £117,174 (after accounting for a loss of £100,364 on the Mashonaland undertaking) for 1935-36. Of this profit £53,084 has been apportioned to rates stabilisation account, and £863,688 to reserve account, raising the latter to £1,675,657. Since the debenture service requires £1,100,702, an ordinary dividend will now be permissible, under the terms of the 1935 agreement. During the first five months of the current year, gross revenues amount to £2,101,534, and net earnings to £941,871. If the remaining seven months' earnings continue to run at the recent rate, net earnings may exceed £2 millions during the current year. A dividend of £75,000 on the ordinary capital (which is largely held by Rhodesia Railways Trust) is, in fact, virtually assured, and the augmenting of the reserve to the minimum of 2½ times the debenture service would, if these estimates are fulfilled, still leave a substantial balance of approximately £1 million for rates reduction and other purposes. The results will therefore be regarded as encouraging by shareholders in Rhodesia Railways Trust and "Chartered."

Central Mining.—Last year's results of Central Mining and Investment were affected both by reduced income and increased charges, which entailed the resumption of a 12½ per cent. dividend. There was some diminution in dividend income from the shareholdings, and an increase of £25,000 (to £100,000) in the income tax provision, while N.D.C. absorbed £35,000, which was only partially offset by a reduction of £14,000 in general expenses. No revenue appropriation is made to reserve, although this fund is raised to £1,675,000 by the transfer of £125,000 at the credit of preference shares premium account. A depreciation reserve, however, has been opened with an appropriation of £100,000 from profit and loss. The outstanding balance sheet change is an increase in cash to nearly twice the previous year's figure, resulting partly from an expansion of £1,629,720

in the funds of associated companies at the Johannesburg office, and partly from the virtual halving of gilt-edged holdings. By contrast, shares, investments and interests (of which all but 9½ per cent. are quoted) are rather more than £500,000 higher, and their market value, as usual, is "very substantially" above book value. We summarise below the profits and balance-sheet movements of the past three years:—

	1935	1936	1937
Shares, investments, etc.	5,405,000	6,537,010	7,061,990
Gilt-edged securities	2,146,230	3,808,830	1,990,250
Debtors, less reserves	1,895,940	413,210	74,290
Loans	1,535,060	2,644,650	2,092,300
Cash	5,769,150	4,285,830	8,331,900
Creditors and dividend	9,761,840	11,799,120	13,550,750
Dividends and profits received	795,680†	886,410	794,070
Management, etc., expenses ...	58,040	64,050	50,200
Taxes	60,000	75,000	135,000
Net profit	677,640	747,360	694,060
Earnings per cent.*	19·8	22·0	20·4
Dividends, amount.....	475,000	560,000	475,000
Rate per cent. on ordinary ...	12½	15	12½
To reserve fund	175,000	150,000	100,000
For income tax	60,000	75,000	100,000
Brought forward	182,380	177,560	176,120
Carried forward†	177,560	176,120	179,700

* On ordinary capital. † After deduction of directors' percentage. ‡ Adjusted; less Dominion income tax.

During the year the corporation took up its proportion of new capital raised by associated mining companies, and held rights or options on shares in Blyvooruitzicht, City Deep, Durban Deep, Marievale, Palmietkuil, Rietfontein No. 11 and Holfontein. The results of the Australian interests were of a varied character. A record dividend was paid by the Trinidad Leaseholds, and the Venezuelan Oil made broadly satisfactory progress. On the basis of 12½ per cent. dividend, the £8 ordinary shares at £21½ yield 4·7 per cent.

General Mining.—The General Mining report does not add appreciably to the information published in the preliminary summary, discussed in our issue of April 3rd. It is emphasised, however, that the increase in the portfolio of £735,300 to £2,630,050 chiefly represents gold mining shares. Dividend receipts upon these holdings may account for the relatively small decline in profits last year, despite unfavourable market conditions. No details are given regarding the new acquisitions. The Phoenix Oil has been unable to pay any dividend since March last year, but the normal 12½ per cent. dividend of Metal Traders was supplemented by a 17½ per cent. bonus. It has been understood for some time that Central Mining and General Mining have collaborated in certain interests, and that, in certain circumstances, a closer union might be expected. Recent appointments to the directorates of several associated companies mark the completion of these arrangements. On the 25 per cent. dividend paid during the past two years, General Mining £1 shares at £4½ yield slightly over 5 per cent.

Other Company Results.—Our usual analysis of profit and loss accounts on pages 399 and 400 presents the results of more than ninety companies. Rubber company reports are the largest group, but the list includes the results of several important miscellaneous industrial concerns, such as *British Match Corporation* and *Ever-Ready Company*. On page 377 we discuss the results under the heading "Shorter Comments."

THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT
MAY 24 MAY 26

THE market's first inclination this week was to look on the bright side of the Rome conversations, to anticipate Thursday's air debate by buying air-

craft shares, and to maintain quiet but firm conditions in gilt-edged. But the tone has subsequently become easier. The large fall in rail traffics, compared with the pre-Coronation week of 1937, disturbed the ordinary and junior preference stocks, and the announcement of the L.C.C. loan (discussed on page 370) produced a setback in the gilt-

edged market. Turnover has been restricted and price movements of small extent, though generally downward.

Small business was accompanied by steady prices in the *gilt-edged* market at first. On Tuesday morning a modest advance had been recorded before the announcement of the L.C.C. loan, which was followed by small net falls

Company Meetings of the Week.—Reports of the company meetings held this week commence on page 387 of this issue. Sir A. Steven Bilsland discussed the industrial development of Scotland at the *Union Bank of Scotland* meeting. Sir Steven pointed out that the success of the Scottish industrial estate at Hillingdon demonstrated the eager response to facilities for new industries, and he emphasised that the need for new markets had become more urgent with the development of trade restrictions in recent years. Mr Lionel N. de Rothschild devoted particular attention, at the *Alliance Assurance* meeting, to the unsatisfactory position of motor insurance, arising from increased accidents, and costlier claims. Figures cited by Lord Middleton in evidence of the growth of *Yorkshire Insurance* showed that the company's total funds had increased by £691,696 to £15,353,360 and the total assets by £790,546 to £17,323,194. At the *Guardian Assurance* meeting, Colonel Lionel Hanbury disclosed that, at the end of last year, the market value of investments showed a surplus over book values exceeding £1,000,000. The Hon. W. B. L. Barrington, at the *Gresham Life Assurance* meeting, dealt with the adjustment of the Society's Spanish assets in the books; this is reflected in a reduction of the total assets from £10,661,326 to £10,430,134. At the *Gresham Fire and Accident* meeting, Mr Barrington referred to the increased burdens placed upon insurance companies by the recent *Rose v. Ford* decision, and by the inequitable incidence of N.D.C. At the *Licences and General Insurance* meeting, the Hon. Reginald Parker reported that premiums had improved in the motor section, which had contributed a profit to the profit and loss account. The *Spillers* meeting is discussed on page 374. At the *London Electric Wire* meeting, Mr W. J. Terry disclosed that the unspecified contracts brought forward into 1938 were higher than those brought into 1937. Sir Thomas Keens reported at the *Ideal Building and Land Development* meeting that operations were still being carried out on 34 estates in or near London; the company was now operating in Birmingham and Southampton, and enquiries were on hand for other provincial districts. At the *Calcutta Tramways* meeting, Sir Geoffrey R. Clarke expressed the belief that the expenditure of £355,000 on new rolling stock in the past few years had been amply justified. Reviewing the trading position of *Indian Copper Corporation* in 1937, Sir Godfrey Fell reported that, after September, demand revived briskly, and in the current year there had so far been no cause to complain of slack business. Mr C. F. Bell pointed out at the *Boulder Perseverance* meeting that the maintenance of an average value of about 8 dwt. was a wonderful achievement after some forty years' working. A further decrease in mining costs of at least 10d. a long ton is expected from the full operation of the new compressors and winder. At the first meeting as a public company of the old-established business of *F. Francis and Sons*, Mr John Ismay reported that nearly all the different departments showed increases over the corresponding period last year. Presiding at the *Anglo-American Debenture Corporation* meeting, Mr Richard S. Guinness expressed satisfaction that the value of the company's investments remained in excess of book cost. At the *Pataling Rubber Estates* meeting, Mr Eric Miller reported that forward sales had been made for 1938 for 228 tons at just under 11d. a lb. Addressing members of the *Ford Motor Company*, Lord Perry emphasised that to-day the motor industry in this country ranked third in importance, yet nowhere was competition more fierce.

on the day. With this operation overhanging the market, price movements remained small and business became restricted. Modest initial improvements in home corporation scrips were checked for the same reason, and prices were adjusted to conform with the L.C.C. loan terms. Further selling of New Zealand loans was again evident. Among foreign bonds, Austrian issues improved at first, but the entire European list suffered a reverse in mid-week. Far Eastern loans were also offered, while Brazilian bonds were affected by the reports of a revolt against the Vargas Government.

★

Throughout the week, the home rail market has been dismal. Selling has gathered momentum with the adverse traffic trend, and the heavy setback in this week's return—after all explanations of the pre-Coronation comparison—affected the preference stocks to the extent of as much as two points. Argentine rail stocks remained dull.

Except for activity in aircraft shares, the industrial share market experienced a small turnover and slight losses. Iron and steel shares were subdued, most shares shedding a few pence each day. Before succumbing to general influences, Stewarts and Lloyds were a firm feature on Monday on the good report, and Ruston and Hornsby resisted the downward trend in mid-week. Staveley fell after the Markham pit accident. Coal shares were consistently dull, and electrical equipment issues little better. Motor shares were firmer on Tuesday following the March registration figures; Ford improved on the meeting, but the week generally was not satisfactory. Aircraft shares were in active demand on Monday and Tuesday, and most issues went ahead, with Handley Page, Bristol, and de Havilland in the lead. Hawker-Siddeley orders were also active. Some profit-taking, however, occurred in mid-week on the approach of Thursday's debate, and many of the earlier gains were partly lost. Breweries started well on provincial support, but later moved irregularly. Stores continued dull, with narrow movements. The Reckitt-Colman merger was the chief point of interest in the provisions group. Textiles were listless, some support for Coats being followed by a small reaction. Shipping shares were brighter in mid-week, under the lead of Union Castle ordinary. The miscellaneous group was in uncertain mood; price changes were small, and no marked trend was evident. After a fair start, British Oxygen reacted slightly on Wednesday, despite the good report.

★

Though prices were satisfactory, very little business was passing in the oil market. On Monday, however, interest broadened when fears of French selling proved unfounded. Activity slackened later, and in mid-week Paris turned sellers. Burmah Oil responded to the share bonus on Thursday. Despite the small turnover, rubber shares were firm. In the mining market conditions were firm, although activity was at a lower ebb than ever. Kaffirs started quietly, one of the few bright features being Western Holdings on development news. Interest broadened on Tuesday, with some local demand for dividend-payers and Paris support, but

dwindled again in mid-week. Rhodesian coppers started quietly, but with a firm undertone, and on Tuesday provided one of the chief features of the market with good gains. Turnover, however, was small, and conditions quietened later.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargainst	Corr. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
May 6	6,690	10,885	88.7	128.9
May 9	7,160	8,550	88.7	128.9
May 10	6,665	8,550	88.8	128.9
May 11	6,385	60,085	87.9	128.7
May 12	7,370	6,135	87.4	128.7
High...	...	...	97.2	131.0
Low...	...	...	79.4	126.9
			Mar. 12	Feb. 4
			Mar. 16	Mar. 17

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

ACTUARIES' INVESTMENT INDEX

Another small fall has occurred in the Actuaries' index of 151 industrial ordinary share prices. On Tuesday last (May 10) it stood at 68.3, against 68.7 a week ago and 67.5 a month ago. The yields are 5.44, 5.42 and 5.46 per cent. respectively. A selection of the separate indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices, 1938 High
	Apr. 12, 1938	May 3, 1938	May 10, 1938	
Buildg. mats. (6)	79.8	82.3	83.4	87.1
Coal (9)	93.6	94.8	91.6	106.7
Elec. mfg. (12)	115.8	122.2	120.7	129.7
Iron and st. (17)	59.8	57.8	56.8	66.4
Oil (4)	72.8	76.0	80.9	84.9
Home rails (4)	61.0	57.7	55.8	71.0
Stores, etc. (18)	59.1	62.3	61.4	66.4

Group	Yields (%)			Prices, 1938 Low
	Apr. 12, 1938	May 3, 1938	May 10, 1938	
Buildg. materials	6.95	6.77	6.67	75.0
Coal	5.54	5.47	5.68	91.1
Elec. manufg.	5.89	5.62	5.47	111.1
Iron and steel	7.03	7.76	7.73	56.1
Oil	6.88	6.62	6.16	67.1
Home rails	5.35	5.60	5.78	55.8
Stores & catering	5.39	5.14	5.31	56.5

New York

FOR the Wall Street speculator, the market's inability to break decisively through the April resistance points may be disappointing. Market conditions have continued irregular and indecisive. On Friday last week and again on Monday stocks advanced briskly, on a rising turnover, but the readiness to take profits, on an equal volume of trading, is apparent after every recovery. The prospect of Senate opposition to the Wages and Hours Bill heartened the market, and the Tax Revision Bill, which was sent up for signature this week, marks a further movement of the legislative tide in Wall Street's favour. The latter's difficulty in deciding whether the bear market is at an end or not is heightened by the lack of positive industrial evidence pointing towards potential recovery in the near future. Steel output remains unchanged at 30½ per cent. of capacity, according to Iron Age, while power output is run-

ning nearly 11 per cent. below last year's level. Utilities, however, were assisted by the reported agreement between the T.V.A. and the utility companies in its area. New York traction issues advanced, and some demand was reported for speculative rail bonds. Oil shares reflected the unsettled price conditions in certain crude markets.

New York Prices

1. Rails & Transport	Close May 5, 1938	Latest May 12, 1938	Close May 5, 1938	Latest May 12, 1938
Atchafalaya	267½	301½	Briggs	18 18½
Balt. & Ohio	512	612	Chrysler	42 45½
B.M.T.	7 9½	9½	Elec. Autolite	15½ 17½
Can. Pacific	61½	61½	Gen. Motors	30½ 31½
Che. & Ohio	27 29	29	Hudson Mtr	6 6¼
G.N. Ry. Pl.	151½	177½	Nash Kelynt	8 8
Illinois Cent.	814	914	Packard Mtr	4 37½
N.Y. Central	1214	1314	Bendix Avtn.	11½ 11½
Northern Pac.	714	914	Boeing Avtn.	26¼ 25¼
Pennsylv. R.	159	174	Douglas Air	45¼ 47
Southern Pac.	1114	1314	United Aircraft	26½ 27¼
Southern Ry.	714	814	Air Reduction	44½ 46¼
Union Pac.	604½	67½	Allied Chem.	142½ 151½
Greyhound	97½	914	Col. Carbon	61 68¼

2. Utilities and Communications	Close May 5, 1938	Latest May 12, 1938	Close May 5, 1938	Latest May 12, 1938
Am. W. Works	854	1014	U.S. Ind. Alc.	164 19
C. & S.	134	174	West. Elec.	73½ 80
Con. Edison	231½	26	American Can	82 89
Col. Gas & Elc.	6 714	714	Addressograph	191 21
El. Bond & Sh.	7 87½	87½	Caterpillar	40½ 43¼
Nat. Pwr. & Lt.	658	778	Cont. Can.	38 39½
N. American	17½	214	Ingersoll Rand	80 81½
Pac. Gas & Elc.	2514	274	Int. Harvester	57 58
Pac. Lighting	35 38	38	Johns Manville	67 71¼
Pub. Serv. N.J.	271½	329	Am. Radiator	12 12½
Stan. Gas & El.	314	414	Corn Prods.	67 64
United Corp.	284	314	J. Case & Co.	78 80
Un. Gas Imp.	10 10½	10½	Glidden	179 194
Amer. Tel.	128½	1314	G. Am. Trans.	351½ 38
Internat. Tel.	8 9	9	Celanese of A.	134 134½
Westn. Union	22 22½	22½	Ind. Rayon	1714 18
Radio	57½	614	Colgate Palm.	8 9½
" B. Pref.	46½	514	Eastm'n Kdk.	148½ 156
			Gillette	814 814
			Lambert Co.	1014 11
			Loews	4014 42¼
			20th Cen. Fox	21 22

3. Extractive and Metal	Close May 5, 1938	Latest May 12, 1938	Close May 5, 1938	Latest May 12, 1938
Am. Mol. Mill	161½	17	Mont. Ward	314 324
Beth. Steel P.	86½	88	J. C. Penney	61½ 65
Republic St.	131½	143½	Sears Roebuck	5614 5814
U.S. Steel	444½	447½	United Drug	512 5
U.S. Steel P.	964	99	Walgreen	1612 16
Alaska Indus.	104	93	Woolworth	42 44¼
Am. Metal	304	314	Borden	1614 16½
Am. Smelting	3814	3912	Gen. Foods	25¼ 259
Anacosta	2814	2834	Kroger Grey	1414 1414
Bohn Alum.	1912	2084	Nat. Biscuit	21 22½
Cerro de Pas.	354	3714	Nat. Dairy	127½ 134
Int. Nickel	4614	4714	Stand. Brands	714 714
Kennecott	334	3414	Am. Tob. B.	71 71¼
Patino Mines	99	98	Lig. Myers B.	90 91½
Tex. Gif. Sul.	2912	3112	Lorillard	154 169
U.S. Smelt.	5412	5778	Reyn. Tob. B.	36¼ 367½
Vanadium	1514	154	Nat. Distillers	194 204
Atlantic Refg.	22 214	214	Schenley Dis.	1614 174
Phillips Petr.	344	3374		
Shell Union	13 127½	127½		
Socopy Vac.	10114	113½		
Stan. Oil Cal.	2912	29		
Stan. Oil N.J.	4814	4914		
Texas Corp.	374	39		

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

WEEKLY AVERAGES	1938				Apr. 27, 1938	May 4, 1938	May 11, 1938
	Low Mar. 30	High Jan. 12	Low Mar. 30	High Jan. 12			
347 Ind'ls.	75.9	101.5	88.1	87.2	90.3		
32 Rails	19.0	31.4	21.6	21.4	23.2		
40 Utilities	57.7	78.8	67.4	67.0	72.7		
419 Stocks	63.7	86.4	74.0	73.3	76.6		
Av. yield %	8.35	5.16†	5.35	5.38	5.16		
	High	Low					

* 50 Common Stocks. † May 11th.

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

May 5	May 6	May 7	May 9	May 10	May 11
98.0	101.9	101.8	103.8	101.9	102.2

1938 High: 116.9 January 11th. Low: 83.6 March 31.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds \$000's	
May 5	690	5,250	124
" 6	1,020	7,270	197
" 7	560	3,830	106
" 9	1,020	7,120	204
" 10	1,040	7,470	223
" 11	980	7,410	199

* Two-hour session.

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
May 14	11,000,000	497,356	10,662,644
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Intro.	766,187	...	801,462
By Perm. to Deal	...	...	...
Sav. Certs. w/e	...	...	...
May 7	Dr. 100,000	...	...
Year to date	...	...	...
1938 (New Basis)	83,109,379	69,306,526	...
1937 (New Basis)	282,664,733	249,978,191	...
1938 (Old Basis)	59,915,720	47,362,962	...
1937 (Old Basis)	185,402,362	155,347,755	...

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp.	Foreign
1938 (New Basis)	49,837,435	17,039,862	2,429,229
1937 (New Basis)	208,849,903	38,975,148	1,153,140
1938 (Old Basis)	31,747,093	13,216,745	2,399,124
1937 (Old Basis)	146,232,340	9,055,415	Nil

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	39,741,619	4,500,850	25,064,057
1937 (New Basis)	131,131,821	15,179,702	103,600,668
1938 (Old Basis)	32,172,766	2,260,722	12,929,474
1937 (Old Basis)	118,135,223	9,038,215	28,176,317

NOTE.—"Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

PUBLIC OFFERS

London County.—Issue of £10,000,000 3½ per cent. consolidated stock at 101½. Redeemable at par July, 1973, or from 1968 on notice. A trustee stock. Proceeds for capital expenditure. Ranks with other stocks. Estimated population, 4,141,000; rateable value, £61,000,000; rate, 7s. 9½d. Revenue other than rates, £8,500,000; rents, £2,900,000. Gross debt, £119,186,000 or £84,574,000 net (of which £49,000,000 housing).

Holt Brewery Company.—Issue at 101 of £1,000,000 4 per cent. guaranteed debenture stock. Security subject to first debentures, but principal, interest, etc., guaranteed by Ansell's Brewery. Holders of £490,006 5 per cent. second debenture stock may convert into equal amount, receiving £1 10s. cash and 5s. interest per £100. Redeemable by 1980 at 101, or from 1943 to 1958 at 102½ on notice. Surplus of assets, £1,506,868 (after first debentures). Profits, years to September 30: 1935, £91,568; 1936, £94,377; 1937, £112,182. Ansell's surplus assets, £2,771,744. Ansell's profits, years to September 30: 1935, £466,714; 1936, £549,716; 1937, £679,956. Cash lists closed 9.5 a.m. May 10th. Conversion lists closed 9 a.m. May 10th. £20,000,000 was subscribed for this issue.

PRIVATE PLACINGS

Mitchells and Butlers, Ltd.—There has been placed privately £535,000 of 4 per cent. "A" debentures, raising the amount in issue to the authorised total of £1,250,000.

DIVIDEND

ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Pay- able	Prev. Year
BANKS				
Bk. of London & S. Am	2*	...	June 14	Nil*
INSURANCE				
Pioneer Life	1/6 ps	2/3 ps	...	1/9 ps
TEA AND RUBBER				
Aibheel Tea	6†	10	June 11	9
Amalgamated Tea	...	7	June 7	4
Anglo-American Tea	...	10	May 31	6
Assam Cons. Tea	...	5	...	Nil
Batang Rubber	...	4	May 23	5
Bukit Badang Rubber	...	5	May 6	5
Cons. Tea and Lands	10†	13	June 15	10
Derby Tea	10†	15	...	15
East Java Rubber	5†	10	...	8
Glenshiel Rubber	...	10	...	8
Imperial Tea	...	8	...	6
Isa Bheel Tea	1712†	25	...	20
Jetinga Valley Tea	712†	10	...	7
Kanan Hills Produce	121	16	June 7	1212
Lingel Rubber	...	5	June 18	5
Lok Kawi Rubber	...	612	May 26	712
Mahawali Rubber	...	4	...	3
Nordanal Rubber	...	5	June 18	6
Pathini Tea	...	15	...	1212
Petooning Rubber	...	1212	...	10
Sabang Rubber	...	5	...	4
Sapong Rubber	8†	12	...	8
Sungei Chinch Rubber	10†	15	May 18	9
Tangga Batu Rubber	...	3	May 12	212
Tyspane Tea	...	8	May 12	6
INDUSTRIAL				
Advance Laundries	(a) 5†	(a) 712	...	10
Associated Equipment	‡212*	...	May 23	‡212*
Atkinson's Brewery	4*	...	June 1	712*
Bankers' Investment	...	...	...	...
Bentley's Furniture	‡5*	25	May 25	‡5*
Bentley's Food	15†	25	...	17
Bentley's Yks. Brews.	212†	7	...	12
Birkenhead Brewery	4*	...	June 17	4*
Birmingham Trust	...	...	May 31	4*
Boots Pure Drug	...	b 3213	...	29
British Borneo Petm.	712†	1212	June 11	1712
British Elec. Traction	...	e 5	...	e 5
Brit. Hosiery Trust	...	...	...	512
Brit. Shilders Trust	312†	812	...	10
Brown (Guthrie)	5†	...	...	8
Burntisland Shpg.	8†	10	...	...
Camperdown Trust	212*	...	June 1	212*
Chrysler Corporation	50c ps	...	June 14	...
Consolidated Trust	6†	...	...	...
Galloway (John)	6†	10	May 31	12
Electrolux Corp.	40 c.*	...	May 15	50 c.*
Energen Foods	712†	1712	May 20	20
Finlay (James) & Co.	712†	1212	...	20
Fisher and Ludlow	...	20	...	...
Galloway (John)	312†	6	...	10
Gartside's Brewery	5†	10	...	10
Green (J. W.)	4*	...	June 1	4*
Hammonds Brewery	3*	...	...	212*
Howard and Boulough	...	...	...	134
Imperial Coal Trust	812†	1312	...	134
India Gen. Navigat.	...	4	...	4†
Johnson (R.) & Neph.	...	9	...	...
Lake View Invest.	612†	...	...	812
Leeds Pension Ring	...	1212	...	11
London County Propts.	5†	11	...	...
London Brick	5*	...	June 1	5*
London Scot. Amer. Tst	3*	...	June 1	3*
Lions (J.) and Co.	2/10 ps	2712	...	2212
Malikins Trust	2212†	2712	May 23	2712
Manbre and Garton	12†	...	...	...
Marshall & Co.	4†	2	...	20
N.Z.M.T. Agency	...	8	...	...
New England Trust	10†	18	...	18
Nineteen 28 Trust	...	3	June 9	3
Nthn. Amer. Trust	6*	...	June 1	6*
Os. Coal Co.	...	312	...	...
Parkland Infng.	5†	10	...	1312
Peacock's Stores	...	8	...	...
Phipps (P.) and Co.	‡5*	...	...	‡5*
Platt Bros. (Holdings)	...	5	July 1	Nil
Radio Rentals	...	5	July 1	5
Reckitt and Sons	5*	...	June 15	5
Royal Sov. Pencil	5†	712	July 1	712
Rubr. & Tropical Tst	...	...	...	3*
Secnd. Cvnt Gdn Pty	3*	6	June 16	...
Sheldons & Co.	...	712	...	712
Simonds (H. & G.)	4*	...	June 10	4*
Smithweith Forgings	20†	3212	...	30
Steel Coulson & Co.	...	212	May 16	212
Stewart and Arden	...	...	May 24	712
T. S. Coal Trust	3*	7	May 25	2
Third Edinbu. Trust	2†	...	...	2*
Thomas and Evans	7†	10	...	...
Titanium	10†	20	...	1712
Triumph Investment	1212†	15	...	6
Tweedales and Smalley	...	...	...	10
Wales & Co.	812†	...	...	1212
Weber Smith & Hoare	5†	8	...	10
Weymann's Bodies	...	15	...	...
White Horse Distils.	60†	70	...	50

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

(w) Interim dividend. (x) Final dividend. (y) Dividends for full year. (z) Paid in £N.Z. (aa) Allowing for exchange. (ab) Flat yield.
 (ac) Yield on 34% basis. (ad) Based on payment of 2½%. (ae) To redemption at par, in year shown. (af) Yield on 15½% basis.
 (ag) Yield worked on a 5½% basis. (ah) Yield based on 40% of coupon. (ai) Free of Income Tax. (aj) Yield based on 45% of coupon.
 (ak) Yield worked on a 14% basis. (al) 1% paid free of income tax.

* Bid and offered prices are free of Commission and Stamp Duty. (a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Yield on 20% basis. (e) Including bonus of 5% free of tax. (f) Yield worked on a 2 per cent. basis. (g) Calculated at 18½ annas per share of £1.9. (h) Annas pershare. (i) 8½% paid free of income tax. † Free of Income Tax. (j) Yield worked on 35% basis. (k) Highest price 132½ = £225 per cent. dividend on old shares, before 50 per cent. capital bonus. Yield at 25 per cent. = £5 14s. 6d.; at 16 per cent. = £4 6s. 0d. (l) Price on £300,000 more capital than in preceding year. (m) 17½ per cent. cash dividend and 7½ per cent. in deferred ordinary stock. (n) Dividend before the 200% capital bonus 4s. 6d. per share.

Industry and Trade

British Steel Developments.—The returns of iron and steel production in April confirmed our view that, in the absence of a revival in demand, a contraction in output was unavoidable. The output of steel ingots and castings in April was lower than in any corresponding month since 1935. Production last month was 938,600 tons, compared with 1,080,400 tons in April, 1937, and 984,200 tons in April, 1936. Calculated on a daily basis, the output of steel last month was 6 per cent. below the level of a year ago. The output of pig iron, at 661,000 tons, though 19,700 tons lower than a year ago, was still above the level of April, 1936. Unfortunately, there are no signs of a sustained revival in demand. And as stocks, swelled by the heavy imports from June, 1937, to March, 1938, remain substantial, it is difficult to see how the industry will be able to dispose of its output even at the level to which it was reduced last month. The reversion of the steel duties to the higher level at the end of March has now been followed by the removal of pig iron from the free list, to which it was added on March 3, 1937. The former duty of 33½ per cent. was reimposed on May 12th. It remains to be seen whether the re-imposition of the import duty on foreign pig iron will enable producers in this country to maintain the current rate of output.

—And the Steel Cartel.—The decline in the demand for iron and steel has not been confined to this country. In the United States, for example, the output of steel has fallen to 30.5 per cent. of capacity as a result of the lack of new orders. Moreover, many importing countries have substantially curtailed their purchases. Considerable significance attaches, therefore, to the forthcoming

meeting of the Joint Co-ordination Committee of the European Steel Cartel in Rome on May 24th. It is expected that the renewal of certain Comptoir agreements within the Entente Internationale D'Acier will be confirmed at the meeting. It is understood that progress has been made towards a settlement of the dissensions among Belgian producers—caused by the demand of two concerns for higher quotas—which had stood in the way of a renewal of the agreements after June 30th. If the Comptoir agreements be renewed, as is confidently expected, the prolongation of the Entente Internationale D'Acier, and of the latter's agreement with the British industry, will follow automatically. In addition to the meeting of the Joint Co-ordination Committee of the Steel Cartel, the Tinplate Cartel, the Rail Makers' Association, and the International Scrap Convention will also hold conferences. These Cartels undoubtedly face a difficult period, especially as capacity is still being extended in a number of countries.

Lancashire Hit Again.—During the last few months the Lancashire cotton industry has been adversely affected by a number of developments in export markets. The cocoa dispute in West Africa has led to a sharp reduction in exports and, more recently, manufacturers have had to face a substantial increase in Egypt's tariff on cotton goods. This week the suspension of import licences by Colombia for a wide range of textiles has caused alarm. Colombia is an important market for Lancashire cotton goods, the exports of cloth last year being 62,634,000 square yards, valued at £1,477,616. Meanwhile, production in both the spinning and weaving sections is very irregular; some mills have closed down for an indefinite period and others are running only during

SHORTER COMMENTS

(continued from page 377.)

Boots Pure Drug Company.—Net profits year to March 31, 1938, £762,625 (after N.D.C.), against £799,898. Dividends, 24 per cent., less tax, plus 5 per cent., tax free bonus (same). There is also a capital profit from sales of securities of £56,140; a special cash capital distribution of 2d. per 5s. share (not subject to tax) is recommended.

Lake View Investment Trust.—Revenue for year to March 31, 1938, £120,977 (£110,177). To interest and expenses £47,669 (£46,205). To reserve £15,000 (£10,000). Ordinary dividend raised from 8½ to 9 per cent. Carry forward raised from £37,835 to £44,212. Valuation of investments at March 31st showed depreciation of 4 per cent.

Edmundsons Electricity Corporation, Ltd.—The results of the operations of the Edmundsons group of companies during April, 1938, as compared with April, 1937, show an increase of 5 per cent. of units sold.

British Match Corporation.—Net revenue from subsidiaries and associated companies for year to April 30, 1938, £468,242, a decline of £7,843. Ordinary dividend maintained at 7½ per cent. Written off goodwill, etc., £60,000, as before. Carry forward £50,175. Cash stands at £413,823 (£351,822); Government securities at £683,916 (£700,512).

Smith's Potato Crisps.—Profit for year to March 31, 1938, £164,031 (£130,627). Ordinary dividend raised from 27½ to 32½ per cent. To taxation reserve, £15,000; reserve, £10,000 (£20,000); staff pensions, £1,000 (same). Carry forward raised from £43,978 to £48,148.

British Electric Traction Company.—Total revenue for year to March 31, 1938, £669,404, an increase of £83,731. Net profit £55,576 higher at £446,472. Deferred

dividend maintained at 5 per cent. but is on a capital increased by the previous year's 10 per cent. bonus. This bonus of 10 per cent., tax free, is repeated, in £1 deferred shares. This leaves £185,323 to be added to undivided profits account, against £138,659, making £1,721,277.

Eno Proprietaries.—Profits for 1937 fell from £210,724 to £186,535. Transferred from tax reserve, £17,000, no longer required, making £203,535. To income tax and N.D.C. £50,153 (£52,404). Ordinary dividend reduced from 13 to 11 per cent. To reserves: for foreign assets, etc., £6,872; advertising, £10,000; depreciation of British Corporation Stocks, £3,268. Carry forward £43,426, against £32,529.

Ever Ready Company (Great Britain).—Profit for year to March 31, 1938, £531,575 or £4,242 higher. To reserves: £146,721, against £112,059. To staff fund £6,229 (£8,958). Ordinary dividend maintained at 35 per cent. on increased capital. No bonus distribution, against 10 per cent. a year ago. Carry forward raised from £63,417 to £68,402.

British-Borneo Petroleum Syndicate.—Net profit for year to March 31, 1938, £48,462, a reduction of £20,128. From taxation reserve, £5,000. To reduce book value of investments, £43,875. Ordinary dividend reduced from 17½ to 12½ per cent. Carry forward reduced from £44,758 to £21,533.

Ocean Coal and Wilsons.—It is proposed to write down issued ordinary capital from £5,000,000 to £4,000,000. The £1,000,000 thus available will be used to write down holdings in United National Collieries by £881,430 to £279,553 (equal to 5s. 4d. per ordinary and 20s. per preference share) and in other subsidiaries. Remaining capital of United National Collieries is to be acquired, to facilitate merging of subsidiaries

into one operating company. United National preference holders offered per £1 share 12s. preference and 8s. ordinary shares in Ocean Coal reorganised capital, and ordinary holders, 5s. 4d. ordinary. The Ocean Coal Report, 1937, shows balance for disposal £388,990, as compared with £311,725. Ordinary dividend raised from 2 to 3½ per cent.

International Nickel Company of Canada.—Net profit first three months of 1938 \$10,113,764, or 66c. per common share after preferred dividend. This compares with \$11,355,243 for the last quarter of 1937 (74c. per common share) and \$11,714,956 (77c. per common share) for the first quarter of 1937. Consolidated balance sheet at March 31, 1938, shows current assets at \$87,912,635 (including \$50,609,125 cash). Total of earned and capital surplus now \$133,898,367, against \$131,557,162 at December 31, 1937.

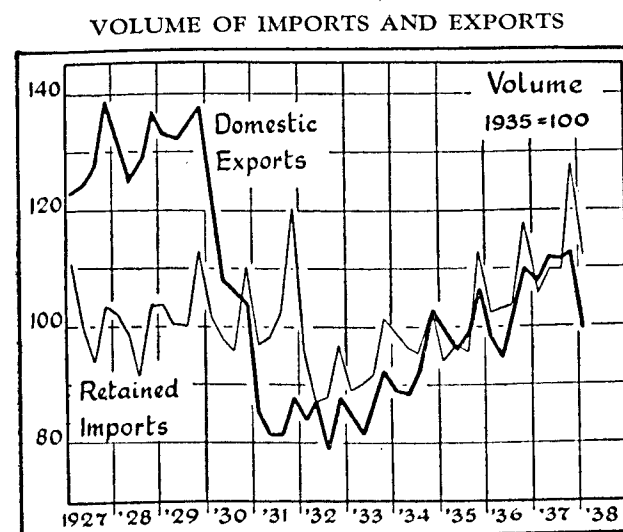
Radio Corporation of America.—Consolidated statement for March quarter, 1938, shows net income of \$2,820,547, against \$3,503,766 for first quarter of 1937. After interest, depreciation, amortisation and taxes, net profit was \$1,437,801, against \$2,243,056, and after preferred dividends, balance for Common Stock was \$631,708, against \$1,436,964, equal to \$0.045 per common share, against \$0.103.

Burmah Oil Company Limited.—The directors of the Burmah Oil Company have decided to write up its holdings of Anglo-Iranian Ordinary stock and to distribute a capital bonus of one new £1 share for every two £1 units held, ranking for dividend as from January 1, 1938. The final dividend is 17½ per cent., and, with a cash bonus of 7½ per cent., the year's total is raised from 27½ per cent. to 30 per cent. Profits have risen from £3,488,035 to £4,162,285. Reserve receives £960,513 (against £500,000), and £637,271 will go forward, against £647,155.

alternate weeks. Output is now at very little more than 50 per cent. of capacity. Moreover, stocks are heavy and there are no signs of an early improvement.

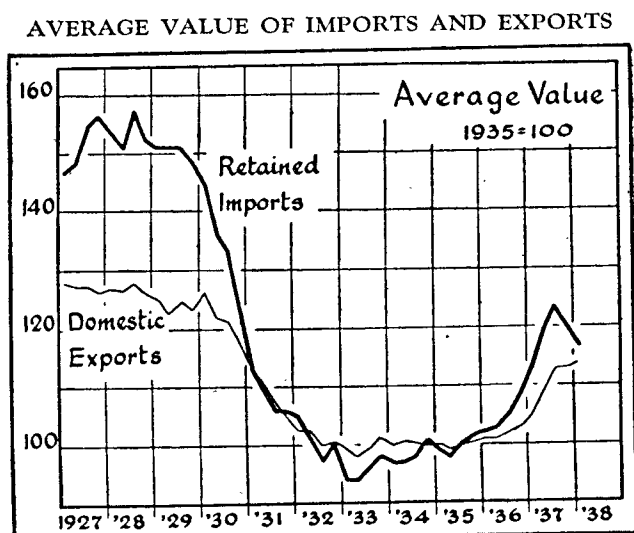
Road Transport Wages.—The Government's Bill to regulate the wages of more than 600,000 road transport workers engaged in the carriage of goods is being pressed forward with commendable speed. This measure, which was analysed in *The Economist* on April 23rd (page 181), received a second reading in the Commons on Wednesday without a division. It substitutes the Ministerial enforcement of decisions arrived at by a Central Board representing both employers and employed, including independent members, and advised by eleven area boards, for the inadequate conciliation machinery established in 1934 to deal with the employees of 62,000 public and limited carriers. These workers, who are largely organised in trade unions, are also to be the first recipients of statutory paid holidays. The men who work for the 186,000 private carriers, whose haulage activities are ancillary to other trades, are almost wholly unorganised, and were excluded from the tentative wages provisions of the 1933 Act. Only 60,000 of these private carriers are covered by wages agreements. Under the new Bill, private carriers' employees may apply, individually or through a trade union, to the Minister of Transport for the adjustment of their wages, and the Minister may then refer the matter to the Industrial Court. The Court's duty will be to enforce collective agreements where they exist, and, in the case of the 126,000 private carriers not so covered, to fix reasonable rates of wages when appealed to, using the remuneration given for corresponding work in the same trade as their criteria. On the one hand, the Bill, which has been welcomed by all parties, will strengthen collective bargaining; and, on the other, by including the employees of private carriers, it will strike in a salutary fashion at the basis of unregulated conditions and low wages, on which much road competition still rests to the detriment of industrial welfare and public safety.

Volume of Overseas Trade.—The course of the volume and value of our overseas trade reflects the interplay of domestic and international economic developments. The accompanying diagram, based on the Board of Trade's quarterly indices, shows the trend of the volume of retained imports and domestic exports since 1927. The volume of exports, it will be seen, never fully recovered from the setback experienced in 1929–32, but imports have not only reached, but surpassed, their pre-depression level. The lag in the recovery of exports is due, in a large measure, to the widespread restriction of the international flow of commodities and to the growth, in importing countries, of the manufacture of cotton goods and other commodities formerly exported on a large scale by this country. The marked increase of imports, on the other hand, is a reflection of the expansion of domestic activity between 1932 and 1937.



In the summer of 1937 world production and new civil investment for commercial purposes in the home market took a downward turn. The change of trend was not immediately reflected in the volume of retained imports, which continued to expand until the end of the year. The volume of domestic exports, on the other hand, did not show its usual seasonal increase in the last quarter of 1937. But in the first quarter of 1938, both imports and exports showed a sharp decline which cannot be explained by seasonal influences alone. Compared with the corresponding quarter last year, the volume of domestic exports in January–March, 1938, showed a decline of 8 per cent., but retained imports, despite their fall, were still 5.1 per cent. higher. The persistent downward trend of new orders secured by industrialists points to a further decline in both imports and domestic exports.

The Terms of Trade.—The trend of average import and export prices, reflecting changes in the terms of trade, is shown by the second diagram, based on the Board of Trade's quarterly indices. The average value of retained imports, consisting largely of foodstuffs and raw materials, declined much more heavily in the depression than that of domestic exports, which consist mainly of manufactured goods. Neither import nor export prices fully recovered from the decline in 1928–33.



In the summer of last year average import prices took a sharp downward turn, which, by reducing the purchasing power of overseas countries, led to the fall of the volume of exports shown in the first diagram. The cheapening of the raw materials of British industry has slowed down, but not yet arrested, the rise in average export prices. British conversion costs, in other words, showed a further, if modest, increase in the first quarter of this year. Last summer, the terms of trade thus again changed in favour of this country. And, since falling import prices are usually accompanied by a reduction in the volume of exports, we have again entered the period of rising real wages and falling employment.

Control of Hops Production.—Of the various Marketing Boards dealing with milk, pigs, potatoes and hops which have been established in Great Britain by the Agricultural Marketing Acts, only the two latter control

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LIQUEUR BRANDY
MATURED AND BOTTLED AT CHATEAU DE COGNAC

the output of the individual producer. When the Hops Marketing Scheme—the earliest to be formed—was established in 1932, the dislike for any form of production control was sufficiently strong to cause the deletion of the original clauses providing for basic quotas for each producer. Two years later, the scheme was amended to include such powers for an experimental period of five years, which ends in July, 1939. A Committee was appointed last February to consider the future of these provisions and its Report has just been published. The Committee is of the opinion that some control of production was essential in the peculiar conditions of the hop industry. There is only one outlet for hops—breweries—and the brewers' demand is highly inelastic. Consequently, even a small surplus or deficiency in production is likely to cause enormous variations in price. Further, a hop plant does not bear fully until its third season and has a productive life of 10-15 years. Hence, adjustment of productive capacity to changes in demand is slow. During the last four years the hop growers have in fact been assured a stable market at a fixed price for all the hops the brewers will buy, and both parties seem satisfied with the existing arrangements. The Committee has therefore recommended that the quota provisions should be continued on the present basis, with minor modifications, for a further seven years until 1946.

Employment in Agriculture.—The trend of wages in agriculture was discussed on page 320 of last week's issue of *The Economist*. The course of employment, shown in the table below, is equally interesting. Although the earnings of agricultural labourers fell little during the depression and have since increased with the rise in the cost of living, there has been a continuous fall in employment on the land. Between 1929 and 1933 the total number employed fell by 7 per cent. and the rate of decline increased during the subsequent recovery from the depression.

NO. OF AGRICULTURAL WORKERS* IN ENGLAND AND WALES ON HOLDINGS OF 1 ACRE AND MORE

	June, 1929	June, 1933	June, 1937	Percentage change from June, 1929	
				June, 1933	June, 1937
Regular workers:—					
Males, over 21	451,706	422,519	394,800	- 6	-13
Males, under 21	125,267	113,589	94,500	- 9	-25
Females	67,004	59,603	46,200	-11	-31
Total, Regular ...	643,977	595,711	535,500	- 7	-17
Casual workers:—					
Males, over 21	79,619	78,531	57,900	- 1	-27
Males, under 21	11,278	10,924	7,300	- 3	-35
Females	35,378	30,380	30,400	-14	-15
Total, Casual ...	126,275	119,835	95,600	- 5	-24
Total Workers ...	770,252	715,546	631,100	- 7	-18

* Excluding the occupier, his wife and domestic servants. † Provisional figures.

The drift from the land has been most marked in the case of youths under 21 years and casual workers.

But the decline of 18 per cent. in employment during the past eight years has not been accompanied by a reduction in production. The latest figures of the Ministry of Agriculture show that the agricultural output, when valued at the prices ruling in 1930-31, increased steadily until 1934-35. Since then there has been a slight reduction in livestock and products and a more marked fall in farm

AGRICULTURAL OUTPUT VALUED AT 1930-31 PRICES					
	1930-31	1933-34	1934-35	1935-36	1936-37
Live stock and products	100	114	115	119	117
Farm crops	100	110	118	105	102

crops, due largely to smaller wheat, oats, and potato harvests. But the output of livestock products is still much, and that of farm crops slightly, larger than in 1930-31. This high output has been achieved by an increase in the

production per man employed, which has been rendered possible by the growing use of machinery and by better organisation of farm work.

Slump in Oil Tanker Rates.—The 1932-4 slump in freight rates for oil was partly responsible for the formation, in February, 1934, of the Oil Tanker Pool. The main object of the Pool was declared to be the stabilization of freight rates, but in this respect its operations have not apparently been successful. Freight rates remained at a low level until early in 1936, when a rise took place which culminated in the spring of last year.

TANKER FREIGHT RATES
(Per long ton)

	Gulf to U.K. and Continent		Black Sea to U.K. and Continent	
	Clean	Dirty	Clean	Dirty
1933—Lowest	s. d. 8 1	s. d. 7 0	s. d. 6 6	s. d. 6 1
1936—Highest	15 0	14 6	13 6	14 6
1937—Highest	35 0	35 0	30 0	30 0
1938—Early January ...	32 6	25 6	20 0	20 0
1938—End April	16 0	16 0	13 6	12 0

Since then rates have again fallen to about half the peak level. As the demand for tanker space is very small at the moment, it is quite possible that the lowest level has not yet been reached, although the recession seems already to have been carried far. According to Lloyd's Register of Shipping, the oil tanker tonnage last June was only 16.5 per cent. larger than in 1930, although the world demand for oil has more than doubled in the interval. Recent launchings and the tonnage under construction are not large, so that any sustained revival in international oil shipments may easily lead to another abrupt jump in rates. The market is definitely unstable and the Tanker Pool seems to have little control over the situation.

Wholesale Prices Lower.—The past fortnight has witnessed a further weakening of wholesale prices in both England and the United States. The movement is not very pronounced, but it has sufficed to carry most of the indices to new low levels since the beginning of the present recession. *The Economist* index number of British primary products, however, is still no lower than it was at the end of March. The French index for May 6th registers an advance of 3.1 per cent. during the previous fortnight. This index just pre-dated the advent of the Daladier franc, and so a further advance may be expected.

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Date	The Economist Indices			Price of Gold (ster- ling)	U.S.A., Irving Fisher	France, Statist- ique Géné- rale	Italy, Milan Cham- ber of Com- merce	Ger- many, Statist- isches Reichs- amt
	British Complete Index (sterling)	Primary Products						
		British (sterling)	American (dollar)					
1936 Dec. 30th	131.3	163.9	187.3	166.7	128.8	113.0	116.3†	95.4
1937 Jan. 27th	134.2	164.2	184.5	167.0	131.0	115.9	...	95.7
Feb. 24th	136.3	168.2	185.5	167.4	131.8	116.8	124.3	96.2
Mar. 31st	144.3	181.9	199.7	167.4	137.3	121.8	126.2	97.5
Apr. 28th	142.0	169.9	183.5	165.4	135.6	120.5	128.7	97.0
June 2nd	142.7	170.2	178.9	165.6	134.3	119.8	133.2	97.5
June 30th	139.5	165.9	176.8	165.7	134.1	119.8	134.2	97.5
July 28th	140.2	167.1	171.8	164.5	133.8	130.8	137.1	97.9
Aug. 25th	137.9	164.4	165.3	164.2	133.0	133.3	137.1	98.1
Sept. 22nd	136.0	164.0	166.3	165.1	133.7	130.4	137.7	97.6
Oct. 20th	133.6	156.2	152.3	165.4	129.5	138.8	141.6	97.3
Dec. 1st	127.5	145.4	138.9	164.8	125.1	134.0	143.3	97.0
Dec. 29th	127.8	147.4	135.3	164.2	120.5	135.8	143.8	97.0
1938 Jan. 5th	128.9	148.2	136.8	164.5	120.6	137.4	143.6	96.9
Jan. 19th	127.8	146.5	137.7	164.3	120.9	138.1	143.5	96.9
Feb. 2nd	126.6	144.4	135.4	164.5	119.8	137.9	142.9	97.0
Feb. 16th	125.0	141.7	136.8	164.5	119.5	138.1	142.4	96.9
Mar. 2nd	125.1	143.1	138.7	164.5	120.3	138.1	142.5	97.2
Mar. 16th	123.9	140.8	134.8	164.5	119.3	139.9	142.5	97.2
Mar. 30th	122.7	137.0	129.3	164.6	117.7	139.4	141.7	97.1
Apr. 12th	122.6	137.8	130.6	164.6	117.6	139.9	141.5	97.0
Apr. 27th	121.4	137.8	127.5	164.3	116.9	139.9	142.8	97.0
May 11th	121.3	137.0	126.1	164.6	116.7*	144.2*	...	97.0*

* These figures relate to May 4th. † Monthly average.

The following table shows the movement of the various groups comprised in *The Economist* index number:—

	The Economist INDEX (1927 = 100)			
	Sept. 18, 1931	May 19, 1937	Apr. 27, 1938	May 11, 1938
Cereals and meat...	64.5	94.6	85.5	87.5
Other foods	62.2	68.4	60.2	59.8
Textiles	43.7	73.8	54.0	53.2
Minerals	67.4	107.1	92.0	91.8
Miscellaneous	65.8	86.7	76.5	76.1
Complete index	60.4	86.0	73.3	73.2
1913 = 100	83.1	118.4	100.8	100.8
1924 = 100	52.2	74.3	63.3	63.3

British grain and potatoes have risen in price during the past fortnight, and maize and rice are also dearer, but Canadian wheat is cheaper. Beef and bacon prices have fallen. There were declines in tea and cocoa and a further advance in butter. Textile prices are generally lower, while non-ferrous metal prices have also fallen, with the exception of tin. Among miscellaneous materials, hides are firmer, but Swedish timber, leather, linseed oil and creosote were all cheaper.

INDUSTRIAL REPORTS

The general trend of industrial activity remains slightly downwards. Moreover, there has been no improvement in the volume of commercial domestic or export orders. The output of coal and iron and steel is now below the level of a year ago. As our Cardiff correspondent reports this week, collieries in South Wales are unable to dispose of their current output and stocks are already substantial. The lull in new orders for iron and steel persists, and stocks remain heavy despite the curtailment of output. It remains to be seen how far the re-introduction of duties on pig iron on May 12th will relieve the position. There has been no improvement in the cotton textile trade, and current production of yarns and piece-goods is at only 50 per cent. of capacity. As a result of the steadier tendency in raw wool prices, the wool textile trade is a little more confident.

Coal

Cardiff.—Conditions on the Cardiff coal market are more depressed than they have been at any other period this year. Current business is almost exclusively limited to long period contracts; but owing to the expiration of some of these and the extreme scarcity of new orders, collieries are unable to dispose of their current output, and stocks are abnormally heavy. At the South Wales ports last week shipments in the foreign and coastwise trades totalled only 330,400 tons, compared with 385,360 tons in the corresponding week last year, and with the peak weekly total in 1937 of 492,400 tons in July. Loading, however, has been a little more active during the past few days. Prices are nominally unchanged, though it is understood that a little more elasticity has been introduced into the policy governing new permit prices.

Glasgow.—The export market has brightened a little during the week. So far not much new business has been booked, but increased inquiries, chiefly from Scandinavian markets, have given encouragement to the collieries. In the local market the feature has been the sharp contraction in the household trade caused by the extraordinary run of good weather. This has caused a glut

Commodity Statistics: A New Service.—The attention of our readers is directed to the page of commodity statistics which appeared for the first time in last week's issue of *The Economist*, and will henceforth be a regular feature of our Industry and Trade section. This week's table appears on page 385, and includes tables of coal production by districts, of raw cotton delivered to spinners, of the turnover on the London Metal Exchange, and of stocks of the principal metals in the official warehouses in this country. In addition, there are tables showing the origin and destination of world wheat shipments, exports of maize and linseed, and sales of British cereals. Other commodities for which statistics will be given regularly include bacon, cocoa, coffee, meat, pepper, sugar, tea and rubber. These weekly tables supplement the monthly statistics on commodities which have been given in our monthly *Trade Supplement* since January, 1937. They are presented in pursuance of our desire to provide a regular, comprehensive and up-to-date summary of information likely to be of service to the merchant, the industrialist and, last but not least, to the general reader of *The Economist*.

of supplies in various directions, and prices have only been upheld by official control. Coastwise trade to London and other centres is slackening. The price trend remains easy.

Sheffield.—The reduction in the pithead prices of house coal has had little effect so far, demand continuing to be poor. The lull in the lighter steel trades and at rolling mills has weakened the demand for industrial coal, but this is regarded as temporary. One South Yorkshire colliery working the Barnsley seam has been closed indefinitely. It is understood that work is to be concentrated on a neighbouring pit which has been completely modernised. Domestic coke orders are fewer, and with reduced production of pig iron, demand for blastfurnace coke is weak. Prices of patent-oven coke are barely steady. Interest in graded coke for works and central heating is quiet.

The export market continues unsatisfactory, although a few more inquiries have been attracted by the general lowering of prices. Supplies of all grades of steam coal are ample, but they are not much inquired for in the face of foreign competition. Prices are unchanged.

Newcastle-on-Tyne.—A certain amount of business continues to be booked in North-East coals with countries subject to trading agreements, but the market generally is quiet, the easier trend being a great disappointment to producers after the active conditions experienced last year. North-umbrian collieries producing steam coals have difficulty in securing trade to provide a full week's work; in Durham, collieries producing coking coals have good order books, but others are short of business. The coke market is inactive, there being no inquiry from abroad.

Iron and Steel

London.—According to the weekly report of the London Iron and Steel Exchange the iron and steel markets continue rather inactive, although the principal consuming trades are taking large tonnages of material. The lull in

new business, however, persists, and in most departments orders are being disposed of much more quickly than fresh contracts are being obtained. Whilst this applies to the trade generally, the position at the heavy steelworks is somewhat better than in the lighter branches where the demand is affected by substantial stocks.

In the pig iron department large accumulations exist at both producers' and consumers' works, and new business is not likely to be transacted upon an important scale until these have been considerably reduced. Imports of foreign pig iron have practically ceased and home production has been restricted.

Similar conditions rule in the semi-finished steel department. The demand for finished products is slack, and as a consequence the stocks of semi-manufactured goods at the consumers' works are being only slowly absorbed.

In the finished steel market the demand is steady, but is showing few signs of developing fresh strength. Most of the steel works have sufficient orders in hand, however, to keep them well occupied for some months. Export business is quiet; but the recent interest shown by overseas buyers appears to have been maintained.

Sheffield.—There has been little business in the iron market this week, and pending some announcement regarding prices consumers are pursuing a waiting policy. Such transactions in foundry and forge as take place are of small importance, consisting of limited parcels for early delivery. Stocks at furnaces are increasing in spite of reduced output, and the decision of the Government on the suggested national reserve of pig iron is awaited with a certain amount of anxiety. A good many contracts will expire in June, but so far there have been few renewals. There is a quiet but fairly regular demand for hematites, particularly for special qualities. There is no change in the finished iron position.

Good business continues in the steel market, although the demand for basic billets is somewhat less pressing than

(Continued on page 386)

COMMODITY STATISTICS

	May 4, 1938	May 11, 1938
GOLD , per fine ounce	s. d. 139 6 ¹ / ₂	s. d. 139 9
SILVER (per ounce)—		
Cash	1 6 ¹ / ₂ 1	1 6 7
MISCELLANEOUS		
CEMENT , best Eng. Portland, d/d site, London area, in paper bags 20 to ton (free, non-returnable)—		
4-ton loads and upwards ...	42s.	per ton
CHEMICALS —		
Acid, citric, per lb., less 5% ...	s. d. 1 0	s. d. 1 0
„ Nitric	0 2 0	0 2 0
„ Oxalic, net	0 3 0	0 3 0
„ Tartaric, English, less 5% ...	0 5 0	0 5 0
Alcohol, Plain Ethyl	0 6 0	0 6 0
Ammonia, carb. ton	12 0 12 0	12 0 12 0
„ Sulphate	20/0 20/0	20/0 20/0
Arsenic, lump	7/14 0 35/0 0	7/14 0 35/0 0
Borax, gran. per cwt.	13 6 13 6	13 6 13 6
„ powder	15 0 15 0	15 0 15 0
Nitrate of soda	8 0 8 0	8 0 8 0
Potash, Chlorate, net	0 4 0 4	0 4 0 4
Sulphate	0 4 1/2 0 4 1/2	0 4 1/2 0 4 1/2
Soda Bicarb. per cwt.	10 0 10 0	10 0 10 0
Crystals	10 0 10 0	10 0 10 0
Sulphate of Copper	5 0 5 0	5 0 5 0
per ton	18/0 18/5 0	18/5 0
COPRA (per ton)—		
S.D. Straits, c.i.f.	12/5 0 12/6 3	12/6 3
HIDES (per lb.)—		
Wet salted, Australian	0 4 3/4 0 4 3/4	0 4 3/4 0 4 3/4
West Indian	0 2 1/2 0 2 1/2	0 2 1/2 0 2 1/2
Cape	0 3 1/4 0 3 1/4	0 3 1/4 0 3 1/4
Dry and Dried salted Cape	0 4 5/8 0 4 5/8	0 4 5/8 0 4 5/8
Market Hides, Manchester—		
Best heavy ox and heifer	0 4 1/2 0 4 1/2	0 4 1/2 0 4 1/2
Best cow	0 4 0 4	0 4 0 4
Best calf	0 4 5/8 0 4 5/8	0 4 5/8 0 4 5/8
INDIGO (per lb.)—		
Bengal, g.d. red.-vio. to fine	5 6 5 6	5 6 5 6
LEATHER (per lb.)—		
Sole Bonds, 8/14 lb.	1 0 1 0	1 0 1 0
Bark Tanned Sole	1 11 1 11	1 11 1 11
Shoulders from DS Hides	2 0 2 0	2 0 2 0
„ Eng. or WS do.	3 0 2 6	3 0 2 6
Bellies from DS do.	0 6 0 6	0 6 0 6
„ Eng. or WS do.	0 8 0 8	0 8 0 8
Dressing Hides	1 3 1 3	1 3 1 3
Ro. Eng. Calf, 20/35 lb. per doz.	0 5 0 5	0 5 0 5
PETROLEUM PRODUCTS (per gall.)—		
Motor Spirit, No. 1, London	1 6 1/2 1 6 1/2	1 6 1/2 1 6 1/2
Petroleum, Amer. std. bbl. Lond.	0 10 1/2 0 10 1/2	0 10 1/2 0 10 1/2
Fuel oil, in bulk, for contracts		
ex instal. Thames—		
Furnace	0 3 3/4 0 3 3/4	0 3 3/4 0 3 3/4
Diesel	0 4 1/2 0 4 1/2	0 4 1/2 0 4 1/2
ROSIN (per ton)—		
American	14/0 0 13/10 0	13/10 0 13/10 0
RUBBER (per lb.)—		
St. ribbed smoked sheet	17/15 0 17/15 0	17/15 0 17/15 0
„ 2 1/2 „ „	s. d. 0 5 3/8	s. d. 0 5 3/8
„ 2 1/4 „ „	0 5 3/8 0 5 3/8	0 5 3/8 0 5 3/8
SHELLAC (per cwt.)—		
„ 1N Orange	40 0 39 0	39 0 39 0
„ 43 0 42 0	43 0 42 0	42 0 42 0
TALLOW (per cwt.)—		
London town	18 6 18 6	18 6 18 6
TIMBER —		
Swedish u/s 3 x 8 per std.	22/10 0 22/5 0	22/5 0 22/5 0
„ 2 1/2 x 7 „ „	22/10 0 22/10 0	22/10 0 22/10 0
„ 2 x 4 „ „	19/10 0 19/5 0	19/5 0 19/5 0
Canadian Spruce, Dis.	23/10 0 23/5 0	23/5 0 23/5 0
Pitchpine	11/0 0 11/0 0	11/0 0 11/0 0
Rio Deals	35/0 0 35/0 0	35/0 0 35/0 0
Teak	27/0 0 27/0 0	27/0 0 27/0 0
Colander Mahogany logs c. ft.	0 12 0 12 0	0 12 0 12 0
English Oak Planks	0 6 0 6	0 6 0 6
English Ash Planks	0 7 0 7	0 7 0 7
VEGETABLE OILS (per ton net)—		
Linseed, naked	25/0 0 23/17 6	23/17 6 23/17 6
Rape, refined	34/0 0 33/0 0	33/0 0 33/0 0
Cotton-seed, crude	18/0 0 18/0 0	18/0 0 18/0 0
Coconut, crude	16/17 6 16/15 0	16/15 0 16/15 0
Palm	14/5 0 14/5 0	14/5 0 14/5 0
Oil Cakes, Linseed, Eng.	9/15 0 9/15 0	9/15 0 9/15 0
Oil Seeds, Linseed—		
La Plata, May	12/0 0 11/17 6	11/17 6 11/17 6
Calcutta	12/18 9 12/10 0	12/10 0 12/10 0
Turpentine	s. d. 32 0	s. d. 32 0

Metals

SALES ON LONDON METAL EXCHANGE			
	Week ending		From Jan 1 to May 11, 1938
	May 4, 1938	May 11, 1938	
	Tons	Tons	Tons
Copper	5,900	5,950	190,900
Tin	2,367	1,790	30,565
Lead	6,750	4,300	124,750
Spelter.....	7,475	3,800	106,400

U.K. STOCKS

	Apr. 30, 1938	May 7, 1938
Copper (Br. official w'houses):	Tons	Tons
Refined	8,364	7,977
Rough	24,380	24,455
Tin (London and Liverpool) ...	5,423	5,160

SALES OF BRITISH CEREALS				
	Week ended		From Aug. 1 to	
	Apr. 30, 1938	May 7, 1938	May 8, 1937	May 7, 1938
Wheat... cwt.	166,801	183,164	9,732,292	9,915,45
Barley... cwt.	13,772	12,016	10,248,666	10,260,68
Oats ... cwt.	20,022	23,715	2,052,565	2,076,28

OTHER FOODS		
	Week ended	
	Apr. 30, 1938	May 7, 1938
BACON:		
Arrivals in London (bales):		
Danish	12,561	12,563
Canadian	5,823	6,158
Dutch	2,969	2,131
Lithuanian	1,500	1,061
Polish	2,913	2,243
COCOA:		
Movements in Lond. (bags):		
Landed	2,209	4,698
D/d for home consumption	8,523	6,998
Exports	426	580
Stocks, end of week	89,348	86,470
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed	179	1
D/d for home consn.	36	53
Exports	2,897	2,843
Stocks, end of week	15,921	11,558
Central and S. American:		

	Week ended		From Jan. 1 to	
	Apr. 30, 1938	May 7, 1938	May 6, 1937	May 7, 1938
Argentina to—				
U.K. and Orders	9.9	1.3	282.3	152.0
Continent	12.2	13.3	227.3	263.4
U.S.A. and Canada	...	7.1	412.6	139.3
Australia, Brazil, etc.	...	...	12.2	8.9
Calcutta to—				
U.K. and Orders...	0.1	3.6	20.0	12.4
Continent	...	...	0	0
Bombay to—				
U.K. and Orders...	16.2	...	19.7	5.4
Continent	...	...	6.9	2.7
Madras to U.K. ...	...	...	...	...
India to—				
Australia, etc.	0.5	0.8	3.8	4.1
U.S.A.	...	...	...	...
Sundries	...	...	...	...
Total	38.9	26.1	984.8	637.3

	May 4,	May 1
	1938	1938
METALS (per lb.)—cont.	Cents	Cents
Tin, N.Y., Straits spot	36-80	37-80
Lead, N.Y., spot	4-50	4-50
Spelter, East St. Louis, spot ...	4-15	4-00
MISCELLANEOUS (per lb.)—		
Cocoa, N.Y., Accra, May	4-57	4-4
Coffee, N.Y., cash—		
Rio, No. 7	43½	5½
Santos, No. 4	71¼	71
Cotton, N.Y., Am. mid., spot...	8-63	8-6

	May 4, 1938 Cents	May 11, 1938 Cents
MISCELLANEOUS (per lb.).— <i>cont.</i>		
Cotton, Am. Mid., May.....	8-61	8-60
Lard, Chicago, May	8-05	8-30
Petroleum, Mid-cont. crude 33 deg. to 33-90, at well; per barrel	116	116
Rubber, N. Y., smkd. sheet spot Do. do. May	11-50	11½; 12-05
Sugar, N. Y., Cuban Cent., 96 deg., spot	2-80	2-75

(Continued from page 383)
earlier in the year. Demand for steel strip continues strong, and that for stainless steel sheets is as insistent as ever.

With ample supplies of iron and steel scrap in hand, consumers are disinclined to enter into fresh commitments. The majority of prices are subject to control, but where there is a free market quotations are inclined to show weakness.

While the heavy industries here are well employed, some of the lighter branches are experiencing a decline in orders. Armament work is increasing. One Sheffield firm is laying down a new plant for the production of stainless steel at an outlay of about £90,000, and several others are extending their works—evidence that the future is regarded with confidence.

★

Middlesbrough.—There is no change in the local position of the iron and steel trade. Production of Cleveland foundry iron is still intermittent and part of the small output is being put into stock. The output of hematite pig iron will be reduced this week by three furnaces and in the absence of an early change it is understood that output will be further reduced.

Supplies of semi-finished steel are plentiful; re-rollers have better reserves and are not seeking further supplies.

Constructional and heavy steel departments are busy, and have good order books, but sheet makers are on reduced output.

The demand for blast-furnace coke is easy with supplies plentiful, and although market quotations are understood to be 36s. per ton delivered at the furnaces on Tees-side, it is probable that forward business could be negotiated at a lower figure. Foreign ore imports, though smaller, are ample for requirements. Heavy steel melting scrap is now in good supply.

★

Glasgow.—The position in the iron and steel trades continues to improve, although in some directions new business is not so plentiful as is desired. Production is maintained at a very high level at the heavy steel-making plants, and there is still work for many months on the books. While orders for lighter material are not very satisfactory, there seems to be an exceptional amount of work under negotiation calling for a considerable tonnage of lighter sections, and the outlook is considered not unpromising. Sheet makers also indicate that inquiries for galvanised material are more numerous than for some time past, and they, too, are hopeful that bookings within the next few weeks will cover a fair tonnage.

★

Cardiff.—The position in the iron and steel trade shows no improvement. A second blast-furnace has been closed down, and the output of pig iron has been reduced by approximately 40 per cent., while the latest returns of the tinplatepool give a production of 43.13 per cent. of allotted capacity. Shipments of tinplates last week totalled 6,192 tons, compared with 3,914 tons the previous week and 10,345 tons in the corresponding week last year; stocks in warehouses and in vans were reduced from 7,211 tons to 5,759 tons, compared with 3,687 tons in the corresponding

week in 1937. Prices were slightly firmer, and were quoted at from 21s. 6d. to 21s. 9d. per basis box for export.

Textiles

Cotton (Manchester).—Demand has remained restricted and there has been no change in the attitude of buyers. The opinion is held that there is little likelihood of higher prices in the near future, and in the circumstances customers are disposed to purchase from hand to mouth. It is estimated that production in spinning and weaving at the present time is at only about 50 per cent. of capacity.

Although there has not been any distinct decline in raw cotton prices sentiment has been rather bearish. Weather advices from the American belt have continued favourable, and there have been no indications of an improvement in world consumption.

American and Egyptian spinners have experienced another dull week. All counts and qualities have been purchased in limited quantities. Spinners continue to be harassed by stocks at the mills.

There have been no signs of increased activity in the cloth section and manufacturers have found it a struggle to secure even comparatively small contracts.

★

Wool (Bradford).—The third series of this year's Colonial wool sales opened in London last Tuesday. The most satisfactory feature is the increase in competition, supported by a considerable expansion in consumption. The additional competition from the Continent is welcome, but the home trade is still the mainstay of the London market.

Prices did not show much change compared with the close of the March series, though the best combing merinos sold slightly in favour of the grower. This is by no means unwelcome, for an all-round advance would stimulate the placing of orders for fabrics for next winter, besides benefiting every section of the wool textile industry. Crossbreds are inclined to be slightly in buyers' favour, but there is nothing to indicate any further serious decline, although an easier tendency would certainly suit the trade in view of the approach of the season during which the domestic clip is marketed. It is significant that so far there has been no evidence of any increased khaki orders, which points to a limited consumption of crossbreds.

THE COMMODITY MARKETS

THE steady downward trend of the prices of primary products was arrested during the past week. The recovery, however, has not yet gone very far, and since there has been no change in the underlying conditions of supply and demand, the slight improvement does not necessarily portend a change of trend. Indeed, there is no evidence of a significant increase in purchases by consumers.

Among non-ferrous metals, copper, tin and spelter are slightly dearer than a week ago, but lead was again marked down. Raw cotton was slightly cheaper, but raw wool prices at the auctions in

London were steady. Rubber registered a slight improvement. Wheat was again cheaper, but raw sugar was marked up a little.

The commodity markets in the United States also showed a steadier tendency. Thus, Moody's index of the prices of staple commodities (December 31, 1931 = 100) rose from 136.6 to 137.0 during the week ended last Wednesday. A month ago the index stood at 139.9 and a year ago at 204.7.

Metals

Copper.—Prices fluctuated considerably during the week; the cash price closed at £38 17s. 6d. per ton, 5s. per ton higher than last week. The meeting of copper producers held last week decided to continue the present output restriction, but the discussion of the exports from the United States was apparently fruitless, so that the situation remains obscure.

★

Tin.—Consumer demand continues small, but speculative buying raised the price by £7 10s. to close at £167 10s. per ton. There is apparently a belief that the problems of the buffer pool are being solved, but the Malayan demand for an increase in standard tonnage remains a major difficulty.

★

Lead and Spelter.—Demand for both metals was poor and the small price movements were irregular. The production of both metals in March was in excess of consumption; American output of zinc fell from 43,400 short tons in March to 38,035 short tons in April, but deliveries have fallen off again and stocks of zinc amounted to 135,238 short tons at the end of March, against 11,227 short tons at the end of August, 1937.

Grains

The wheat market has been quiet, with prices for Australian and Canadian wheat somewhat lower, while prices of American wheat rose slightly. Stocks of maize in Europe show a further decline, and prices of American maize show a further rise. A wider demand was noticed for feeding and malting barley.

Other Foods

Provisions and Meat.—Bacon prices fell by about 2s. per cwt. during the week, Danish No. 1 selling at 104s. per cwt. Butter prices continued their rise; New Zealand fetched 131s. to 133s. per cwt. at the close of the week and Danish about 131s. per cwt. The market for meat was dull and prices unchanged.

★

Colonial Produce.—A good demand for medium teas was noticed at the auctions, and prices were slightly higher. Other markets were quiet and prices of coffee, cocoa and sugar show little change.

★

Fruit.—Imported supplies continue light, and prices are well held, except
(Continued on page 393)

COMPANY MEETINGS

THE UNION BANK OF SCOTLAND, LIMITED

DEVELOPMENT OF NEW INDUSTRIES

The annual meeting of shareholders of The Union Bank of Scotland, Limited, was held, on the 11th instant, in Glasgow. Sir A. Steven Bilsland, Bt., M.C. (the chairman of the bank), presiding.

The chairman, in submitting the directors' report, said that they would observe from the balance sheet that deposits stood at £33,436,000, which was an increase of £600,000 on last year's figure. Notes in circulation had increased by £21,000. The bank's capital at £1,200,000 and the published reserve at £1,800,000 remained unchanged.

On the assets side cash and money at call amounted to £7,754,000 and showed an increase of £1,092,000. Bills under discount, at £1,416,000, which included £765,000 Treasury Bills, showed a reduction of £87,000. These items, together with British Government Securities standing in the books at £15,970,000, amounted to £25,140,000, and they were in the strong position of having 68 per cent. of the liabilities to the public available in the form of cash or easily realisable assets.

Notwithstanding the increase in deposits, the amount of their investments showed a decrease of £1,389,000, and he was glad to say that was due in large measure to an increase in loans and advances of £1,022,000. For some years a steady drop in banking advances had presented them with difficult problems in regard to the suitable and remunerative employment of their funds, and the present increase in advances, following upon the increase of £1,500,000 reported last year, was very welcome. The profits of the bank were arrived at after taking into account every known liability, including allowance for the payment for the full year of National Defence Contribution, and the figure of £312,624 might be considered satisfactory.

It was gratifying to record that some progress had been made during the past year in the development of new industries. Scotland had suffered from lack of balance in her economic structure through being too much dependent on the heavy industries which had made her very vulnerable in a time of depression. The heavy industries would always be their mainstay, but it was essential that they should have a greater variety of industry to provide a counterpoise during periods of depression and to employ the labour displaced by the modernisation which had taken place in our heavy industries.

INDUSTRIAL FACILITIES IN SCOTLAND

The success which had been met with at the Scottish Industrial Estate at Hillington, where over 60 new businesses in a large variety of industries had been secured since last autumn, had clearly shown that the facilities now available for the first time in Scotland to cater for new industries on modern industrial estate lines were meeting with a ready response. The large number of further inquiries being received for factories gave promise of continued development. It was gratifying to record also, that the Commissioner for the Special Areas was promoting three small similar estates in the depressed areas of Lanarkshire to provide employment in those areas where coal pits had been worked out.

Some complaints had been made from other districts where the facilities of the Special Area legislation were not available that all this development resulted in unfair discrimination. This complaint was understandable, but it might be assumed that the question would receive attention from the Royal Commission on the Distribution of the Industrial Population, and it might be that the developments taking place in the special areas which were most in need of them would be a prelude to planning on a wider scale.

The outstanding event in Scotland this year was the great Empire Exhibition in Glasgow opened by His Majesty the King. The Exhibition was striking evidence of the resilience of Scotland and showed that she had not lost her courage, her spirit of enterprise, nor her faith in the future. It was certain that the Exhibition would bring a very large number of visitors to Scotland from all parts of the world during the next six months. They would be welcome and the fullest opportunity must be taken of their presence to develop business connections overseas, as it was vitally necessary to maintain export trade. The general tendencies of export trade had altered materially in the past few years and they must take every chance of opening new markets to recompense for those in which they found difficulties in the form of restrictions. The Union Bank had the honour to act as bankers for the Exhibition, and in this capacity a special office had been opened in the grounds at Bellahouston Park.

The report was unanimously adopted and a dividend at the rate of 18 per cent. per annum declared.

ALLIANCE ASSURANCE COMPANY, LIMITED

ANOTHER SUCCESSFUL YEAR

MR LIONEL N. DE ROTHSCHILD'S REVIEW

The annual general Court of the Alliance Assurance Company, Limited, was held on the 11th instant at the Head Office, Bartholomew Lane, London.

Mr Lionel N. de Rothschild, O.B.E., the chairman, said that there had been a substantial increase in the new life business transacted during the year; the net total of £3,836,336 was nearly a quarter of a million in excess of the highest figure reached in any previous year. The demand for all the normal types of policy had been steady and it was gratifying that the "Alliance" Family Protection Policy continued to be popular. The premium income during the year had increased to £1,460,737, and the life and annuity funds now exceeded £22,000,000.

Their quinquennial investigation would be made at 31st December next and, although their mortality experience during the past year had been less favourable than in the previous year, the net rate of interest obtainable might fall and the market values of securities had been reduced, he was of opinion that the results of that investigation would be quite satisfactory.

Owing to restrictions on their operations imposed by Governments outside their own country, and to fluctuations in exchange, the income they derived from the foreign field tended to diminish, but activity in the home field had more than counterbalanced that loss and their income in both the fire and accident departments showed a substantial increase over 1936. The fire business had been even more profitable than usual and the surplus was the largest since 1928.

THIRD-PARTY AWARDS

In the accident department there had been a considerable expansion, especially in home business, and the increase in premium income exceeded £122,000. Sometimes surprising results of legislation occurred. A recent example was the decision of the courts that the legal personal representative of a person killed as the result of a tortious act by another could recover damages for the shortening of the deceased's life. One thing was certain, and that was that the awards of damages to injured third parties were continually rising.

The ratio of profit on the motor vehicle account in 1937 was only about 2 per cent. of the premium income. That was not unexpected for, while the number of road accidents had not diminished and the cost of claims continued to rise, the rate of premium which the motorist had to pay had not been increased. Unless the number of road accidents in relation to the number of vehicles on the roads could be substantially reduced, the cost of insurance protection must rise.

The results of the workmen's compensation business had been very satisfactory and they had had an increase in the fidelity guarantee account. The marine premium income for the year was some £68,000 higher, due to trade activity at home and abroad, which had had a favourable influence on the income derived from insurances on cargo. The premiums on hull business had been favourably affected by the increase in the value of ships and the application of the new joint hull understanding. The position with regard to cargo rates did not look so favourable; the tendency was still to reduce rates.

NATIONAL DEFENCE CONTRIBUTION

The profit and loss account contained a new item, National Defence Contribution, £40,000. They felt that the extension of the contribution to the interest on their reserves was an unfair discrimination between insurance companies and other trading concerns, and they were pressing that that injustice should be removed. The income tax at £93,536 was about £18,000 more than in the previous year and they had written £40,323 off the value of their buildings as against £27,257 in the previous year. Owing to those heavier charges the available balance on profit and loss account was about £38,000 less than last year. They had transferred £100,000, as against £150,000, to reserve and £50,000 to the pension fund, and increased their carry-forward by some £12,000. But for the National Defence Contribution, their available surplus would have been even larger than last year, and the results of the year could not be regarded as other than entirely satisfactory.

Owing to the various shocks to confidence experienced during 1937, there had been a general fall in the prices of Stock Exchange securities and as a consequence the margin between the market values and the book values of the company's holdings had been reduced. That margin, however, was still considerable.

The report and accounts were unanimously adopted.

GRESHAM LIFE ASSURANCE SOCIETY, LIMITED

RECORD HOME BUSINESS

The eighty-ninth ordinary general meeting of the Gresham Life Assurance Society, Limited, was held, on the 5th instant, at the head office of the Society, 188-190 Fleet Street, London.

The Hon. W. B. L. Barrington, the chairman, in the course of his speech, said: During the twelve months under review the society granted 7,916 life and endowment policies, assuring the sum of £3,538,303, after deducting reassurances.

The number of new policies and the net new life sums assured for the first three years of the present quinquennium—namely, 23,711 policies assuring £10,667,037—compare very favourably with the figures of 14,726 policies assuring £6,070,826, for the corresponding years of the previous quinquennium. The net new premiums for the year, after deducting reassurances, amounted to £173,599, including single premiums of £18,589. Sixty-four leasehold or sinking fund policies for £150,172 sums assured were issued during the year, and the consideration for annuities granted by the society amounted to £112,996.

The total net premium income in the life assurance fund amounted to £1,164,664, an increase of £67,941 over the previous year's figure. The total income of the society from premiums, interest, dividends and rents was £1,627,789. Death claims amounted to £265,721. The mortality experience generally has again been favourable, and that of our Spanish branch has been surprisingly little affected to date by the hostilities in that country. Policies which matured during the year amounted to £398,911, and surrenders paid amounted to £129,807. It has been considered advisable to strengthen the staff pension fund by the sum of £50,000.

In the balance sheet it is shown that the total assets amount to £10,430,134, as compared with £10,661,326 at the end of 1936. This reduction is consequent upon the adjustment in the rate of exchange at which the book value of the society's Spanish assets has been converted into sterling. The necessity for this adjustment was foreshadowed in my speech last year, and I feel sure you will agree that in the present circumstances it is desirable that the Spanish assets should be represented in the society's accounts at a figure which bears a closer relation to their actual value in terms of sterling. Whereas this step has involved a reduction of £767,397 in the book value of our assets, I need not remind you that the sterling value of our Spanish liabilities has been reduced proportionately. But for this adjustment, the life fund would have shown an increase of £480,486.

The average net rate of interest earned on the society's funds was £4 3s. 8d. per cent., compared with £4 6s. 3d. per cent. in the previous year. This reduction is not surprising having regard to the lower rates obtainable on new investments during 1937. The usual valuation of assets has been made as at December 31st last, and I am glad to record that this again showed a value in excess of the book values appearing in the balance sheet.

This completes my review of the work of the society during a year in which the international situation has introduced many complications affecting both the production of new business and the investment of our funds. It is, I think, a matter for congratulation that we are able to-day to present a report which confirms the continued progress of the society both in the home and foreign fields.

Before I conclude I must make brief reference to some interesting personal changes. We were fortunate to secure the services of Viscount Davidson, who joined our board in November last and whose election will be submitted for your confirmation. To succeed Mr Maltby, the directors have appointed as actuary Mr H. G. Jones, F.I.A., who has been in the service of the society since 1919, and as consulting actuary Mr H. E. Raynes, F.I.A., the actuary and life manager of the Legal and General Assurance Society.

I referred last year to the retirement of our manager, Mr Stebbing, which took effect from June 30th last. Mr David McAfee duly succeeded Mr Stebbing as manager and secretary, and I think we have every reason to congratulate him on the results shown in the report and accounts now presented. Further, I should like to offer our congratulations on the results of the year to our assistant manager, Mr Highton, to our investment manager, Mr Thiemann, to our assistant secretary, Mr Mogenssen, to all our chief officials and members of our staff, both at home and abroad, and to our agency managers and all our branch managers, agency representatives, and connections.

Lastly, I should like to refer to the services of our managing director. Mr Workman's pre-eminent qualities and experience render him quite invaluable to our society.

The report and accounts were unanimously adopted.

GRESHAM FIRE AND ACCIDENT INSURANCE SOCIETY, LIMITED

DIVIDEND MAINTAINED

The twenty-eighth annual general meeting of the Gresham Fire and Accident Insurance Society, Limited, was held, on the 5th instant, at the head office, 188-190 Fleet Street, London, E.C., the Hon. W. B. L. Barrington (the chairman) presiding.

The Chairman said:—My Lord, ladies and gentlemen,—I have to record, with deep regret, the loss by death since the last annual meeting of our colleague on the board, Mr J. E. W. Rider, and to express our appreciation of the valuable services rendered by him to the society. I must also mention the election during the year of Viscount Davidson to a seat on the board. Since our last meeting Mr R. E. Richley, the secretary and joint manager, has retired on pension. Mr C. S. Johnson, hitherto joint manager, has now become manager, Mr C. G. Potter has been appointed deputy-manager, and Mr S. E. Rider has been promoted from the position of assistant secretary to secretary. Mr Richley had completed forty years' insurance service, the last twenty-five of which had been with the society. The directors appreciate his valuable services during that time and wish him all happiness in his retirement.

You will notice a small decrease in the premiums in the fire account of £2,811. This is due to a reduction in the amount of reinsurance from other companies accepted by the society, our direct business having increased during the year. The claims, on the other hand, are less by £5,969, and represent 46.8 per cent. of the premiums, the lowest ratio which we have experienced for many years. The expense ratio is approximately the same as a year ago, and the profit at £9,494, is £2,597 higher.

In the accident account the premium income has increased by £15,140, to £227,525, but the claims have risen by £18,973, and while the expense ratio has remained stationary, the profit has diminished to the nominal sum of £415. This unsatisfactory result is due to two sections of our accident business—employers' liability and motor insurance—and both have been adversely affected by the very pronounced upward trend in damages for personal injuries.

In addition to this, a new burden has been placed upon the shoulders of the insurance companies by the recent decision in the House of Lords, in the *Rose v. Ford* case, entitling the legal representatives of a person killed as a result of an accident to claim for loss of expectation of life. Following these developments, we have raised our standard of provision for outstanding claims.

The valuation of the society's investments still shows an excess of market value over book value, in spite of the fall in prices generally, and our investment reserve, consequently, remains intact. Although the gross income received from interest and dividends was slightly larger than last year, yet owing to the higher rate of income tax the net income from this source was less by £155 than in 1936.

The underwriting profits, as shown in the profit and loss account, are smaller by £7,926 than in the preceding year, this being wholly due to the unsatisfactory results in the accident account already referred to. On the other side of the account, we have this year had to provide for a heavy item under the heading of "Balance of Profit and Loss on Investments and Exchange." This is mainly loss on exchange, the largest item being in respect of France.

We have also out of this account written down to current rates of exchange investments in foreign currencies deposited with Governments abroad under local laws. Provision has also had to be made for the first time for National Defence Contribution in respect of the last nine months of the year. In this connection I would like to add my voice to the many that have been raised in protest against what appears to us to be an unfair basis of the assessment for fire and accident insurance companies, a basis which discriminates unfavourably against us as compared with commercial trading concerns, and we venture to hope that the Chancellor of the Exchequer will see his way to adjust this inequality.

The total balance available in the profit and loss account at the end of the year is £26,369, and the directors have applied £5,000 as a further allocation to the staff pension reserve which we established last year. They again recommend the payment of a dividend at the rate of 6 per cent.

I have, on each occasion that I have had the privilege of addressing you, stressed the importance of raising our reserves to the highest possible point, and during that period a total sum of £50,000 has been added to the general reserve, which now amounts to £80,000. It is naturally a matter of some regret that we are not able this year to make a further allocation to this reserve, but our policy will be to continue to make the augmentation of reserves our first consideration.

The report and accounts were unanimously adopted.

YORKSHIRE INSURANCE COMPANY, LIMITED

NEW RECORDS IN LIFE BUSINESS

The annual meeting of the Yorkshire Insurance Company, Limited, was held, on the 10th instant, in York.

The Rt. Hon. Lord Middleton, M.C. (the chairman), said:—

Our funds have increased by £691,696 to £15,353,360, and our total assets by £790,546 to £17,323,194. The gross and net rates of interest earned on our total funds are £4 10s. 11d. per cent. and £3 15s. 4d. per cent. respectively, as compared with £4 11s. 6d. per cent. and £3 15s. 10d. per cent. last year. The premium income of all departments is higher by £214,407, being £3,811,889, as compared with £3,597,482 in 1936, and there is a satisfactory reduction in the over-all ratio of expenses of management to premiums.

In the life account the net new sums assured amounted to £2,855,127 and constitute a fresh record, an increase of £75,355 over last year's record figures. The amount of the fund at the end of the year is £10,780,646, an increase of £607,025 on last year. The net rate of interest earned was £4 3s. 8d. per cent. and is only 4d. per cent. less than that earned in the previous year.

The fire results are again excellent. The loss ratio has still further improved to 41.33 per cent. and this, with the slight decrease in the expense ratio to 42.8 per cent., has enabled us to transfer to profit and loss account £166,772.

In the accident and general account, the premiums amount to £1,469,529, an increase on the previous year of £133,725. There has been transferred to profit and loss account £50,184.

In the marine account, the net premiums for the year amount to £426,778, an increase of £87,802 compared with the previous year.

The general reserve fund amounts to £1,194,553. We have also £100,000 in our investment and contingency reserve and the substantial free balances of £320,000 and £220,000 respectively, which are carried in the fire and accident accounts. The financial strength of the company is therefore unquestionable.

The directors recommend that the dividend again be at the rate of 9s. 6d. per share on the fully-paid £1 shares, 4s. 9d. per share on the £2 10s. (10s. paid) shares and 2s. 4½d. per share on the fully-paid 5s. shares, free of income tax.

The report and accounts were unanimously adopted.

LICENSES AND GENERAL INSURANCE COMPANY, LIMITED

FURTHER PROGRESS

The forty-eighth ordinary general meeting of this company was held, on the 11th instant, in London.

The Hon. Reginald Parker (vice-chairman) presided in the unavoidable absence through indisposition of the chairman, Lord Ernest Hamilton, and said:—Throughout the whole twelve months of 1937 our progress was maintained and in the beginning of 1938 we still see no need to lessen our energies. We find business perfectly responsive.

Personally, I cannot think that the outlook generally need really be clothed with too many misgivings. There have been previous occasions in our country's story when depression was replaced by prosperity on receipt of an outside impetus. We had already dragged ourselves out of the depths of post-war depression—climbed some way towards prosperity until people saw in the misfortunes of the United States warranty for a trade recession ahead of us. I suggest it may not be so and that the additional assistance required to steady our upward trend must be found in the manifold reflections of our armament programme, to carry us forward during the next few years until such times as a general betterment in world conditions warrants a further step forward.

In respect of the Licenses and General there are two milestones to be noted. The total income has passed the £600,000 mark, an increase on the previous year of £39,597, and the total of the assets for the first time also in your company's history exceed £800,000—an expansion on last year of £49,290.

The life department gives a good account of itself, the second year's experience still further justifying our original venture. The growth is consistent, and the first few months of 1938 continue the upward trend.

In the fire department there has been a recession in income and a higher claims ratio. The gross direct business of the company has advanced this last year by over £5,000, but has evidently created the necessity for a much larger volume of reinsurance so as to leave us much as we were in the previous year in respect of net retained business.

The personal accident account reveals a small profit on this occasion to replace the slight adverse balance of last year.

In the employers' liability account a heavier call for unexpired reserves reduces the amount available for profit, but taking reserves into consideration the account is more favourable even than last year.

In the motor section, premiums have improved, bringing the total income to £209,472. After leaving nearly £15,000 in the account for added claims reserve and for unexpired risk reserve, there remains a profit of £6,462 to transfer to profit and loss.

In the marine account the interest earned of £2,149 remains in the fund, which is increased in all to £36,206.

Our general account again follows the upward trend of the previous year, the premium income having gone forward in 1937 by almost £10,000.

The report and accounts were adopted and a final dividend of 14 per cent., less tax, making 20 per cent., less tax, for the year, approved.

BOULDER PERSEVERANCE, LIMITED

SATISFACTORY RESULTS AND PROSPECTS

The fourteenth ordinary general meeting of Boulder Perseverance, Limited, was held, on the 10th instant, at Winchester House, Old Broad Street, London.

Mr C. F. Bell (chairman and managing director) said that the board felt the shareholders would share with them their satisfaction in the results for the past year. The realisation of bullion and exchange was up by £54,565, due in part to the increased tonnage of 12,343 tons, the increase of 5d. per ounce in the price of gold, and to the increased extraction of 5.6 per cent., which accounted for £16,660 of the increase. Mine expenditure, on the other hand, having regard to the tonnage treated, had decreased through savings in the cost both of ore treatment and extraction. The balance of £127,826 was higher than that of the previous year by £49,000. The directors would like to emphasise the fact that this was obtained with the old capital of £150,000, equivalent to some 85 per cent., the new capital not having come into bearing during the year. After providing for Australian and United Kingdom taxation and depreciation the net profit for the year was £82,057, as against £55,241. An interim dividend of 20 per cent. was paid in December last, and the directors now recommended a final dividend of 20 per cent., less tax.

As to the present position on the mine, the average value still kept up at about 8 dwt., a wonderful achievement after some 40 years of working. When the full benefit of the new compressors and winder was felt they expected a further decrease in mining costs of a minimum of 10d. per long ton, which on a yearly tonnage of 110,000 tons represented some £4,550.

Development and diamond drilling, maintained at a rate compatible with increased tonnage, continued to show ore bodies of considerable values.

The Kalgoorlie Enterprise Mine, in which Boulder Perseverance out of the proceeds of an issue of capital in 1937 had acquired approximately a two-thirds interest, commenced production in April, 1938, at the rate of approximately 3,000 tons per month, which was to be increased to 5,000 tons within a few weeks. The opening up of this mine had been according to plan and was satisfactory. A very extensive area was waiting to be explored.

In the absence of labour trouble and material decrease in the price of gold, everything pointed to an equally satisfactory result for 1938.

MR K. B. EDWARDS'S REMARKS

Mr K. B. Edwards, B.Sc., Ph.D. (London), F.I.C., said that the development results on the Boulder Perseverance Mine for the first four months of this year had been extremely satisfactory. The prospects of this remarkable mine were still very good indeed. On the north-eastern boundary there was still a large portion of the lease unexplored, but some promising developments had already taken place. How big these would be it was too early to say, but the Perseverance Mine still continued and was likely to continue.

With regard to the treatment, the recovery had for six months been over 95 per cent. by the most rigid methods of calculation. That was equivalent to an 8 per cent. increase in the recovery of gold at little or no extra cost. That 8 per cent. extra recovery meant 5s. 4d. per ton in Australian currency and on their present tonnage £24,000, or rather more than a 10 per cent. dividend. He thought that justified the policy of what he might call "penny chasing."

With regard to the Enterprise Mine, everything there had gone to schedule as far as the mine was concerned. The shaft had been sunk to approximately 1,100 ft., it had been equipped with a winder, the stopes had been opened out, and they were all ready at the beginning of April to produce 5,000 tons per month.

The report was unanimously adopted.

SPILLERS LIMITED

NEW RECORD IN ANIMAL FOOD DELIVERIES

SIR MALCOLM ROBERTSON'S REVIEW OF A
DIFFICULT YEAR

The Right Honourable Sir Malcolm A. Robertson, chairman of Spillers, Limited, presided at the annual general meeting of the company, on the 7th instant, at Cardiff.

Dealing with the accounts, he said that the reduction in the amount of investments as compared with the previous year was represented, for the most part, by a substantial increase in cash balances. That was due to the fact that the board had thought it wise to realise a portion of the company's investments and to hold the proceeds in a more liquid form until such time as the political situation should appear to be more stable. Investment had now been resumed. The trading profit for the year had fallen by some £45,000, while net profit, after provision for taxation, was about £40,000 less than that for the previous year. In view of the difficult conditions of the milling industry during the year, the result could be regarded as satisfactory.

There was no need to indicate the heavy burden which the company, in common with other industrial enterprises, was now called upon to bear in the way of taxation. In addition to the increase in income tax, the profits of the company were also subject to the new National Defence Contribution. It was quite clear, however, that the continued increase in taxation represented the price that had to be paid for national security, and while it was true to say that the company derived no direct benefit from the armament programme, the general prosperity and security of the country must in the long run reflect on any enterprise.

With regard to the Wheat Act, 1932, under the operation of which the flour milling industry played a considerable part in assisting farmers and in promoting an increase in home-grown wheat, it was understood that the Government intended to amend the Act chiefly in an endeavour to define flour in more precise terms.

GRAIN TRADE

The year 1937 had been one of the most difficult ever experienced in the grain trade owing to exceptionally violent price fluctuations and highly sensitive markets, due no doubt in large measure to the fact that there were no longer burdensome surpluses in the exporting countries and that supply and demand were more evenly balanced than they had been for some years. In the early part of the year the market was influenced upwards by large Continental purchases, and downwards later by excellent U.S.A. and Australian crops, with violent intermediate fluctuations caused by the poor Canadian and Argentine crops on the one hand and sales of Russian wheat on the other. Particularly difficult conditions had also been experienced in the maize market, with important fluctuations on a generally higher level of price than had been recorded for seven years. The Argentine, with a crop of ten million quarters less than the previous season, had been able to dispose of two-thirds of her exportable surplus during the first six months of the year, with the assistance of unusually heavy sales to the U.S.A. and Canada. The later months were marked by an entire reversal in the activities of the U.S.A. inasmuch as a heavy crop in that country enabled substantial exports to be made for the first time since 1928. In the barley market the highly seasonal nature of the demand was again in evidence, and some most erratic marketing took place in July and August.

THE NEW MILLS

With regard to the new mill at Newcastle, wheat had now been taken into the silos, and it was hoped that by the end of the month a beginning would be made in the production of flour. The new mill with its deep water, rail and road facilities, was the most up-to-date mill in the country, and in addition to flour, provision had been made for the manufacture of animal foods and dog biscuits. In London, owing to increased business, further extensions were being made to the silo accommodation, and it was hoped that the work would be completed in about twelve months' time. The remodelling of the dog biscuit factory at Bermondsey had been successfully carried out, and would give increased production at a reduced cost. In Birkenhead the transfer of Vernon's business from the old mill to the Beaufort Road Mill had followed the remodelling of the latter mill, and the extension of the silos there, which had been completed in the previous year. During the last few years new mills had been built in Cardiff, Avonmouth and New-

castle, while extensive remodelling had taken place in Birkenhead and considerable extension of the silo facilities in London. In the opinion of the board the company's mills and factories were second to none in the British Isles, and were capable of making products of the highest quality at the lowest possible cost.

FURTHER RECORDS IN ANIMAL FOODS

The record figure had again been exceeded in animal food deliveries, despite difficult trading conditions such as the high level of foodstuff prices, the collapse of the pig marketing scheme, and a marked decrease in the pig and poultry population. This had been done in spite of the availability of cheaper rations, which, in the directors' view, was due to the company's policy of openly declaring the ingredients of its foods, with their composition and digestible analysis; and also to the fact that, owing to the higher standards required under Government schemes, the farmer was showing greater discernment in the purchase of his balanced rations. The company's advisory department continued to play a leading part in the animal foods trade. A new high record had also been created in the deliveries of dog foods. Contact with dog owners was continually maintained through Spillers Dog Journal and the company's free information bureau.

Perhaps the saddest part of his task was to announce that Mr Edgar Baker, deputy chairman, was due to retire in October under the age rule incorporated in the company's Articles of Association. His coming departure would be a severe loss to all his colleagues on the board.

The report and accounts were adopted.

F. FRANCIS AND SONS, LIMITED

CONTINUED DEMAND FOR COMPANY'S PRODUCTS

The thirty-seventh general meeting of F. Francis and Sons, Limited, was held on the 12th instant at Southern House, Cannon Street, London.

Mr John Ismay (the Chairman) who presided, pointed out that although it was their first annual general meeting as a public company, it was the thirty-seventh since the company was incorporated, while the business itself had actually been established nearly seventy years ago. One of the chief reasons why it had been turned into a public company was to provide the necessary finance to increase the factory accommodation. The chief extension of approximately 50,000 sq. feet had by now been completed and was being equipped with the most up-to-date plant to enable them to increase production on the most economical basis. The costs of the new issue had been written off from the reserve account.

With regard to the present year, he was pleased to say that the company's different departments which produced a very wide and varied range of articles used by many dissimilar trades, nearly all showed considerable increases over the corresponding period of last year, which gave a very favourable indication with regard to the current year's results, and the Board saw no particular signs of any falling off. He could only assure shareholders that the company possessed an excellent business and extensive factories equipped with well maintained plant, which could not be replaced to-day under any amount greatly in excess of the balance sheet figures. The directors, he thought had acted wisely and conservatively in only recommending a 9 per cent. dividend. They could have paid more, seeing that they had divided approximately only two-thirds of the available balance, but they had strengthened the carry-forward by the net amount of over £7,000. Generally, he would say that unless something unexpected happened shareholders could look forward to the dividend for the present year being at least maintained.

A shareholder, in congratulating the board on the results disclosed, expressed his satisfaction at noting that the prospectus estimates had not only been fulfilled, but actually exceeded.

The report and accounts with a final dividend of 5 per cent., making 9 per cent. for the year, was unanimously adopted, and the chairman intimated that the dividend would be paid on the 14th instant.

A hearty vote of thanks to the chairman, directors and staff, closed the meeting.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to the Reporting Manager of THE ECONOMIST, 8 Bowyer Street, Fleet Street, London, E.C.4.

INDIAN COPPER CORPORATION,
LIMITED

SATISFACTORY RESULTS

The fourteenth ordinary general meeting of the Indian Copper Corporation, Limited, was held, on the 16th instant, at 20 Aldermanbury, London.

Sir Godfrey Fell, K.C.I.E., C.S.I. (the chairman), in the course of his speech, said:—Turning to the profit and loss account, you will notice that the net proceeds of sales rose by over £100,000. Interest and sundry receipts are higher by £8,500, representing chiefly larger sales of Kyanite.

We have a balance carried down of £211,423, as against £177,976 the previous year. We recommend a final dividend at the rate of 9 per cent. per annum actual. This will take, gross, £76,212, leaving £49,353 to be carried forward.

This year there has been a marked increase in costs. It is development expenditure, costing over £24,000, and charged on revenue, that accounts for the greater part of the increase. This is due to the fact that the footage driven during the year was some 50 per cent. in excess of the previous year's footage. A vigorous development programme is absolutely essential if we are to keep our ore reserves well ahead of the mill.

I mentioned last year that we had decided, in view of the rise in the price of copper, to lower the grade of ore mined.

Another direct consequence of the reduction in the grade of ore mined has been the lower output of refined copper—6,830 long tons, against 7,200 long tons in 1936. With a lower output of copper, the production of Y.M. sheets and circles was also, of course, less. These lower outputs were fortunately compensated for by the higher prices obtained for our products, which rose by £7 16s. 3d. in the case of copper ingot (the sales of which were, however, negligible), £9 19s. 10d. in the case of Y.M. sheet, and £10 9s. 4d. in the case of Y.M. circles.

SALES

When we met a year ago I mentioned that, although we started the year 1937 with a well-filled order book, demand had at that date become slack. The next few months showed an almost complete cessation of demand. From May to September we made very few sales; but demand then revived briskly, and in the last three months of the year our deliveries were so large that the stocks of sheets at December 31 were only about 135 tons higher than they had been on January 1.

During the current year we have had so far no cause to complain of slack demand. We have actually sold, including forward sales, about 7,000 tons of sheet and circles, and although there may be the usual seasonal reduction of demand during the next few months, we have every reason to hope that we shall be able to dispose of our whole output by the end of the year.

During 1937 the world price of standard cash copper fluctuated between a high of £78 2s. 6d. and a low of £36 5s., a variation of well over 100 per cent. In no year for the last 60 years has the price varied to such an extent as this. The net result, thanks to the abnormally high price prevailing in the early spring, was an average for the year of £54 10s., compared with £38 9s. in 1936.

Our ore reserves are equal to about four years' supply for the mill at the present rate of production, and we have therefore plenty of time in which to increase them by a vigorous development programme.

THE OUTLOOK

Although the results will, I hope, be regarded as satisfactory, and although we have been able to maintain, subject to your approval, the steady arithmetical progression in the amount of the dividend to which I referred last year, the continuance of our prosperity depends largely on two factors—the world price of copper, and the loyal co-operation of our Indian labour force. With regard to the former, the price to-day is very low, and we have already sold more than half our year's output at a figure considerably lower than the average price realised last year. Some increase in the world price would, therefore, be most welcome. As regards labour, we can only hope for the best. We shall continue to give to our employees of all classes the same just and sympathetic treatment which has been accorded them during the past 12 years; but we will not yield to force, nor grant unreasonable demands which would make it impossible to operate at a profit. For eight years shareholders in this Corporation received no return on their capital, and the average gross dividend during the past five years is only 9½ per cent., not an excessive return for a mining venture which is all the time using up its wasting assets.

The report and accounts were unanimously adopted.

GUARDIAN
Assurance Company Ltd.ANNUAL GENERAL MEETING—
9th MAY, 1938

Extracts from

COLONEL LIONEL H. HANBURY'S Speech

LIFE DEPARTMENT

New life assurances were completed during 1937 for a net amount of £1,815,725, which exceeded by £56,001 the new business secured in 1936.

Claims by death were exceptionally light.

FIRE DEPARTMENT

The experience of the year was very favourable. The net premium income amounted to £1,115,728 and the underwriting profit amounted to £173,719, representing 15.6 per cent. of the net premiums. The sum of £176,977 has been transferred to the Profit and Loss Account, and £47,600 to the department's general reserve, which now stands at £1,182,600.

ACCIDENT AND GENERAL DEPARTMENTS

The net premium income of the year was £1,252,549, being £67,288 greater than for the previous year. The sum of £47,900 has been added to the department's general reserve, bringing it to £473,400, and £72,397 transferred to the Profit and Loss Account.

MARINE DEPARTMENT

The premium income for the year amounted to £330,753, showing an increase of £57,649 over that of the previous year. The fund at the end of the year was £511,324, after transferring the sum of £19,344 to the Profit and Loss Account.

VALUE OF INVESTMENTS

There was at the end of the year a surplus of over £1,000,000 in the aggregate market value of the Stock Exchange investments over the values at which they appear in the Balance Sheet. No such investment appears therein at a figure in excess of its market value at 31st December last.

PROFIT AND LOSS ACCOUNT AND APPROPRIATION

The balance on this Account is £196,124 after transferring £25,000 to Staff Pension Fund.

A dividend was declared of 11s. on each Ordinary Share (against 10s. for the previous year), leaving a balance to be carried forward of £95,927, as compared with £78,655 at the end of the previous year.

ALL THE PRINCIPAL CLASSES OF INSURANCE
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Head Office :

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FORD MOTOR COMPANY LIMITED ANNUAL MEETING

At the ninth ordinary general meeting of Ford Motor Company, Limited, held, on May 10th, at Dagenham, Essex, the Rt. Hon. Lord Perry of Stock Harvard, K.B.E., LL.D., in the course of his speech said: Gross profits at £1,576,966 slightly exceed the 1936 figure of £1,558,990. The net profit is £604,706, which, with the amount brought forward, provides £1,468,885 for distribution, subject to income tax.

Business throughout Europe during 1937 showed a marked improvement, but the unbroken record of expansion and progress of the motor industry in this country has not been maintained since last autumn. I am happy to say that we have been less affected than the industry generally, but 1937 has been a year of intense competition.

DOMESTIC MARKET

In September we introduced the greatly improved "Eight" which met with immediate and continued response. Earlier, our new "Ten" was put on the market, with lengthened wheelbase and a re-designed body. With these two models we are fully represented and hope to maintain our position in the light car market. Our 22 h.p. and 30 h.p. models bring *de luxe* motoring within the reach of the man of moderate means. During 1937 we introduced 4-cylinder engines as optional in our commercial vehicles; also the newly designed 5-cwt. commercial vehicle, which is dominant in its class. A 10-cwt. commercial vehicle, with 10 h.p. engine, has now been produced and I am confident that this will quickly establish itself in favour. Tractor business shows an improvement on the previous year and normal development of the service organisation has continued.

Export shipments in 1937 were 26 per cent. greater than in 1936. The increasing influx of foreign cars, particularly into the light car market of Britain, is a matter of serious concern. During the first two months of this year, German cars were imported at more than three times the rate of 1937, which in turn was ten times greater than 1936. More cars are now imported from Germany than from all other countries combined. Urgent Government action is needed to counter the enormous subsidy granted to its exporters by a country whose markets are totally closed to the British automobile industry.

Another means by which our Government could give effective help is by the development of our national road system. In 1935 the Government declared that £100 millions would be spent on a Five Year Road Development Plan. After three years, only £15 millions has been spent. A national adequate road system is the only effective means of reducing the dreadful casualty list on our roads.

TAXATION

It is no exaggeration to assume that upwards of £80 millions is calculated as the estimated receipts from the taxation of motorists for the forthcoming year. Car taxation, direct and indirect, for a light car running 8,000 miles in a year, is £5 10s. in U.S.A.; £19 in France and £25 in the United Kingdom. The tax on petrol exceeds 300 per cent. *ad valorem*; motor transport is subjected to rules and persecutions not imposed on any other form of public service; cyclists and horse traffic are free from direct taxation and control.

The motor industry in this country ranks third in importance to-day. Its prosperity is essential to the national economy. Nowhere is there fiercer competition. This is evidenced by the continuous efforts made by manufacturers each year to attract the public eye by new models, refinements and accessories.

We do not manufacture any specialised vehicle for military purposes. However, our standard products are available for and cover the complete range of vehicles required by all forms of road transport. This has been recognised by the Defence Services of this country.

The report was adopted, and a dividend of 5 per cent., less tax, declared.

*Copies of the Chairman's Speech
in full may be obtained from*

FORD MOTOR COMPANY LTD.
88 REGENT STREET, LONDON, W.1, and
DAGENHAM, ESSEX

CALCUTTA TRAMWAYS COMPANY, LIMITED

STEADY GROWTH OF TRAFFIC

The ordinary general meeting of this company was held, on the 10th instant, at 1 Queen Victoria Street, London, E.C., Sir Geoffrey R. Clarke, C.S.I., O.B.E. (chairman of the company), presiding.

The Chairman, in the course of his speech, said:—The earnings of the undertaking for the year to December 31, 1937, amounted to £112,412 after setting aside £80,000 to the depreciation fund, compared with £70,000 per annum provided in recent years.

It may interest shareholders to know that during the past few years we have expended £355,000 in the provision of new rolling stock. These cars, running on welded rails, are most comfortable and smooth running, and the expenditure has been amply warranted.

During the past year the Corporation of Calcutta has granted the company the right to lay tramway tracks on the Upper Circular Road between Raja Bazar and Shambazar. This extension will relieve the congestion on Cornwallis Street and will greatly add to the convenience of the travelling public. A further ten new cars have been ordered for the service of this extension. Application has also been made to the Corporation for the right to install tramways on the new road in the Ballygunge district, linking up Park Circus with the Rash Behari Avenue.

It is interesting to note the steady growth of traffic over the tramway system since the year 1930. Although the system has not been in any way extended, the number of passengers has steadily increased from about 80 millions to more than 103 millions, which is an indication of the increasing popularity of the service.

The suggestion made in certain quarters that some of the proposed extensions of the tramway system should be effected by means of trolley buses is not one that it is possible for us to entertain in the interests either of the public or of the company. The new trams we are putting on the roads are second to none in the world. They are specially suited to the conditions that prevail in Calcutta, where they enable large numbers requiring transport at certain hours of the day to be conveyed with the greatest possible safety, efficiency and economy.

The report and accounts were unanimously adopted, and a dividend of 5 per cent., less income tax, making, with the interim dividend, a total dividend of 8 per cent. on the ordinary shares, was approved.

IDEAL BUILDING AND LAND DEVELOPMENT COMPANY, LIMITED

INCREASED PROFIT

The annual general meeting of this company was held, on the 10th instant, in London.

Sir Thomas Keens, D.L., the chairman of the company, who presided, said that the net result of the operations of the group for the past year was a profit of £137,704, or an increase of £56,403 on the previous year. The profit had arisen partly through increased trading, more houses having been built and sold.

The board proposed to pay a dividend on the ordinary shares of 5 per cent., leaving, after various allocations, just over £2,000 to go forward.

The directors of the principal building societies with which the company did business continued to pay visits of inspection to the company's estates, always expressing great appreciation of the condition of the estates generally.

Operations were still being carried out on thirty-four estates in and around London, but they had now gone farther afield; they now had extensive operations at Birmingham and Southampton, and inquiries were on foot in various other provincial districts which might afford favourable openings. As to the current year's work, sales for the first four months had been exceptionally good, showing a substantial increase over the corresponding figure.

During the year the company had branched out into two phases of business—contracting for public works and the handling of rented estates. The increased borrowing powers asked for would enable the board materially to expand the latter class of business. Tenders for various public works had been submitted. In four cases the company had been successful tenderers, for a total value of approximately £160,000. The board had every reason to hope that the contracting department would prove to be profitable. They had also proved, on a small scale so far, that weekly renting some of their properties brought in a very satisfactory percentage on the outlay, and that was a phase of the business the board wished to expand.

The report and accounts were unanimously adopted, and at a series of meetings which followed, the borrowing powers of the board were increased by £500,000, and certain alterations to the articles of association were unanimously approved.

LONDON ELECTRIC WIRE COMPANY AND SMITHS, LIMITED

RECORD SALES

The twenty-ninth annual general meeting of this company was held, on the 11th instant, at the Hotel Victoria, London.

Mr W. J. Terry (chairman and managing director) said that all the liabilities of the company were amply provided for by their liquid resources. Cash at bankers and in hand, standing at £125,971, showed an advance of £23,278 over last year. Stock in trade showed a large increase in value over last year—namely £116,074. That increase was occasioned by a sudden falling off in the demands of the trade which had started without warning in the last few months of 1937. All of the company's stocks had been conservatively valued and the total shown on the balance-sheet represented a sound asset. The profit and loss account showed an increase of £7,961 over the previous year and would have certainly shown further improvement if a recession in trade had not developed.

The sales of the company during 1937 had reached record figures in spite of the contraction in business towards the end of the year. The unspecified contracts carried forward into 1938 were higher than the unspecified contracts brought forward at the commencement of 1937, but the rate of deliveries required as against existing contracts had been reduced for the time being. The export sales of the company were slightly increased during last year.

The welcome relief in income tax afforded to manufacturers by the additional allowance for depreciation to plant and machinery was unfortunately partly offset by the steady increase in local taxation.

It was felt to be prudent to recommend the same final ordinary dividend of 5½ per cent. as last year, making a dividend at the rate of 7½ per cent., less tax, for the year under review. It was considered to be desirable to conserve the company's resources in existing circumstances, and to maintain a strong position.

The amount carried forward in the profit and loss account and the balance-sheet had increased by £22,088 over last year, and the total brought forward into 1938 amounted to £76,634, which provided a measure of security in respect to dividends to be declared on the trading of the current year.

The report was unanimously adopted.

ANGLO-AMERICAN DEBENTURE CORPORATION, LIMITED

INCREASED REVENUE

The forty-eighth ordinary general meeting of the Anglo-American Debenture Corporation, Limited, was held, on the 12th instant, at Winchester House, Old Broad Street, London.

Mr Richard S. Guinness (the chairman) said that the directors submitted the report and accounts for the year ended March 31st last, a year in which event had rapidly followed event, many of them unfavourable to the investor. It was with satisfaction that the directors were able to record that their revenue showed an improvement and that the value of their investments at March 31st, despite the heavy fall in securities generally, remained in excess of their book cost. The total gross revenue was £146,848, an improvement

(Continued from page 386)

for apples, which are arriving in good quantities from Australasia and South Africa. Many districts report further damage to fruit, particularly strawberries, from the week-end frost.

Vegetables.—Prices generally showed a further rise during the week, according to *The Fruitgrower*. The price of King Edwards was again advanced, but increasing imports of new potatoes have steadied the market. Considerable damage to the home crop is expected from last week's frost.

Miscellaneous

Oilseeds and Oils.—The improved demand noticed last week has not been maintained, and prices of linseed ex-

of almost £4,000, and showed a return of over 7 per cent. on the amount of issued capital and debenture stock totalling £2,025,000. They recommended a final dividend of 8 per cent. on the ordinary stock, making 12 per cent. for the year, as last year.

The main support of their income was from their holdings in the United Kingdom, which accounted for over £87,000, or an increase over last year of some £6,000. Their income from that source constituted just over 60 per cent. of their total revenue and showed them a yield of £6 12s. 9d. per cent. upon the book cost.

Changes in their holdings had resulted in a slight increase in their investments in the United Kingdom, which now amounted to £1,139,807, or 53.2 per cent. of the total, as against last year's figure of £1,266,698, or 51.4 per cent. The analysis and comparative figures of their investments were to his mind a strong justification of the advantages which the investment trust principle offered to investors of every class. All were catered for.

The report and accounts were unanimously adopted.

PATALING RUBBER ESTATES, LIMITED

GOOD RESULTS BUT OUTLOOK UNCERTAIN

The eighteenth annual general meeting of the Pataling Rubber Estates, Limited, was held, on the 13th instant, at 19 Fenchurch Street, London.

Mr H. Eric Miller (the chairman) said that with such satisfactory accounts it was a matter for regret that current prospects were much less favourable for reasons which were, however, beyond their control. Aided to a small extent by purchased export rights, they had accounted for a crop of over 4½ million lbs., as against something over 2½ million lbs. in 1936. Including the unsold balance at a conservative valuation, their sale price averaged 9.16d. per lb. and the all-in cost was only fractionally higher than in 1936, increased wage rates to native labour being responsible therefor.

After debiting the profit and loss account with £2,500 for National Defence Contribution, the year's working resulted in a profit of £66,739, almost 22 per cent. on the issued capital. They recommended shareholders to increase the reserve for cultivation and replacement by £11,638 odd, making a total of £17,500. A final dividend of 7½ per cent. was recommended, making 15 per cent. for the year. The results for 1938 were likely to be leaner, but they had made forward sales for 1938 shipment totalling 228 tons at a price of just under 11d. per lb., which looked an attractive figure. He hoped, however, that before they met again next year there would be substantial improvement to record.

An event of some importance to the rubber industry was the paving of Lombard Street with the Gaisman improved Bramble block, the laying of which was completed last week. While it was not possible to eliminate engine noise, the benefits which were likely to accrue to the frontages from the damping-down of wheel noise and vibration should soon manifest themselves and he was sure the attractiveness of that type of paving would receive wider recognition. The speedy and efficient completion of that job, following on the laying of Cornmarket Street in Oxford last year, had brought rubber road paving from the experimental stage into the field of wider application on commercial lines. He had personally been a staunch advocate of that development, not solely in the interests of the rubber industry, but in the hope that they might be spared some of the distracting noise and vibration arising from heavy motor traffic.

The report was unanimously adopted.

Calcutta have again fallen, while those of linseed oil fell sharply to the lowest level recorded this year. Markets for other oils and oilseeds have been quiet, though the demand for oilcakes continues good.

Rubber.—A better tone prevailed at the end of the week and prices showed a slight rise, influenced by a steadier market in Wall Street.

Furs.—Most prices at the London Fur Sales showed a fall of 5 to 10 per cent. from those ruling last February, demand being unsatisfactory; the exception was provided by Persian lambs, for which prices have been well maintained.

Petroleum.—With the opening of the season of expanding petrol con-

sumption, the outlook for the oil markets would be favourable, were it not for the existence of a top-heavy stock position in the United States; but crude oil production in that country is still being maintained at too high a level. Thus, American stocks of crude oil and of petrol now amount to some 306,700,000 and 89,500,000 barrels, respectively, against only 300,700,000 and 81,500,000 barrels at this time last year. Although consumption of motor spirit in coming months is still expected to exceed last year's level, demand for other petroleum products is being adversely affected by the trade depression. It is therefore scarcely surprising that prices at the Gulf, and also on the Roumanian export market, have tended to weaken recently. The decline in world prices is reflected in the reduction of British petrol prices by ½d. per gallon on May 13th.

CURRENT STATISTICS

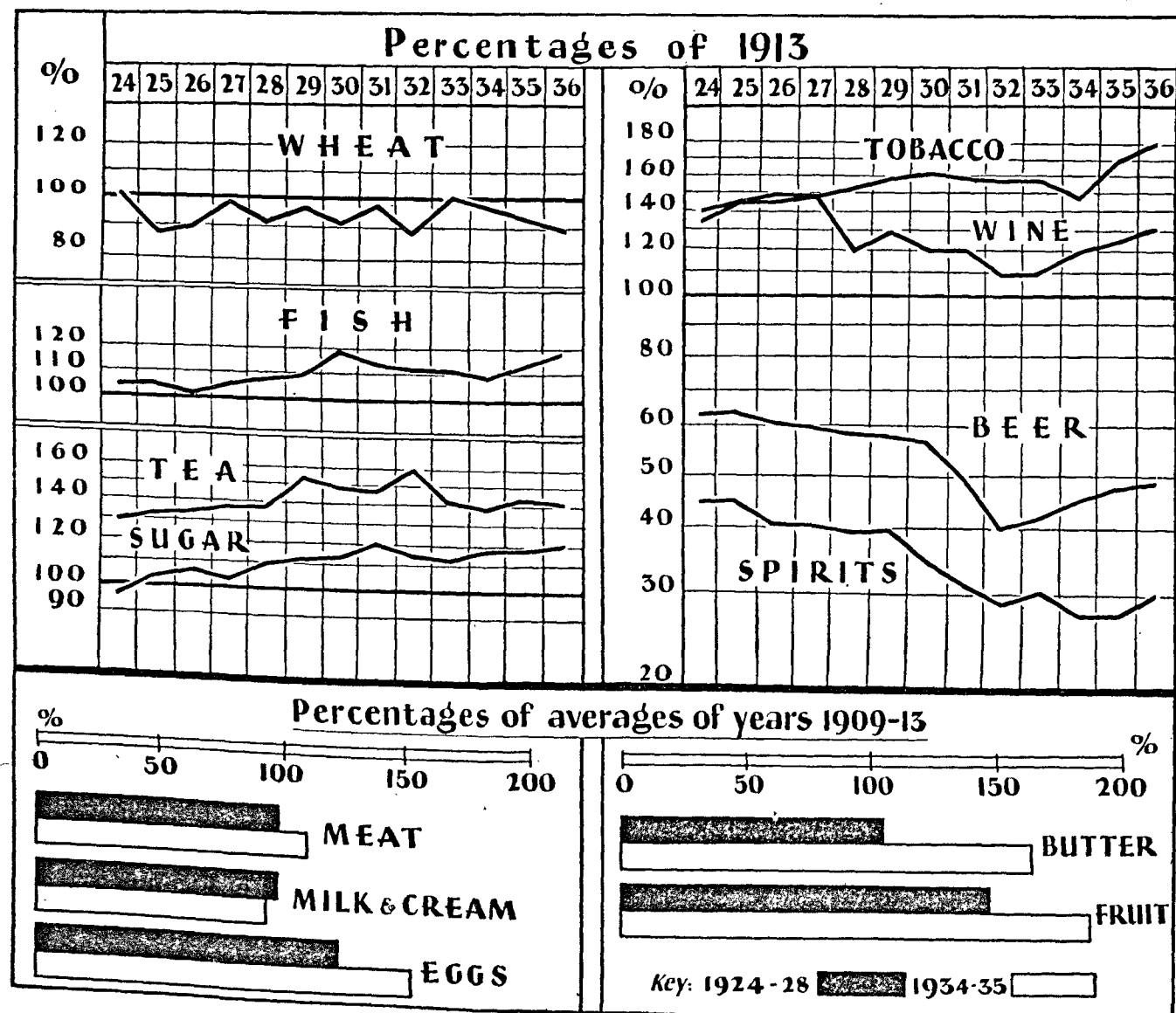
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

Home Consumption per Head

In the following charts we have attempted to show recent changes in the consumption per head of certain commodities in the United Kingdom. In the upper panel the available annual figures have been expressed as percentages of their 1913 level and plotted on a ratio scale in order that variations from year to year in the consumption of different commodities may be compared. The figures for tea consumption are based on retained imports during the period of the abolition of the duty (1929-32) and probably exaggerate the real consumption. In the lower panel we show for the years in which statistics are available changes in the consumption of other important foodstuffs. The percentage drop shown for milk and cream between 1909-13 and 1934-5 may be somewhat too large. It should be emphasised that while the figures are the best estimates available they are subject to a margin of error. In particular, the pre-war figures with which comparison is made include Southern Ireland. [Sources: Statistical Abstract, 1936, and First Report of Advisory Committee on Nutrition, 1937.]



Finance

GOVERNMENT RETURNS

For the week ended May 7, 1938, total ordinary revenue was £12,481,000, against ordinary expenditure of £26,679,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £38,090,000, against a deficit of £21,632,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1, 1937, to May 8, 1937	April 1, 1938, to May 7, 1938	Week ended May 8, 1937	Week ended May 7, 1938
ORDINARY REVENUE				
Income Tax	11,565	10,358	671	2,948
Sur-tax	3,140	3,710	360	480
Estate, etc., duties	10,380	6,830	2,400	1,500
Stamps	1,660	1,290	220	100
N.D.C.	640	70	100	30
Other Inland Rev.	70	70	30	30
Total I. Revenue	26,815	22,898	3,681	5,158
Customs	24,191	21,494	4,039	4,343
Excise	10,400	10,000	940	700
Total Customs and Excise	34,591	31,494	4,979	5,043
Motor duties	3,828	3,920	891	860
P.O. (net receipt)	5,080	3,700	1,500	1,200
Crown Lands	160	150	...	...
Receipts from Sun.	271	275	81	213
Loans	587	739	1	7
Misc. receipts	...	...	...	...
Total Ordinary Rev.	71,332	63,176	11,133	12,481
SELF-BAL. REVENUE				
Post Office and Broadcasting*	4,520	6,200	850	900
Total	75,852	69,376	11,983	13,381

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1, 1937, to May 8, 1937	April 1, 1938, to May 7, 1938	Week ended May 8, 1937	Week ended May 7, 1938
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	38,010	38,010	2,155	14,422
Payments to N. Ireland	497	514	248	257
Other Gov. Fund Services	281	288	2	...
Total	38,788	38,812	2,405	14,679
Supply Services†	54,176	62,454	9,250	12,000
Total Ord. Expend.	92,964	101,266	11,655	26,679
SELF-BALANCING EXPENDITURE				
Post Office and Broadcasting Votes	4,520	6,200	850	900
Total	97,484	107,466	12,505	27,579

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting.

After raising Exchequer balances by £264,169 to £2,639,681, the other operations for the week (as shown in the next column but excluding £240,000 issued to the New Sinking Fund), raised the gross National Debt by £14,702,000 to about £8,185 millions.

WEEK'S CHANGES IN DEBT

(£ thousands)		(£ thousands)	
NET INCREASES IN DEBT		NET REPAYMENTS, ETC.	
Treasury Bills	7,907	Pub. Debt Adv.	690
Bank of England Advances	8,000	Nat. Savings Certs.	100
Land Sett. repayts.	13	P.O. & Tel. (Mon.)	...
Tithe Act repayts.	100	Acts	500
	16,020	N. Atlantic Shipping	28
			1,318

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to May 7, 1938, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	101,266	Ordinary Rev.	63,176
Inc. in balances	276	Gross borr.	38,912
	101,542	Less:	
		New S.F.	546
		Nett borrowing	38,366
			101,542

FLOATING DEBT

Date	Treasury Bills		Public Depts.	Bank of England	Total Floating Debt	Floating Assets
	Tender	Tap				
1937						
Mar. 31	674.6*	23.5	...	698.1	...	...
May 8	530.0	153.6	36.2	719.7	189.8	...
Dec. 31	889.7*	39.4	55.7	984.9	...	...
1938						
Jan. 29	587.0	292.3	31.6	910.9	323.9	...
Feb. 5	572.0	281.7	33.6	887.3	315.3	...
" 12	557.0	276.9	31.9	865.8	308.8	...
" 19	542.0	275.5	31.3	848.8	306.8	...
" 26	532.0	273.1	30.2	844.3	312.3	...
Mar. 5	522.0	282.4	30.8	844.2	322.2	...
" 12	517.0	283.8	30.9	839.8	322.7	...
" 19	512.0	288.5	35.6	836.1	324.1	...
" 31	528.7*	13.1	...	841.8	...	...
Apr. 9	512.0	304.9	30.6	852.5	335.5	...
" 16	522.0	306.8	28.6	858.9	335.4	...
" 23	532.0	296.1	27.2	855.3	323.3	...
" 30	543.0	288.6	36.5	870.2	325.1	...
May 7	560.0	281.6	35.9	885.4	317.5	...

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
May 7	35.0	93.0	35.0	5.0	18
Dec. 31	50.0	80.5	50.0	10.0	47
1938					
Jan. 28	30.0	86.5	30.0	10.0	18
Feb. 4	30.0	88.4	30.0	10.0	18
" 11	30.0	87.7	30.0	10.0	18
" 18	35.0	86.6	35.0	10.0	23
" 25	40.0	92.0	40.0	10.0	33
Mar. 4	45.0	97.8	45.0	10.0	30
" 11	45.0	92.1	45.0	10.0	36
" 18	50.0	82.3	50.0	10.0	54
" 25	50.0	84.6	50.0	9.0	55
Apr. 1	50.0	77.0	50.0	10.0	71
" 8	50.0	85.2	50.0	10.0	56
" 15	45.0	85.6	45.0	10.0	41
" 22	45.0	88.5	45.0	10.0	41
" 29	45.0	80.0	45.0	10.0	60
May 6	45.0	87.8	40.0	10.0	29

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On April 22nd, applications at £99 17s. 5d. per cent. for bills to be paid for on any day except Saturday of the following week were accepted as to about 29 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Saturday at £99 17s. 6d. per cent. and above were allotted in full. £30.0 millions of Treasury bills are being offered on May 13th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
16 weeks to —		
Apr. 24, 1937	11,177,983	£8,383,486
Apr. 23, 1938	10,845,101	£8,133,825
Week to —		
Apr. 24, 1937	624,510	£481,882
Apr. 16, 1938*	573,619	£430,214
Apr. 23, 1938*	481,036	£360,777

* After adjustments to March 27th. N.B.—Net Exchequer receipts, week to April 23, 1938: Dr. £50,000.
* Five days only.

BANK OF ENGLAND RETURNS

MAY 11, 1938

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued	482,190,299	Govt. Debt	11,015,100
In circultn.	482,190,299	Other Govt. Securities	188,725,775
In Bnkg. De- partment	44,217,938	Other Secs.	250,200
		Silver Coin	8,925
		Amt. of Fid. Issue	200,000,000
		Gold Coin & Bullion	326,408,237
			526,408,237

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. Capital	14,553,000	Govt. Secs.	105,741,164
Rest	3,184,761	Other Secs.	7,601,817
Public Depts.	36,595,502	Disc., etc.	7,601,817
Other Depts.	87,943,730	Securities	19,409,952
Bankers'	35,458,607	Notes	27,011,769
Other	123,402,337	Gold & Silv. Coin	44,217,938
			764,729
			177,735,600

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

THE WEEK'S CHANGES

(£ thousands)		Compared with	
Both Departments	Amt. May 11, 1938	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	482,190	8,343	2,281
Deposits: Public	36,596	25,853	4,076
Bankers'	87,944	29,509	279
Others	35,458	513	1,726
Total outside liabilities	642,188	12,511	4,910
Capital and rest	17,738	15	15
COMBINED ASSETS			
Govt. debt and securities	305,482	12,125	1,986
Discounts and advances	7,602	588	1,709
Other securities	19,660	245	6,449
Silver coin in issue dept.	9	...	2
Gold coin and bullion	327,173	28	7,647
Reserves			
Res. of notes & coin in banking department	44,983	8,314	5,321
Proportion of reserve to outside liabilities—			
(a) Bank dept. only	28.7%	6.4%	3.5%
(b) Gold stocks to deposits and notes	50.9%	0.9%	0.8%

COMPARATIVE ANALYSIS

	1937		1938	
	May 12	Apr. 20	May 4	May 11*
Issue Dept.:				
Notes in circ.	479.9	495.6	489.3	490.5
Notes in bank- ing dept.	38.8	30.8	37.1	35.9
Govt. debt and securities	195.1	199.6	199.6	199.7
Other sec.	4.8	0.4	0.4	0.3
Gold	318.7	326.4	326.4	326.4
Deposits:				
Public	32.5	18.0	10.9	10.7
Bankers'	87.7	106.5	113.3	117.4
Others	37.2	36.1	36.5	36.0
Total	157.4	160.6	160.7	164.1
Bkg. Dept. Secs.:				
Government	108.3	117.6	114.0	117.8
Discounts, etc.	5.9	8.2	7.1	8.2
Other	21.3	20.8	19.4	19.3
Total	135.5	146.6	140.5	145.3
Banking dept. reserve	39.7	31.6	38.0	36.7
"Proportion"	25.2	19.7	23.6	22.3
Reserve ratio†	50.1	49.9	50.4	50.9

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £8,925; capital, £14,553,000; rest, £3,184,761.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Banks of Portugal and Roumania appeared in *The Economist* of April 23rd; Danzig, Lithuania, Poland and Java, of April 30th; Reichsbank, Argentina, Australia, Egypt, Greece, Yugoslavia, Latvia, New Zealand, Norway and Sweden, of May 7th.

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

Assets	Apr. 30, 1937	Feb. 28, 1938	Mar. 31, 1938	Apr. 30, 1938
Gold in bars	132.2	16.3	20.9	21.1
Central bank bills	32.7	30.8	22.2	20.6
Sight funds	25.2	13.9	15.8	19.6
Bills and acceptances:				
(a) Commercial bills	106.7	127.7	126.8	132.3
(b) Treasury bills	133.4	100.7	102.8	90.3
Time funds at interest	27.8	55.7	53.9	57.6
Sundry bills & invests	263.0	300.8	300.5	293.3
Other assets	1.7	1.0	1.2	1.1
LIABILITIES				
Capital paid up	125.0	125.0	125.0	125.0
Reserves	22.1	23.2	23.2	23.2
Long-term commitments:				
(1) Annuity trust account deposits	153.3	154.3	153.2	153.3
(2) Govt. deposits	119.7	108.6	106.1	106.1
Short term and sight deposits:				
(1) Central banks:				
Own account	134.9	173.8	179.2	170.8
(2) Central banks:				
For acct. others	4.3	2.7	3.3	1.9
(3) Other deposits	0.4	4.3	2.2	2.4
Sight deposits—gold	21.7	9.4	9.6	9.8
Miscellaneous items	41.5	45.4	42.3	43.3

U.S. FEDERAL RESERVE BANKS
Million \$'s

12 U.S.F.R. BANKS	May 13, 1937	Apr. 14, 1938	May 12, 1938	May 13, 1938
Resources	1937	1938	1938	1938
Gold certifi. on hand and due from Treas.	8,839	9,245	10,641	10,641
Total reserves	9,139	9,706	11,085	11,077
Total cash reserves	288	452	435	427
Total bills discounted	5	13	8	8
Bills bt. in open mkt.	20	13	9	9
Industrial advances	23	17	17	16
Total U.S. Govt. secs.	2,526	2,564	2,564	2,564
Total bills and secs.	2,526	2,594	2,594	2,589
Total resources	12,489	13,074	14,338	14,305
LIABILITIES				
F.R. notes in actual circulation	4,194	4,137	4,148	4,133
Aggregate of excess mkt. bank res. over reqts.	940	1,730	2,440	2,480
Deposits — Member bank reserve account	6,942	7,742	7,504	7,560
Govt. deposits	106	141	1,429	1,361
Total deposits	7,285	7,930	9,286	9,292
Cap. paid in and surplus	306	309	309	309
Total liabilities	12,489	13,074	14,338	14,305
Ratio of total res. to deposit and F.R. note liab. combined	79.6%	80.4%	82.5%	82.5%
U.S.F.R. BANKS COMBINED				
RESOURCES				
Monetary gold stock	11,882	12,825	12,870	12,880
Treasury and Nat. Bk. currency	2,545	2,683	2,693	2,695
LIABILITIES				
Money in circulation	6,405	6,380	6,407	6,396
Treasury cash and deposits with F.R. Bks.	3,162	3,683	3,625	3,576

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

	May 13, 1937	Apr. 14, 1938	May 12, 1938	May 13, 1938
Total gold reserves	3392.9	3968.5	4644.8	4625.9
Total bills discounted	8.2	2.6	2.2	2.7
Bills bt. in open mkt.	2.5	0.2	0.2	0.2
Total U.S. Govt. secs.	725.0	745.8	745.8	745.8
Total bills and securities	741.7	752.9	752.8	753.2
Deposits — Member bank reserve account	2986.1	3443.0	3478.0	3483.9
Total res. to dep. and Fed. Res. note liabilities combined	83.9%	85.6%	87.5%	87.5%

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

Assets	Apr. 28, 1937	Apr. 13, 1938	Apr. 20, 1938	Apr. 27, 1938
Loans, total	9,428	8,567	8,585	8,587
Investments	12,774	12,227	20,809	12,257
Reserve with Federal Reserve banks	5,425	5,813	5,980	6,066
Due from domestic bks.	1,964	2,051	2,188	2,256
LIABILITIES				
Deposits: demand (adjusted)	15,388	14,425	14,451	14,598
Time	5,158	5,218	5,221	5,230
U.S. Government	272	627	605	585
Inter-bank	5,944	5,598	5,874	5,969

↑ In this item, comparison between May 20, 1937, and preceding weeks is affected by a revision of the statement.

BANK OF FRANCE.—Million francs

Assets	May 7, 1937	Apr. 21, 1938	Apr. 28, 1938	May 5, 1938
Gold	1,099	1,132	1,117	1,090
Advances on gold coin	9,520	11,328	11,517	11,090
Bills: Commercial	1,083	790	790	774
Bought abroad	3,907	3,750	3,700	3,878
Advances on securities	831	947	879	1,414
Thirty-day advances	3,200	3,200	3,200	3,200
Loans to State without interest: (a) general	19,991	39,554	40,134	40,134
(b) provisional	5,642	5,575	5,575	5,575
Negotiable bonds	4,010	4,186	4,109	4,372
Sinking Fund Dept.				
Other assets	86,870	98,144	98,519	98,960
LIABILITIES				
Notes in circulation	3,500	2,184	2,802	2,280
Deposits: Public	13,658	21,308	21,101	21,233
Private	2,614	3,507	3,290	3,769
Other liabilities				
Gold reserve to sight liabilities	55.1%	45.8%	45.5%	45.5%

* From July 29, 1937, based on franc at 43 (against 49) milligrams.
† Of which Frs. 18,050 millions under Convention of June 30, 1937 (permissible limit, Frs. 20,000 millions).

NATIONAL BANK OF BELGIUM
Million belgas

Assets	Apr. 30, 1937	Apr. 28, 1938	Apr. 28, 1938	May 5, 1938
Gold	1,338	3,126	3,123	3,101
Silver and other coin	50	52	52	50
Foreign exchange, etc.	1,132	1,132	1,132	1,132
Bills and securities	57	57	57	57
Advances	36	37	32	45
LIABILITIES				
Notes in circulation	4,451	4,389	4,390	4,366
Deposits: Govt.	14	38	40	43
Other	383	403	399	398

NATIONAL BANK OF BULGARIA
Million levas

Assets	Apr. 15, 1937	Mar. 15, 1938	Apr. 7, 1938	Apr. 15, 1938
Gold holdings	1,754	1,994	1,994	1,994
Balances abroad and foreign currencies	563	921	885	900
Discounts and advances	921	973	960	985
Advances to Treasury	3,551	3,495	3,495	3,495
LIABILITIES				
Reserves	1,243	1,210	1,206	1,203
Notes in circulation	2,423	2,248	2,432	2,455
Sight liab. and deposits	3,157	4,111	3,908	3,908

BANK OF CANADA
Million \$'s

Assets	Apr. 28, 1937	Mar. 30, 1938	Apr. 20, 1938	Apr. 27, 1938
Reserve of which	209.7	206.1	203.7	204.6
Gold coin and bullion	191.1	180.6	180.7	180.7
Securities	151.9	173.6	172.6	172.1
LIABILITIES				
Note circulation	129.5	148.8	157.0	156.6
Deposits: Dom. Govt.	25.5	24.0	15.0	15.7
Chartered banks	197.7	195.3	197.9	199.6
Reserves to notes and deposit liabilities	59.3%	55.6%	54.7%	54.6%

NATIONAL BANK OF CZECHOSLOVAKIA.—Million Cz. Kr.

Assets	Apr. 30, 1937	Mar. 31, 1938	Apr. 23, 1938	Apr. 30, 1938
Gold	2,581	2,661	2,658	2,658
Balances abroad and foreign currencies	127	508	443	422
Discounts and advances	2,244	2,342	2,620	2,700
State notes debt	2,018	2,007	2,007	2,027
LIABILITIES				
Bank notes in circulatn.	5,944	6,997	6,418	7,123
Deposits	363	137	919	245

NATIONAL BANK OF DENMARK
Million kroner

Assets	Apr. 30, 1937	Feb. 28, 1938	Mar. 31, 1938	Apr. 30, 1938
Gold coin and bullion	117.9	117.8	117.7	117.7
Foreign bills & balances	15.2	88.1	75.9	75.0
Home bills, securities and loans	259.7	229.8	262.4	273.5
Emergency fund	116.3	102.0	92.8	82.2
Advances to Treasury	50.5	3.7	12.8	40.8
LIABILITIES				
Notes in circulation	391.5	391.2	399.3	420.5
Deposits	36.4	50.2	56.1	60.8
Foreign liabilities	32.1	3.5	2.1	2.7

BANK OF ESTONIA
Million Estonian kroons

Assets	Apr. 15, 1937	Mar. 15, 1938	Apr. 15, 1938	Apr. 22, 1938
Gold coin & gold bullion	34.18	34.22	34.22	34.22
Net foreign exchange	15.44	17.16	16.74	16.09
Home bills discounted	12.33	10.22	11.31	11.41
Loans and advances	10.17	11.49	10.84	10.52
LIABILITIES				
Notes in circulation	44.99	48.42	49.74	53.49
Sight dep. and current accounts, of which	33.10	33.34	33.03	28.86
(a) Government	24.60	21.24	19.92	17.33
(b) Bankers	5.98	9.36	10.33	9.13
Reserve to current liabilities	63.5%	62.8%	61.6%	61.1%

BANK OF FINLAND
Million F. Marks

Assets	Apr. 23, 1937	Mar. 23, 1938	Apr. 14, 1938	Apr. 23, 1938
Gold reserve	603.1	602.6	620.5	620.5
Gold abroad not in gold reserve	213.2	32.0	15	15
Foreign correspondents	1803.0	2301.6	2239.3	2238.3
Foreign bills, etc.	91.2	63.4	58.6	48.5
Inl. bills and home loans	1156.0	1411.1	1509.7	1532.2
Finnish & foreign bonds	428.0	446.3	439.4	436.0
LIABILITIES				
Notes in circulation	1893.0	2217.7	2230.8	2212.2
Sight deposits: Govt.	414.6	454.0	369.0	393.0
Other	658.7	929.6	1052.2	1123.0
Ordinary cover to sight liabilities	74.7%	76.5%	74.9%	75.1%

NATIONAL BANK OF HUNGARY
Million Pengo

Assets	Apr. 1937	Mar. 1938	Apr. 1938	Apr. 1938
Metal reserve:				
Gold coin and bullion	84.1	84.1	84.1	84.1
Foreign exchange	47.8	62.8	67.9	67.8
Token money	10.9	11.5	9.3	10.4
Inl. bills, wts., & secs.	414.2	423.6	438.4	424.7
Advances to Treasury	104.3	118.7	118.5	118.5
LIABILITIES				
Notes in circulation	366.0	488.2	517.1	505.5
Current accounts, deposits, etc.	232.6	264.2	247.2	245.5
Cash certificates	92.9	69.7	69.7	69.7

RESERVE BANK OF INDIA
Million Rupees

Assets	Apr. 30, 1937	Mar. 25, 1938	Apr. 22, 1938	Apr. 29, 1938
Gold coin & bullion	444	444	444	444
Rupee coin	558	640	588	591
Balances abroad	272	75	49	47
Sterling securities	803	788	788	788
Indian Govt. rupee securities	275	274	324	324
Investments	77	70	70	71
LIABILITIES				
Notes in circula.:				
India	1,927	1,773	1,776	1,753
Burma	122	194	158	185
Deposits: Govt.	275	146	144	148
Banks				
Gold and sterling to liabilities	60.0%	57.4%	57.5%	57.4%

BANK OF JAPAN.—Million yen

Assets	Apr. 24, 1937	Mar. 26, 1938	Apr. 16, 1938	Apr. 23, 1938
Coin and bullion: Gold	543.3	801.0	801.0	801.0
Foreign bills	41.9	34.6	36.2	36.3
Discounts and advances	842.0	522.3	510.1	508.3
Government bonds	651.5	1032.2	1165.1	1111.7
Agencies' accounts	100.5	143.1	9.7	121.9
LIABILITIES				
Notes issued	1450.2	1870.3	1725.0	1737.1
Deposits: Government	438.8	418.2	482.2	438.1
Other	62.9	99.2	92.8	78.9

NETHERLANDS BANK
Million florins

Assets	May 1937	Apr. 1938	May 1938	May 1938
Gold	1055.1	1470.5	1480.3	1480.3
Silver	17.2	15.4	19.3	20.0
Home bills, &c.	19.1	9.1	9.2	9.2
Foreign bills	2.4	5.4	5.4	5.4
Loans and advances	181.6	313.9	345.5	331.6
LIABILITIES				
Notes in circulation	825.6	915.3	975.2	931.1
Deposits: (a) Govt.	57.4	84.1	98.3	141.6
(b) Other	311.0	833.6	804.5	792.1

SOUTH AFRICAN RESERVE BANK
Million £'s

Assets	May 1937	Apr. 1938	Apr. 1938	
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EXCHANGE RATES—cont.

NEW YORK							
New York on	Par of Exch. per cent.	May 5, 1938	May 6, 1938	May 7, 1938	May 9, 1938	May 10, 1938	May 11, 1938
London—	Old Par 4-8666	4-9825 ³²	4-987 ³²	4-971 ³²	4-975 ³²	4-962 ³²	4-973 ³²
60 days—	New Par 4-995 ¹⁶	4-983 ⁴	4-983 ⁴	4-981 ⁸	4-971 ¹⁶	4-971 ¹⁶	4-973 ¹⁶
Cables—	8-2397	4-995 ¹⁶	4-983 ⁴	4-981 ⁸	4-971 ¹⁶	4-971 ¹⁶	4-973 ¹⁶
Demand—	6-63	2-80	2-80	2-80 ¹⁶	2-80	2-80	2-80 ¹⁶
Paris, Fr.—	23-54	16-83 ¹²	16-85	16-79 ¹²	16-82 ¹²	16-83 ¹²	16-84
Brussels, Bel.—	32-67	22-92 ¹²	22-91 ¹²	22-88	22-87	22-84 ¹²	22-84
Switz'rd, Fr.—	8-91	5-26 ¹⁴	5-26 ¹⁴	5-26 ¹⁴	5-26 ¹⁴	5-26 ¹⁴	5-26 ¹⁴
Italy, Lira—	40-33	40-21 ¹²	40-25	40-22	40-20	40-19 ¹²	40-19 ¹²
Berlin, Mk.—	23-82	...	...	...	...	...	...
Vienna, Sch.—	32-67	...	...	...	...	...	...
Amst'dm, Gldr.—	68-06	55-71	55-52	55-55	55-37	55-35 ¹²	55-44 ¹²
Cop'h'gn, Kr.—	22-30	22-27 ¹²	22-25	22-22 ¹²	22-20	22-20	22-20
Oslo, Kr.—	145-37	25-10	25-07 ¹²	25-05	25-00	25-00	25-00
St'h'm, Kr.—	25-75	25-70	25-67 ¹²	25-65	25-65	25-65	25-65
Athens, Dr.—	1-29 ¹²	0-91 ¹²	0-91 ¹²	0-91 ¹²	0-91 ¹²	0-91 ¹²	0-91 ¹²
M'ntreal, Can.—	169-31	99-470	99-450	99-430	99-370	99-355	99-370
Y'ham, Yen—	84-40	29-09	29-08	29-08	29-02	29-03	29-00
Shanghai, \$—	...	26-50	25-95	25-25	24-98	25-37	25-12
B. Aires, Peso—	...	30-97	30-94	30-90	30-87	30-86	30-87
Rio, Ms. L.—	11-96	5-90	5-90	5-90	5-90	5-90	5-90

Usance: T.T. * Dollars per £1. † Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER
Week ended May 5, 1938

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
Gold					
British West Africa...	158,326	£	Germany...	6,400	£2,075
British S. Africa...	1,536,651	£	British India...	94,935	£
Canada...	...	215,143	Hong Kong...	437,086	£
Soviet Union...	1,124,488	£	Netherlands...	78,718	£55,252
Netherlands...	179,972	8,118	Switzerland...	224,817	£48,945
Belgium...	584,691	£	Italy...	17,247	£
Switzerland...	35,430	222,970			
Total*	3,759,006	501,381	Total*	406,325	562,707
Silver					
Gibraltar...	...	2,679	Cyprus...	...	8,300
Australia...	13,266	488	Palestine...	...	2,980
Norway...	3,180	...	Aden and Depend-	...	...
Germany...	6,078	59	encies...	...	24,870
Netherlands...	27,044	276	British India...	136,045	£
Belgium...	11,780	13,333	France...	3,509	£
France...	6,304	144	Arabia-Muscat...	3,600	£
			United States...	56,173	£
Total*	69,713	17,461	Total*	200,723	43,537

* Including other countries.

MONTHLY STATEMENT OF LONDON CLEARING BANKS

(000's omitted)

Average Weekly Balance April, 1938	Barclays Bank Limited	Coutts and Co.	District Bank Limited	Glyn, Mills and Co.	Lloyds Bank Limited	Martins Bank Limited	Midland Bank Limited	National Bank Limited	National Provincial Bank Limited	Westminster Bank Limited	Williams Deacon's Bank Limited	Aggregate
ASSETS	£	£	£	£	£	£	£	£	£	£	£	£
Coin, bank notes and balances with the Bank of England	52,709	1,972	7,883	3,380	38,922	9,500	54,943	3,650	33,284	36,423	3,772	246,438
Balances with and cheques in course of collection on other Banks in Great Britain and Ireland	11,402	699	1,986	2,812	9,884	2,798	12,501	303	6,780	8,772	1,762	59,699
Items in transit	...	...	...	...	3,304	645	...	...	...	...	...	3,949
Money at call and short notice	25,341	2,946	7,533	7,289	23,699	5,976	22,658	4,922	21,362	23,359	5,819	150,104
Bills discounted	45,198	768	3,561	460	34,820	3,425	28,678	1,509	28,678	51,092	557	248,503
Investments	98,246	8,877	29,601	10,737	111,579	31,450	125,121	14,317	83,996	112,272	11,494	637,690
Advances to customers and other accounts	199,732	11,107	30,631	10,078	176,023	44,007	214,063	17,066	145,175	131,121	14,706	993,709
Liabilities of customers for acceptances, endorsements, etc.	8,704	782	8,220	3,000	33,329	7,884	19,359	180	8,853	19,882	1,672	111,865
Bank premises account	7,378	412	1,580	740	7,525	2,706	9,761	657	7,309	5,148	1,070	44,286
Investments in affiliated banks and subsidiary companies	6,987	...	...	...	3,525	...	7,874	...	2,514	2,993	...	23,893
	455,697	26,763	90,995	38,496	442,610	108,391	544,715	42,604	337,951	391,062	40,852	2,520,136
Ratio of cash to current, deposit and other accounts	12.54	8.22	10.26	10.05	10.14	10.23	11.04	9.50	10.70	10.33	10.33	10.87
LIABILITIES	£	£	£	£	£	£	£	£	£	£	£	£
Capital paid up	15,858	1,000	2,976	1,060	15,810	4,160	15,155	1,500	9,479	9,320	1,875	78,193
Reserve fund	10,750	1,000	2,977	530	9,500	3,500	12,407	1,140	8,500	9,320	800	60,424
Current, deposit and other accounts	420,385	23,981	76,822	33,616	383,964	92,826	497,794	38,427	311,119	352,526	36,505	2,267,965
Acceptances, endorsements, etc.	8,704	782	8,220	3,000	33,329	7,884	19,359	180	8,853	19,882	1,672	111,865
Notes in circulation	...	...	...	...	7	...	...	...	...	...	...	1,399
Reduction of bank premises account	...	...	...	290	...	...	...	...	...	...	...	290
	455,697	26,763	90,995	38,496	442,610	108,391	544,715	42,604	337,951	391,062	40,852	2,520,136

OIL OUTPUTS

Trinidad Petroleum Development Company, Ltd.—Output for week ended April 23rd, 58,334 barrels. Output for week ended April 30th, 56,623 barrels.

Lobitos Oilfields, Ltd.—Output of the Peruvian company for April is 28,469 tons.

Anglo-Ecuadorian Oilfields, Ltd.—Output for April is 22,524 tons.

Trinidad Leaseholds, Ltd.—Oil produced during April, 45,548 tons; oil purchased during April from other companies, 73,365 tons.

Phoenix Oil and Transport.—The gross output of crude oil of the Phoenix Group for April was 65,883 tons.

Attock Oil Company, Ltd.—Production for April, 35,574 barrels.

SUEZ CANAL COMPANY

GENERAL MEETING OF SHAREHOLDERS TO BE HELD IN PARIS ON MONDAY, JUNE 13, 1938

Holders of not less than twenty-five shares, who are desirous of being present or represented at the meeting must prove at the Head Office of the Company, 1, Rue d'Assolvi, Paris, before 2 p.m. on June 8, 1938, that they have deposited their shares with the Company or with any of the Company's appointed Agents.

Shares may be deposited in London with Messrs. N. M. Rothschild and Sons, who will in due course deliver a card of admission for the meeting.

Le Directeur Général,

GEORGE EDGAR-BONNET.

Paris, May, 1938.

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

L. M. & S.—	Gross Receipts, week ended May 8 (£'000)					Aggregate Gross Receipts, 18 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Goods	Total	Passenger	Merchandise	Coal & Coke	Goods	Total
1937	510	528	269	797	1,307	7,560	8,869	5,054	13,923	21,483
1938	442	472	260	732	1,174	7,691	8,629	5,001	13,630	21,321
L. & N. E. (a)—	321	353	251	604	925	4,899	6,114	4,676	10,784	15,783
1937	274	306	231	537	811	5,022	6,036	4,699	10,735	15,757
1938	211	213	108	321	532	3,164	3,528	2,089	5,617	8,781
Great Western—	185	192	101	293	478	3,221	3,483	2,109	5,592	8,813
1937	301	58	25	83	384	4,868	1,094	607	1,701	6,569
1938	284	52	22	74	358	5,001	1,079	599	1,678	6,679
Total	1,343	1,152	653	1,805	3,148	20,591	19,605	12,420	32,025	52,616
1937	1,185	1,022	614	1,636	2,821	20,935	19,227	12,408	31,635	52,570
1938	1,185	1,022	614	1,636	2,821	20,935	19,227	12,408	31,635	52,570

(a) Week ended May 7.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures	£	£	£	£
Gross increase, first half 1937, over first half 1936	+1,329	+1,187	+670	+359
Gross increase, second half 1937, over second half 1936	+1,443	+1,099	+647	+372
Gross increase, first half 1938, over first half 1937	-162	-26	+32	+110
18 weeks to May 8, 1938	-	-	-	-
Weekly Figures	£	£	£	£
W. weekly in latest week of latest week 1927-30	-9-00	-1-44	+1-78	+6-11
compared with 1937	-133	-114	-54	-26
compared with average	-191	-216	-106	-26

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended May 6 (£'000)			Aggregate Gross Receipts, 18 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—	2-0	0-5	2-5	31-6	9-0	40-6
1937	1-9	0-4	2-3	33-0	7-9	40-9
1938	...	...	...	...	...	...
Great Northern—	9-4	8-0	17-4	151-3	172-0	323-3
1937	9-2	7-6	16-8	156-2	156-6	312-8
1938	...	...	...	...	...	...
Great Southern—	35-6	41-9	77-5	521-0	767-8	1,288-8
1937	34-6	40-2	74-8	538-6	717-3	1,255-9
1938	...	...	...	...	...	...

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Deben- ture Interest	Amount Available for Dis- tri- bu- tion	Appropriation				Corresponding Period Last Year		
					Dividend			Carried to Reserve, Deprecia- tion, etc.	Balance Forward	Net Profit	Divi- dend
					Prefce. Amount	Ordinary Amount	Rate				
Banks		£	£	£	£		%	£	£	£	%
Anglo-Palestine Bank.....	Dec. 31	10,574	97,047	107,621	11,250	61,085	10	25,000	10,286	95,964	8½
Breweries, Distilleries											
Buchanan-Dewar	Mar. 31	118,267	1,120,474	1,238,741	240,753	877,000	30	...	120,988	1,009,370	25
Buchanan-Dewar and Son	Mar. 31	29,493	23,220	52,713	2,500	13,500	13½	7,000	29,713	21,146	10
Rowell (John) and Land, etc.											
British and Chinese Corpn.	Dec. 31	20,207	9,789	29,996	...	12,500	10	Dr. 2,400	19,896	19,047	15
British Hosiery Trust.....	Mar. 31	2,763	29,876	32,639	...	29,000	8	...	3,639	21,300	5½
Capital & Counties Property	Dec. 31	2,134	6,154	8,288	5,150	...	5	3,000	138	1,183	Nil
Eastern Plantations Finance	Mar. 31	17,936	11,584	29,520	...	9,166	...	...	20,354	12,939	5
Greef-Chemicals Holdings .	Dec. 31	3,493	28,100	31,593	6,875	15,625	12½	...	9,093	15,409	6½
Mid-European Corporation	Mar. 31	93,129	54,486	147,615	22,625	24,937	3½	...	100,053	50,639	3
Waddon Investments	Mar. 25	...	16,944(b)	16,944	...	13,230	7	2,000	1,714	(a)	(a)
Gas											
South-Eastern Gas.....	Mar. 31	28,613	156,608	185,221	54,145	82,384	6	...	48,692	110,730	6
Hotels, Restaurants, etc.											
Criterion Restaurants.....	Mar. 31	13,517	18,808	32,325	...	16,875	7½	1,500	13,950	23,237	10
Iron, Coal and Steel											
Pressed Steel Co.....	Dec. 31	91,837	215,763	307,600	22,050	156,623	28	...	128,927	267,963	(s) 22½
Ransomes, Sims and Jefferies	Dec. 31	43,963	102,672	146,635	11,000	25,000	5	50,260	60,375	(r) 47,883	4
Stewarts and Lloyds	Dec. 31	170,756	2,302,895	2,473,651	100,443	579,468	12½	1,623,581	170,159	1,191,597	5
Motor, Cycle & Aviation											
Simmis Motor Units	Dec. 31	...	8,189	8,189	5,437	...	...	...	2,752	4,181	Nil
Oil											
British-Borneo Petroleum...	Mar. 31	44,758	48,462	93,220	...	32,812	12½	38,875	21,533	68,589	17½

THE WEEK'S COMPANY RESULTS—continued

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Dividend		Carried to Reserve, Depreciation, etc.	Balance Forward		Net Profit	Dividend
					Prefce. Amount	Ordinary Amount Rate					
Rubber		£	£	£	£	£	%	£	£	£	%
Bandarapola Ceylon	Dec. 31	2,493	12,798	15,291	...	9,000	15	3,417	2,874	8,317	10
British Malay	Dec. 31	4,803	14,772	19,575	...	11,700	3	3,000	4,875	10,194	2½
Dorankande	Dec. 31	1,426	5,507	6,933	...	4,219	2d. p.s.	226	2,488	3,897	Nil
Foothills (Malaya)	Dec. 31	582	6,441	7,023	...	2,800	8	2,680	1,543	2,697	6
Igalkande	Dec. 31	4,609	2,144	6,753	...	2,200	5	...	4,553	2,948	5
Kampong Kuantan	Dec. 31	2,645	23,382	26,027	...	20,052	24	1,000	4,975	18,260	20
Kepong (Malay)	Dec. 31	11,396	123,311	134,707	...	100,380	13½	18,600	15,727	81,012	11½
Klabang	Dec. 31	11,040	31,202	42,242	...	14,500	10	14,368	13,374	14,855	6
Lok Kawi	Dec. 31	1,807	8,406	10,213	...	4,227	6½	2,100	3,886	7,117	7½
Mahawale	Dec. 31	2,347	7,422	9,769	...	6,400	4	1,160	2,209	6,634	3
Oriental	Dec. 31	6,749	7,532	14,281	...	5,500	2½	1,950	6,831	7,032	2½
Peacock and Nilambe	Dec. 31	1,062	11,781	12,843	2,685	4,347	3½	400	5,411	4,588	2½
Pullangode	Dec. 31	189	4,452	4,641	...	2,250	6	1,500	891	4,562	10
Rahman	Dec. 31	69	1,480	1,549	...	680	2½	...	869	1,439	4
Sahang	Dec. 31	343	2,839	3,182	...	2,175	10	318	689	2,450	10
Simo	Dec. 31	2,568	30,896	33,464	...	24,500	17½	5,500	3,464	12,910	7½
Sumatra Anglo-Dutch	Dec. 31	...	10,896	10,896	...	...	...	9,000	1,896	Dr. 204	Nil
Sungei Batu (Malaya)	Dec. 31	10,396	16,896	27,292	...	10,725	13	6,955	9,612	8,542	10
Tangga Batu	Dec. 31	1,488	1,117	2,605	...	413	3	...	2,192	929	2½
Tarun (Malay)	Dec. 31	4,160	10,702	14,862	...	9,000	9	400	5,462	9,078	7½
Tjiliwoeng Java	Dec. 31	Dr. 37,584	183	Dr. 37,401	...	...	...	...	Dr. 3,636	Dr. 3,636	Nil
Windsor (F.M.S.)	Dec. 31	4,231	4,535	8,766	...	2,392	10	1,500	4,874	1,997	7½
Woodend (Kelani Valley)	Dec. 31	4,733	6,335	11,068	...	7,875	8	...	3,193	2,305	2½
Shipping											
Britain Steamship	Dec. 31	...	98,041	98,041	...	29,400	10	66,946	1,695	25,838	Nil
India-General Navigation	Dec. 31	27,211	137,410	164,621	12,202	26,223	4½	106,029	20,167	149,305	4½
Tea											
Alliance of Ceylon	Dec. 31	6,658	22,889	29,547	...	10,500	7	12,671	6,376	10,900	6
British Darjeeling	Dec. 31	1,364	8,797	10,161	...	7,200	10	1,200	1,761	6,945	...
East India and Ceylon	Dec. 31	4,657	24,931	29,588	6,000	12,500	10	5,000	6,088	12,400	...
Imperial Ceylon	Dec. 31	6,147	19,998	26,145	...	8,960	8	10,433	6,752	11,63	...
Maleber	Dec. 31	Dr. 2,636	2,372	Dr. 264	...	...	...	...	Dr. 264	663	...
Tyspane	Dec. 31	1,189	4,005	5,194	120	1,995	8	2,000	1,079	(a)	...
Textiles											
Coats (J. & P.)	Dec. 31	329,109	2,077,459	2,406,568	330,000	1,475,000	10	50,000	551,568	1,794,744	...
Parkland Manufacturing	Feb. 28	6,323	33,790	40,113	...	22,000	10	10,000	8,113	42,862	1½
Trusts											
Alliance Investment	Apr. 15	33,432	40,093	73,525	20,109	13,350	6	7,500	32,566	43,706	6
Consolidated Trust	Apr. 15	...	36,333	36,333	17,359	13,723	9	5,251	...	32,864	8
Continental Union	Mar. 31	21,704	59,947	81,651	22,453	26,690	6	6,000	26,508	54,214	5½
General Scottish	Mar. 31	5,909	33,169	39,078	13,596	9,843	5½	6,000	9,639	29,019	5
Lake View Investment	Mar. 31	37,835	73,308	111,143	11,344	40,587	9	15,000	44,212	63,972	8½
London and Holyrood	Mar. 31	20,934	61,483	82,417	34,125	8,800	2	15,000	24,492	57,751	2
London and Provincial	Mar. 31	54,046	33,553	87,599	11,747	11,550	4½	...	64,302	31,306	4½
New England, etc., Trust	Mar. 31	1,650	9,380	11,030	...	10,195	18	...	835	9,992	18
Reserves Securities Trust	Apr. 5	3,562	11,341	14,903	...	9,034	5½	229	5,640	9,612	5
Rubber and Tropical	Mar. 31	1,143	5,623	6,766	...	4,350	6	...	2,416	3,367	4
Second Sects of Scotland	Mar. 31	12,873	18,939	31,812	11,187	2,933	2	...	17,692	18,106	2
Third Scottish National	Mar. 31	24,667	32,037	56,704	16,828	7,722	3½	7,500	24,654	28,696	2½
Waterworks											
Antwerp Waterworks	Dec. 31	238	7,554	7,792	...	5,480	8-8	1,168	1,144	2,550	8-8
Consolidated of Rosario	Dec. 31	110,792	26,782	137,574	8,400	12,500	2½	...	116,674	21,915	2½
Other Companies											
Annandale & Son	Dec. 31	2,948	3,839	6,787	...	3,839	6½	...	2,948	3,161	5½
British Match Corporation	Apr. 30	57,109	456,814	513,923	21,854	361,192	7½	60,000	70,877	474,129	7½
British Oxygen	Dec. 31	34,554	708,675	743,229	32,500	483,013	17	183,331	44,385	600,279	15
East London Rubber	Feb. 28	19,662	22,403	42,065	8,250	16,917	10	6,750	10,148	24,621	10
Energex Foods	Mar. 31	595	10,044	10,639	...	7,000	10	3,338	301	12,697	20
Engineering Components	Mar. 31	2,542	24,808	27,350	3,375	18,359	20	...	5,616	19,730	15
Eno Proprietaries	Dec. 31	32,529	136,381	168,910	41,594	80,750	11	3,140	43,426	155,320	13
Ever Ready Co. (G.B.)	Mar. 31	63,417	558,243	621,660	20,000	353,640	35	179,618	68,402	49,458	45
Frith (W. G.) and Company	Feb. 28	4,538	14,730	19,268	...	9,450	12	4,206	5,612	13,643	10
Gadong Coconut	Dec. 31	647	3,656	4,303	...	2,928	8	750	625	13,643	7
Goodlass Wall, etc.	Dec. 31	78,661	262,641	341,302	93,598	61,137	7	103,629	82,938	1,3874	8
Goodyear Tyre, etc.	Dec. 31	245,345	136,248	381,593	18,000	120,000	15½	243,593	265,487	265,487	7
International Sponge	Dec. 31	4,046	2,638	6,684	...	...	...	...	6,684	4,295	17½
London Electric Wire	Dec. 31	54,546	143,393	197,939	30,000	51,305	7½	40,000	76,634	135,272	Nil
Malkin Tiles (Burslem)	Feb. 28	27,672	15,673	43,345	4,755	9,000	20	...	29,590	27,632	7½
Marcroft Wagons	Dec. 31	2,044	8,476	10,520	...	5,075	7	3,000	2,445	5,480	25
Mellowes and Company	Dec. 31	1,410	69,281	70,691	2,625	22,062	30	44,000	2,004	59,750	25
Modern Machine Tools	Dec. 31	20,710	26,013	46,723	...	14,687	20	...	32,036	31,476	20
Newton (John M.)	Dec. 31	6,013	27,170	33,183	7,000	8,338	20½	11,500	6,345	26,933	20
Odams Press	Dec. 31	86,177	403,693	489,870	70,500	93,750	12½	244,467	81,153	418,844	15
Parkinson (Sir L.) and Co.	Dec. 31	...	63,649	63,649	8,048	6,062	5	42,318	7,221	(a)	(a)
Portsmouth, etc. Newspapers	Mar. 31	5,553	88,675	94,228	32,438	27,000	30	27,314	7,476	94,426	32½
Royal Sovereign Pencil	Dec. 31	8,662	23,280	31,942	6,595	16,231	7½	1,000	8,116	29,569	7½
Scottish Drapery Corp.	Apr. 19	124,852	95,002	219,854	39,375	42,412	9	100,000	38,067	90,637	9
Smith's Potato Crisps	Mar. 31	43,977	119,524	163,501	...	89,353	32½	26,000	48,148	98,980	27½
Spear and Jackson	Dec. 31	3,542	51,755	55,297	3,445	24,750	15	17,318	9,784	(a)	(a)
Whiteaway Laidlaw & Co.	Feb. 28	1,571	50,050	51,621	...	...	...	26,574	25,047	23,098	Nil
Yorkshire Amalgtd. Products	Dec. 31	10,969	12,123	23,092	...	4,135	4½(r)	4,400	14,557	14,618	7
Total Profits, 1937, in £,000's:											
To May 7	947	39,524	38,497	178,021	22,873	71,762	...	40,823	42,563	123,694	...
To May 14	1,033	41,864	149,195	191,059	24,300	77,531	...	43,970	45,258	132,570	...

(b) February 27, 1937, to March 25, 1938.
(c) Nine months.
† Free of income tax.

(a) No comparable figure.

(s) Absorbed £143,893.

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diplomacy was almost a sealed book to the British public. To-day it is the very heart and centre of politics, dominating every domestic issue. While, therefore, Lord Halifax continues to command a very great measure of public confidence and esteem, his tenure of the Foreign Office can hardly be more than temporary; for the House of Commons will not in the long run be satisfied until a Foreign Secretary again sits upon the Treasury bench.

Such considerations, however, are overshadowed by the fact that while in the Cabinet as a whole there has been a relatively unimportant shuffling of offices, there has been a clear sweep at the Air Ministry, which involves the departure of all the political heads, including Lord Winterton. This important change was undoubtedly precipitated by the debate on the Air Estimates last Thursday, on which it was only possible to comment very briefly in last week's issue. In his speech on behalf of the Air Ministry, Lord Winterton announced a great expansion of the Air Force which involved the doubling of our first line strength from the 1,750 machines of the present programme to a strength of 3,500 machines to be achieved in 1940. This latter figure, of course, involves a very much larger number of modern machines; for the addition of reserve and training machines multiplies this total three or four times. This is an immense Air Armada, and Lord Winterton informed the House that the plans for training the necessary personnel, and for aerodrome construction, etc., are all in hand. But the Government statement quite clearly failed to satisfy the House of Commons. For this critical reception, which came indiscriminately from all parties, there are two main reasons. In the first place, the Government spokesman was unable to give any sort of indication how this new strength would compare with Germany's rapidly-growing Air Force. This was no doubt inevitable, for neither we nor other countries publish statistics of our military aircraft production. But from such facts as leak out or can be deduced from indirect evidence, the public have gathered the impression not only that Germany's current output is much greater than ours, but that even the expansion adumbrated by Lord Winterton would not suffice to overtake it. During the last ten months of the Great War, British factories delivered over 30,000 aeroplanes as compared with a few hundreds in 1915; and though the aeroplanes of 1918 cannot compare in complexity or size with those of to-day, the rapid rise of the figures from practically zero shows how rapidly an industry can expand under the authoritarian conditions that apply in war time. The House of Commons was not convinced that the Government's plan will fill the bill.

But if the ultimate programme must remain a matter of opinion, the other reason for dissatisfaction rests on more specific grounds. In spite of Lord Winterton's reassurances, it was felt in all quarters that there have been unnecessary delays and faults of organisation in carrying out the present programme. If, for such reasons, we are behindhand with our present programme, what chance have we of realising this much greater "paper" expansion? Something has been done to prevent interruptions of production by the placing of big fresh orders under the direction of the new Inter-Departmental Supply Committee but there are still disquieting stories from the aircraft industry of lack of balance between engine and air-frame output, of engines waiting for magnetos and other evidence of unsatisfactory planning or control. Such difficulties—which held back munition production in every country during the Great War—are inevitable when production is being rapidly expanded; and it is significant that German comments on our air progress discount something of these gloomy misgivings. In Germany, where production troubles are also not unknown, it seems safer to assume that the British Air Force is growing rapidly in numbers and efficiency.

At the same time, Parliament is rightly concerned at

the slow rate of production in an industry which may be described as only semi-mobilised in comparison with one which is on a war footing; for public opinion is beginning to demand that, whatever it may cost, we must achieve parity. Significance attaches in this connection to the resignation of Lord Weir, whose war and post-war experience in these matters is unequalled. Lord Weir, who has served since 1935 not in an administrative but in an advisory capacity, is understood to have advised the Government that we could achieve all that was necessary in the field of air rearmament without going to the length of imposing on British industry as a whole the handicap of sweeping priority for all rearmament orders. Shortly after Sir Thomas Inskip was appointed he told the House that the Government would attempt rearmament without imperilling our normal production and trade. Experience seems to have shown that even the present programme could not have been fulfilled by the dates laid down without something approaching war-time control of the allocation of material, and regulations governing the operations not only of direct armament contractors, but also of sub-contractors.

If, therefore, we are to have an immense air expansion, not only on paper but in achievement, Sir Kingsley Wood may quickly have to take some sweeping decisions and shoulder heavy responsibilities. And in this task he will need behind him the full support, not only of the Cabinet, but of Parliament. But at this point we encounter the difficulty that in a matter of this kind where rumour is so rife it is difficult to create confidence without revealing facts which are to-day kept secret. In the rearmament that preceded the Great War, the public knew what progress was being made in the building of battleships and cruisers both here and in Germany. Aircraft production does not disclose itself in the same way; and it might be a help to a possible enemy if we put all our own cards on the table. There may, therefore, be a case for revealing in confidence to the leaders of the Opposition and select members of the House all the information which the Government possesses in order that criticism and comment, which so greatly influence the morale and opinion of the public, should be based on most reliable information. By this or some similar device, opinion should be truly guided and instructed; for if this is not the case, the one thing that can be foreseen with certainty is that the regime of Sir Kingsley Wood at the Air Ministry will inevitably meet the same fate as that of Lord Swinton.

Next Week's Issue of
THE ECONOMIST
will include a
SPECIAL SURVEY
of the position and prospects of
UNIT TRUSTS

The Survey will devote particular attention to the developments of the past year and will include articles on new topics including

Marketability of units	Unit trust conversions
Analysis of certificate holders	Flexible trust yields
New trust formations	Effects of falling security prices

The Survey will contain a directory of all unit trusts formed in this country, and will again include an estimate of total sales. It will be the fourth survey of the movement published by *The Economist*.

Britain and the Dictators

AT this moment the possibility of being overtaken by a second Great War within the span of a single lifetime confronts the people of this country; and they know that the coming war, if it does come, will be much more searching than the last. Every physically and mentally fit person in this island will be directly or indirectly a combatant; and every living man, woman and child will be a target for hostile attack. The possibility of such a recurrence and such an intensification of an unprecedentedly vast calamity is bewildering. What fearful fault can we have committed to have brought ourselves into danger of this awful retribution? Or is the fault somebody else's? Or is the responsibility distributed? Or is it impossible to fix it at all? Are we the victims of impersonal forces which use as their puppets great nations as well as puny individuals, and would-be omnipotent dictators as well as the confessedly human and law-bound constitutional rulers of the still democratically governed States? In this painful bewilderment the intelligent citizen to-day is eagerly looking for light to guide him on the perilous path along which he is trying to feel his way. Such light will be found in a book just published—under the title at the head of this article—by a British scholar with a deservedly great reputation for honesty, disinterestedness, learning and grasp in the crucial domain of international affairs.*

Dr Seton-Watson's present work could not have been published last week if it had not been completed before the latest events in an international drama that is now unfolding itself at a terrifying speed. The fall of Mr Eden, the negotiation of the Chamberlain-Mussolini agreement, and the annexation of Austria by Germany, have all had to be discussed in an annex. But, momentous and sensational though they are, these most recent occurrences have not affected the substance of the book. The picture is still in focus; the judgments still hold good; in other words, the author has given his countrymen the means of information and guidance of which they are so sorely in need.

This book will help the reader to take his share in the forming of those grave national decisions—to act or not to act, to be or not to be—which will perhaps have to be made in the near future. He will find here all the principal relevant facts; he will find them placed in relation to each other and set, with a masterly art, against their respective historical backgrounds; and he will be shown the bearing of these facts upon the questions that he himself will have to answer.

What, for example, of the peace-settlement of 1919-21? Was it the iniquity that Herr Hitler declares it to be? Or was it an honest attempt to apply certain enlightened principles? Or if, as is no doubt more probable, it is neither wholly black nor wholly white, to which of these two extremes does its colour more nearly approximate? In a particularly penetrating and dispassionate piece of analysis Dr Seton-Watson arrives at a shade of grey which is whitish, not blackish. He starts methodically from those items in the Fourteen Points and other pronouncements of President Wilson's that were accepted by Germany in the armistice negotiations as the basis for the terms of peace. His conclusion is that this basis was substantially preserved in the peace treaties save in the three matters of the removal of economic barriers between States, the reduction of armaments by all parties (victors as well as van-

* The book (pages xviii + 460, Cambridge University Press, 12s. 6d. net.) of which this is the title, and Dr R. W. Seton-Watson the author, was noticed shortly in the last issue of *The Economist*. Dr. Seton-Watson's work is so timely and so authoritative that it demands the fuller consideration that we are happy to be able to give it in the present article.

quished), and the impartial adjustment of colonial claims. He further points out that, in the territorial part of the peace settlement in Europe, the one wantonly flagrant violation of the principle of national self-determination was the handing over of the German population of the South Tyrol to Italy. Yet Signor Mussolini has posed for years past as the apostle of treaty-revision, and Herr Hitler, whose self-conferred mission is the liberation, and reunion with the Fatherland, of all Germans under alien rule, committed himself only the other day in Rome, and this in the most emphatic terms, to leaving the Southern Tyrolese for ever fast bound in the misery and iron of Italian oppression!

Dr Seton-Watson goes on to discuss the wasted opportunities and the perverse follies of our ten years of grace between the peace settlement and the slump. He goes into the relations, past and future, between Britain and each of the three "totalitarian" European Powers; he takes up the problem of national minorities—now forced upon everyone's attention by the danger, for us all, of the critical position in Czechoslovakia—and he deals in separate chapters with the tragedies of Abyssinia and Spain. The common note of all these chapters is the discriminating and level-headed judgment which is indeed the chief excellence of the book. For example, in examining the rival "ideologies," he brings out the significant similarities underlying the alleged contrasts between them. He weighs up the pros and cons of supping with the devil wherever situated—be it in Berlin, Rome or Moscow. In passing, he is informative on the riddle of Stalin's army purge. He establishes the incompatibility of Signor Mussolini's Roman Empire, as he dreams of it, with Mr Chamberlain's British Empire as it is. He gives a valuable sketch map of "Mein Kampf"—a jungle of words into which the serious student of international affairs must venture if he wants to see Hitler in Hitler's own native mental environment and to gain some idea of the Fuehrer's true intentions. Again, Dr. Seton Watson judiciously differentiates between the Abyssinian and the Spanish issue.

The key chapter is one in which British policy of to-day is considered as "a problem of ethics, psychology and strategy." Here the author brings out already the two alternative reactions to the crisis between which Great Britain is hovering: on the one hand Cain's "Am I my brother's keeper?" and on the other hand St. Paul's "No man liveth under himself." And he leaves us in no doubt about what is the proper choice for a British statesman.

He must aim not merely at *Pax Britannica* but at World Peace (they are not far apart!): he must, above all else, seek to keep or bring British interests into line with the new International World Order, and the real test of his statesmanship will come when the two are in conflict and he fails to find a means of reconciling them.

Turning from the general to the particular, Dr Seton-Watson finds that "for the two Western Powers the crux of the whole European situation is the German problem"; and he prophetically disposes of the policy which Mr Chamberlain has put into practice since this book went to press.

An agreement with Italy is no substitute for an agreement with Germany: it is hardly even a palliative of the existing situation. Its attainment would certainly force Germany to alter her tactics, but it would not bring her to her knees or even induce her to renounce her designs: it would at most lead her to postpone them, but incite her to further effort in the consciousness of a real, and no longer an imaginary, encirclement.

But, on probing the foreign policy of the Third Reich, Dr Seton-Watson comes unhappily to the conclusion that Hitler, though he may be willing from time to time to do a deal on this point or that, has no intention of entering into a general settlement with a view to "settling down" and joining the rest of us in what President Roosevelt has called the policy of behaving as "the good neighbour." On this question, Dr Seton-Watson suggests, Herr Hitler's Reichstag speech of February 20th last removes all shadow of doubt.

In demanding that we shall scrap all the machinery of peaceful international accord and accept as a permanence the "European anarchy" to which his policy of unilateral repudiation has brought us all—for this, in almost so many

words, is what he demands—he is asking too high a price for a settlement.

From this the author argues that this country is faced with a choice between two, and only two, practical courses—

the honourable one of banding together all pacific elements in a final effort of conciliation, based on World Order, or the craven one of divesting ourselves of the possessions which our fathers have brought together, and of the responsibilities and duties which have accrued from them.

The reader may, of course, choose differently from the writer; but he certainly cannot read the book without being led to ask himself the vital questions in the light of the knowledge provided for the answering of them.

Our Overseas Markets

ECONOMIC events have moved rapidly in recent months. Only a year ago world prices had risen steeply, and British production and trade, in common with those of the majority of other countries, seemed bound for new high levels. Prosperity had come and, according to all but a few "dismal Jimmies," had come to stay. That was

twelve months ago. To-day it can be seen that the spurt in economic activity, which began to gather headway in the middle of 1936, had, even then, largely outrun itself. Prices had already passed their peak, and in summer British business activity itself began to turn downwards, as the decline in new civil investment for commercial pur-

TRADE WITH BRITISH COUNTRIES

January to March
(000's omitted)

From or to	IMPORTS					BRITISH EXPORTS				
	1929	1933	1937	1938	% change since 1937	1929	1933	1937	1938	% change since 1937
Eire	9,504	4,006	4,384	4,161	- 5.8	8,013	4,062	5,353	5,057	- 5.5
W. Africa...	4,350	2,477	5,797	2,914	- 49.8	3,220	1,856	3,385	2,052	- 39.4
S. Africa...	7,770	4,990	3,368	4,296	+ 24.6	8,093	5,293	9,911	10,400	+ 5.3
India and Ceylon ..	19,983	9,824	17,230	16,089	- 6.6	23,429	9,219	10,400	10,902	+ 4.6
Straits Settlements	3,360	860	1,098	2,109	+ 92.0	3,167	1,095	1,908	2,164	+ 3.4
Australia ..	15,927	12,189	18,123	20,139	+ 11.1	12,488	5,039	7,951	10,400	+ 31.6
New Zealand...	16,538	9,934	11,561	13,038	+ 11.0	5,161	2,447	4,863	4,911	+ 0.99
Canada.....	10,983	10,496	18,343	19,202	+ 4.7	9,311	3,033	5,323	5,345	+ 0.4
West Indies	1,181	1,038	2,042	1,610	- 21.1	1,026	1,169	1,312	1,383	+ 0.5
Other countries	8,560	6,035	10,112	10,705	+ 5.5	7,754	6,334	6,816	8,174	+ 1.9
TOTAL	98,156	61,849	92,058	94,263	+ 2.75	73,649	35,485	51,869	55,771	+ 7.5
Excluding Eire.....	88,652	57,843	87,674	90,102	+ 2.75	73,649	35,485	51,869	55,771	+ 7.5

TRADE WITH FOREIGN COUNTRIES OUTSIDE EUROPE

January to March
(000's omitted)

From or to	IMPORTS					BRITISH EXPORTS				
	1929	1933	1937	1938	% change since 1937	1929	1933	1937	1938	% change since 1937
Turkey ..	£ 539	£ 165	£ 261	£ 266	+ 1.9	£ 631	£ 414	£ 176	£ 663	+ 277.0
Egypt ..	7,491	3,031	5,461	4,375	- 21.9	3,507	1,671	1,739	1,826	+ 5.0
Iran	474	61	1,041	830	- 20.2	682	554	511	714	+ 49.7
China	2,166	2,094	2,165	2,143	- 1.2	593	225	748	1,246	+ 66.3
Japan	3,379	1,174	1,953	1,631	- 16.5	4,115	1,632	1,901	1,134	- 44.0
U.S.A.	57,239	248	443	113	- 74.5	35	27	112	100	- 10.7
Dep.	604	113	380	306	- 19.5	1,082	3,303	8,947	4,363	- 44.4
Cuba	1,111	396	703	1,123	+ 37.4	582	187	346	381	+ 9.2
Mexico	730	620	951	1,187	+ 19.9	592	356	366	343	+ 6.3
Colombia ..	550	164	13	54	- 308.0	910	581	660	549	- 1.7
Peru	1,249	827	856	523	- 38.9	490	158	317	240	- 24.3
Chile	1,934	621	1,650	1,599	- 3.1	1,876	133	404	425	+ 3.0
Brazil	1,299	840	1,709	1,672	- 2.2	4,038	1,643	1,435	1,356	- 5.5
Uruguay ...	1,792	1,055	1,191	1,165	- 2.2	835	421	443	606	+ 26.8
Bolivia....	1,249	211	643	724	+ 11.2	121	124	41	65	+ 58.4
Argentina ..	21,098	11,860	19,620	11,362	- 42.1	7,417	3,264	4,307	4,896	+ 13.7
Other countries	2,874	2,257	1,878	3,650	+ 94.6	2,703	1,465	1,360	2,305	+ 68.8
TOTAL	108,102	45,589	67,281	72,808	+ 7.5	43,403	17,800	25,282	22,543	+ 18.3

TRADE WITH EUROPEAN COUNTRIES

January to March
(000's omitted)

From or to	IMPORTS					BRITISH EXPORTS				
	1929	1933	1937	1938	% change since 1937	1929	1933	1937	1938	% change since 1937
U.S.S.R....	£ 3,166	£ 2,713	£ 3,082	£ 2,683	- 12.9	£ 729	£ 1,310	£ 489	£ 1,324	+ 170.9
Finland ...	1,821	1,851	3,046	3,864	+ 26.9	763	404	932	1,144	+ 22.7
Latvia.....	909	389	877	1,041	+ 18.7	196	103	283	323	+ 14.2
Sweden	4,500	2,650	4,367	6,165	+ 41.0	2,107	1,549	2,713	2,740	+ 0.96
Norway	3,474	1,785	2,660	3,419	+ 28.5	1,804	1,269	2,152	1,945	- 9.6
Denmark ...	12,043	7,982	8,178	8,838	+ 8.1	2,311	2,857	4,298	4,064	- 5.4
Poland	1,039	1,350	2,243	2,443	+ 8.9	948	635	1,143	1,216	+ 6.4
Germany ...	14,306	6,591	8,068	8,445	+ 4.6	9,207	5,524	5,093	5,287	+ 3.8
Holland....	9,325	3,981	6,698	6,781	+ 1.3	5,200	2,899	3,564	3,243	- 9.0
Belgium	5,461	3,487	3,860	5,803	+ 50.3	2,573	724	892	1,175	+ 31.7
France	10,360	2,997	5,231	6,105	+ 16.7	4,954	2,443	3,043	2,252	- 26.0
Dep.	48	11	8	37	+ 362.0	182	119	105	119	+ 13.4
Spain	13,550	4,330	6,222	6,831	+ 9.8	7,576	4,947	5,747	4,206	- 26.8
Portugal ...	1,865	712	1,282	1,908	+ 48.8	1,651	1,175	1,005	845	- 15.9
Switzerland	3,371	1,172	1,599	1,798	+ 12.5	1,707	944	1,202	894	- 25.6
Italy	937	567	1,016	831	- 18.2	972	768	778	663	- 14.8
Dep.	140	79	97	107	+ 10.4	1,068	553	537	614	+ 14.4
Spain	4,947	3,065	2,969	2,125	- 28.4	3,057	1,152	373	1,072	+ 182.5
Dep.	826	610	815	1,101	+ 35.1	447	409	160	112	- 30.0
Italy	4,173	2,259	1,793	1,669	- 6.9	4,217	2,372	762	1,572	+ 106.3
Dep.	12	32	21	34	+ 34.4	33	30	1	4	+ 300.0
Austria	547	254	608	698	+ 14.8	660	214	499	376	- 24.6
Czechoslovakia	1,335	545	1,516	1,905	+ 25.6	559	210	616	636	+ 3.3
Greece	427	295	341	296	- 13.2	1,274	503	710	682	- 3.95
Roumania ..	338	1,071	1,266	605	- 52.2	620	641	395	405	+ 2.5
Other European countries	797	1,063	2,319	2,623	+ 13.1	1,287	605	1,124	576	- 49.3
TOTAL	99,717	51,805	70,194	78,148	+ 11.1	56,102	32,359	38,616	37,499	+ 2.9

RE-EXPORTS

January to March
(000's omitted)

To	1929	1933	1937	1938	% change since 1937
U.S.S.R.	£ 439	£ 257	£ 3,017	£ 3,212	+ 6.4
Germany	7,188	2,501	1,871	1,652	- 24.5
Netherlands ..	1,179	517	478	361	- 24.7
Dependencies ..	33	15	17	25	+ 47.0
Belgium	2,676	1,393	1,577	1,214	- 23.0
Dependencies ..	11	6	4	4	- 6.9
France	5,343	2,699	35	2,307	- 57.2
Dependencies ..	4,886	1,179	3,791	1,633	- 52.0
United States ..	9	4	3	3	- 16.5
Other Foreign Countries	2,778	1,612	2,828	2,499	+ 26.8
Eire	2,509	988	1,095	1,389	+ 4.1
Other British Countries	3,001	1,415	1,529	1,466	- 4.1
TOTAL	30,098	12,621	18,753	15,792	+ 15.8

poses in the home market and the shrinkage of export business began increasingly to offset the continued rise in defence expenditure.

The interplay of these developments at home and abroad is now being reflected in the course of our overseas trade. Though it was only in April that the value of imports began to fall below the level of last year, British exports have been running below those of corresponding months in 1937 since last February. For the first quarter of this year the leeway in exports was only 0.2 per cent., while the value of imports was still 6.6 per cent. higher than in the first quarter of last year. Exports thus began to fall earlier than imports. The figures are still less flattering to British industry if we look at volume instead of value; for the Board of Trade's analysis of quantitative changes shows that, while the volume of domestic exports in the first quarter was 8 per cent. lower this year than last, the volume of retained imports was actually 5.1 per cent. higher. To what extent has the geographical distribution of our overseas trade been affected by these developments?

An answer to this question may be found in the tables at the foot of the preceding page, which show details of our trade with the principal overseas countries. Taking first, our trade with Europe, it will be seen that the increase in our imports from Continental European countries, between the first quarters of 1937 and 1938, was 11.1 per cent., compared with an increase of 6.6 per cent. in our purchases from all countries. The fall in our exports to Europe, at 2.9 per cent., was more marked than the decline in total British exports, which amounted to only 0.2 per cent. The decline in exports, however, has not been general; for 14 out of the 25 countries listed in the table increased their purchases of British goods this year.

As in the case of Europe, the increase in our imports from foreign countries outside Europe between the first quarters of 1937 and 1938, at 7.5 per cent., is above the average, while the fall in our exports to them, at 18.3 per cent., far exceeded the decline in total shipments. The increase in our purchases from this group of countries exceeded 10 per cent. in the case of the United States, Cuba, Mexico, Colombia, and Bolivia. Our imports from the United States showed an increase during this period of no less than £13.7 millions, or 57.8 per cent., but this was offset, in a large measure, by a reduced intake from some of the other countries in this group. The decline in our shipments to the United States, which was partly offset by increased exports to some of the remaining countries, amounted to no less than £3,984,000, or 44.4 per cent., a reflection of the recession in that country. In addition, the Dependencies of the United States, China, Japan and her Dependencies, and Peru reduced their purchases from us by more than 10 per cent. A number of other countries, however, including Turkey, Iraq, Iran, Uruguay,

Bolivia, and Argentina, increased their imports from us by more than 10 per cent.

In contrast to the trend of our trade with foreign countries, the increase in our imports from British countries between the first quarters of 1937 and 1938 was only 2.4 per cent., while the heavy decline in our sales to foreign countries was practically offset by the increase of 6.3 per cent. in the value of our exports to the Empire. While we reduced our purchases from four of the nine geographical areas shown in the table—Eire, West Africa, West Indies and Ceylon; only two—Eire and West Africa—purchased less from us in the first quarter of 1938 than in the corresponding period of last year. With the exception of Australia, which increased her purchases from us by 31.6 per cent., the rise in exports was small.

As a result of these tendencies, the proportion of our total exports going to the Empire rose from 47.2 per cent. in the first quarter of 1937 to 50.3 per cent. in January-March this year, against 45.1 per cent. in 1929; and the share of our total imports derived from British countries fell from 40.1 per cent. to 38.4 per cent., compared with 32.1 per cent. in 1929. The proportion of our total imports from European and non-European foreign countries rose from 30.6 per cent. to 31.9 per cent., and from 29.3 per cent. to 29.7 per cent., respectively. Compared with the first quarter of 1929, the share of our total imports from European countries in January-March, 1938, was only 0.7 per cent. lower; but in the case of non-European foreign countries the decline amounted to 5.6 per cent. The share of our total exports going to European and non-European foreign countries declined from 31.9 per cent. to 31.0 per cent., and from 20.9 per cent. to 18.7 per cent., respectively. But, as in the case of imports, the proportion of our total exports consigned to Europe in January-March this year was practically the same as in 1929, when it amounted to 30.9 per cent. On the other hand, the proportion of our exports sent to non-European foreign countries in the first quarter of this year was 5.3 per cent. smaller than in January-March, 1929. The increase in our trade with the Empire, while scarcely affecting the proportion of the total business done with Europe, has thus been achieved at the expense of a fall in the proportion of trade done with non-European foreign countries.

On the whole, the returns for the first three months of this year show the irregularities characteristic of a period of transition, when a new trend has had insufficient time really to establish itself. The nature of that trend, however, is only too clear. In the absence of wholly unexpected developments, it seems likely that, in ensuing months, the decline in imports will become more marked as a result of falling domestic business activity, while export orders will reflect the reduced purchasing power of overseas countries.

New Roads for London

ALL roads, proverbially, lead to London, but once they have reached it their passage through the capital becomes cramped and tortuous. Recognition of this fact led to the commissioning of Sir Charles Bressey by the Minister of Transport in 1934 to study Greater London's need for improved road communications. Sir Charles sought the aid of Sir Edwin Lutyens, and their Report was made public last Monday.

The skein which Sir Charles and Sir Edwin were set to unravel is woefully tangled. The London Traffic Area occupies one thirty-second part of the area of England and Wales and contains one-fifth of Britain's population. To-day, the population of the London area is over 9½

millions; in 1951, it may be 10½ millions. Twenty radial roads from all points of the compass thrust their way into the widening rim of swollen London; and, to ease their approach, close upon thirty arterial by-pass and improvement schemes have been executed since the war. These approaches are dangerously built up; they are often unduly narrow, and they are scattered with blind corners and "bottle-necks." But even these impediments, wasteful as they are of life and limb and time, are small in contrast with the central chaos into which the arterial roads debouch.

Turning inwards off the approach ways of Western Avenue, the North Circular Road, the Great North Road and Eastern Avenue, traffic is jammed and delayed by

inadequate junctions. Nearer London's centre, the flow of vehicles is clogged in the West End at Oxford Circus, in the East End at Gardiner's Corner, Aldgate, in the North at the Archway Tavern and the Angel, in the South at the Elephant and Castle, and in the West at Hammersmith Broadway. And on the river's edges the bridge-heads are notorious sites of congestion and stoppages. Nowhere in London is there relatively free and unimpeded access from the outskirts to the centre. To cross London, at any point, is a slow, dangerous and vexatious journey.

In the Bressey Report, these traffic deadlocks are stated and measured. For five days, four chosen routes were traversed by car. On three cross-London routes the average speed was 12.5 miles per hour. On the North Circular Road the average was 23.6 miles. Through the City of London speed was painfully slow; and special delays were noticed at the Bank, Ludgate Circus, Tower Bridge Road, Elephant and Castle and Cambridge Circus. A census of dock traffic was taken, and revealed the remarkable pressure which exists upon Commercial Road East, East India Dock Road, Silvertown Way and East Smithfield. To cross the river, Tower Bridge and the Rotherhithe Tunnel were most frequently used by lorries; and the Thames tunnels were shown to be gravely overtaxed.

In fine, the problems observed in Outer and Inner London were four in number. First, there is need to improve existing facilities; to clear and free the routeways which link London and Britain, and to loosen the flow of traffic on the capital's present highways by efficient roundabouts, widening and safer junctions. Secondly, access to central districts and riverine areas must be given by new roads. Thirdly, the barrier of London must be pierced to allow traffic to traverse the conurbation from East to West

and North to South. And, finally, ring-roads, within and without the city, must be planned and executed to ease the pressure on London's facilities. The Report ranges widely over all these problems; and some seventy schemes make up a bold plan of through-ways and loop-ways.

On an inspection of the annexed map, which epitomises the main proposals, the great ring-roads leap first to the eye. To relieve the pressure around St. Paul's and the Mansion House, a City Loop Way (too small to be shown on the map below) will take off from Blackfriars Bridge eastward along an extended Embankment to the Tower, turning via Crutched Friars and London Wall to Wood Street to regain Blackfriars down Farringdon Street. The second circular route will complete the loop already begun by the North Circular Road. It will run from a new tunnel at Woolwich through Streatham to a reconstructed Wandsworth Bridge, whence it will be carried northward through Kensington, Notting Hill and Cricklewood. The third loop, from which national motorways will run outwards, will encompass London, eighteen to twenty miles away from the crowded centre; the North Orbital will swing from Egham to Brentwood through Uxbridge and Hoddesdon; and the South Orbital will complete the circle from Egham through Oxted to Dartford. In the very heart of the City, in the suburbs and on the green rural outskirts, these three ring-roads will carry traffic away from the centres of deadlock and delay.

Cross traffic also will be notably catered for in this remarkable plan. "A spacious and unmistakable thoroughfare," about twelve miles long, will connect the Wood Lane, Hammersmith, end of Western Avenue with the Leytonstone extremity of Eastern Avenue. It will run from

East to West through North Kensington and Paddington to the Marylebone and Euston Roads; avoiding the tangle of Islington by a tunnel, it will pass through Bethnal Green to Hackney Marshes and Wanstead. Roads to the North will spring from Stepney and the tunnels at Blackwall and Woolwich. A new south-easterly outlet will run from Vauxhall Cross through Norwood to Westerham; while a new road to the South will originate at a duplicated Rotherhithe tunnel and run on a viaduct through Deptford and Brockley to Forest Hill. Finally, a great North-South way will be provided by a road from Holloway to Blackfriars Bridge, and thence on a viaduct to Brixton.

The sum total of the Report's proposals is a vast and integrated plan to remodel London's highways. Some details are drastically novel, and not always impervious to considered criticism. Viaducts and tunnels are important links in the scheme. It is proposed to build a road beneath Kensington Gardens; to reconstruct Piccadilly Circus and Hyde Park Corner; to complete an Embankment eight miles long from Fulham to the Tower; and to duplicate the river tunnels in the eastern reaches of the Thames. It was not the task of these experts to count the cost—which may well be astronomical, when widening City roads may cost £2,000,000 a mile—but merely to show ways to solve

problems which press hard and urgently upon London's life and livelihood. Their scheme is but the beginning of policy: "if due advantage is to be derived from the expenditure which these projects will involve, it is essential that areas . . . should be drastically replanned."

Precedent, it is true, augurs ill for their labours. Wren and Nash failed to refashion London because of the cost of compensating property owners. The Duke of Bedford's eighteenth-century ring-road through the country fringes of Marylebone was engulfed by the spreading out of Cobbett's Wen.

This Report, altogether, is a great achievement. It shows vision and imagination. But it is somewhat saddening. That so much ingenuity and foresight should be applied, perforce, to the problem of maintaining in running order a great urban concentration, where millions must needs lack fresh air, fresh food and country sights, may be an inevitable consequence of present trends in many countries besides Great Britain. But it is no real tribute to our civilisation that the disposition of the work and homes of great masses of the people requires them to spend long hours of every day on the latest form of speedway, and thereby to sacrifice many of life's deeper and more permanent satisfactions.

Topics of the Week

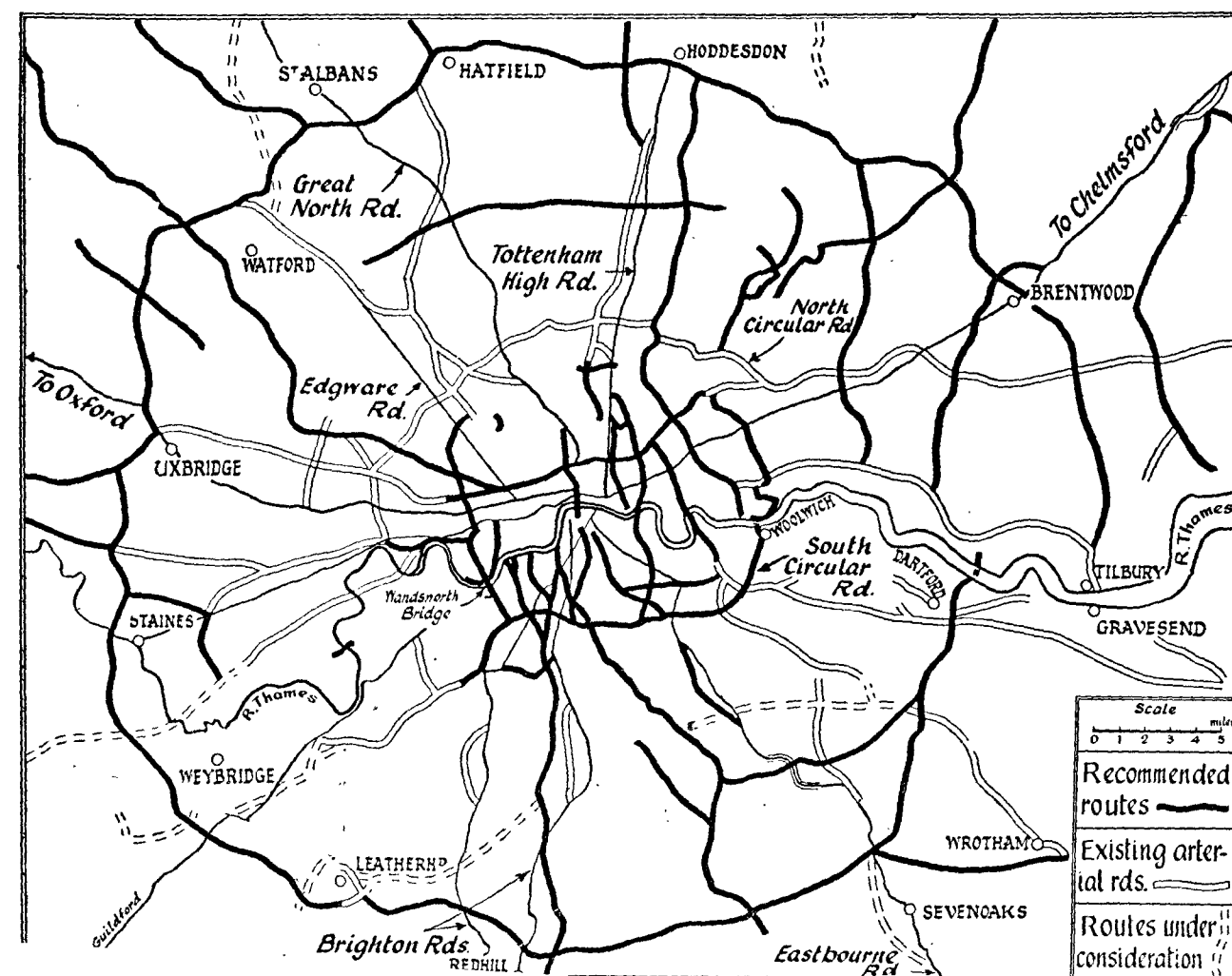
Cabinet Changes.—Sir Kingsley Wood's translation to the Air Ministry has enabled Mr Chamberlain to fill the Ministry of Health by translating Mr Walter Elliot from the Secretaryship for Scotland: a wise and fitting new appointment, for Mr Elliot has not only a long administrative record behind him, but also the training and interests of a medical man. In his chair at the Scottish Office now sits Lieut.-Colonel Colville, who, after being Financial Secretary to the Treasury, now attains that Cabinet rank which common report had long predicted for him. As Mr Malcolm MacDonald has occupied Lord Harlech's vacated position at the Colonial Office, Lord Stanley, M.P., brother of the President of the Board of Trade, has been made Dominions Secretary, thus doubling the traditional representation of the Derby family's ability in a Conservative Cabinet. Lord Stanley's former post as Under-Secretary for India and Burma has been taken by Lieut.-Colonel Muirhead, the former Under-Secretary for Air, to which latter post Capt. Harold Balfour, a pilot and specialist in aircraft manufacture, succeeds. Capt. Euan Wallace, well-known for his masterly report on the special area of Northumberland and Durham, and hitherto Parliamentary Secretary to the Board of Trade, is now Financial Secretary to the Treasury *vice* Lieut.-Col. Colville; and Mr Ronald Cross, formerly Vice-Chamberlain of the Household, and with experience of the cotton industry, becomes Parliamentary Secretary to the Board of Trade *vice* Capt. Euan Wallace. Thus, the changes in the *dramatis personae* of the Government result much more from a recasting of the whole Ministerial company than from the introduction of new talent.

The Lords on Foreign Policy.—On Wednesday Lord Snell introduced a motion in the House of Lords deprecating the Government's sacrifice of Abyssinian independence and of Spanish democracy. Lord Brocket's amendment was the flat contrary, approving the Anglo-Italian agreement and non-intervention by Britain in Spain—though, as we record in a Note (page 408), Signor Mussolini implied last week-end that the Anglo-Italian agreement was only purchased by British connivance at Italian intervention in Spain. The debate was notable for many things. First, the Archbishop of Canterbury made a speech remarkable for its combination of sorrowful acquiescence in accomplished facts with advocacy of conciliation

between Britain and France on one side and Germany and Italy on the other. In it, the Primate warmly supported Lord Lugard's proposal that the Emperor Haile Selassie might be accorded a limited area of Abyssinia in which he would enjoy internal autonomy under Italian suzerainty; and he said he was "not without hope that the Emperor might be willing to consent." The next remarkable speech was that of the Bishop of Durham; an outspoken challenge to the view of Lord Brocket and of the Primate. Lord Halifax's *apologia* was cool, detached and stoutly in defence of peace at almost any cost. It was based, however, on one dubious premise: his initial statement that the League's acts and sanctions had been "collectively" taken and abandoned. He accepted no discredit for Earl Baldwin's Government's policy in leading fifty nations into sanctions "collectively," and then of leading the way out of sanctions unilaterally. By the same token, his excuse for the Government's policy at Rome and Geneva was that it left each country free to take its own decisions. Lord Halifax denied the inevitability of war; stoutly declared his belief in the necessity for an understanding with Germany and Italy; and refused to see any dangers in the connection between the outcome of the Spanish conflict and the Government's agreement with Italy. He concluded with a strong plea for domestic unity on foreign policy—an admirable aspiration, the attainability of which was rendered improbable by the utter sunderance of views expressed throughout the debate.

The Tail End of the League Council.—In last week's issue we were in time to record Lord Halifax's speech and the Abyssinian delegate's reply, on the question of giving diplomatic recognition to the Italian conquest of Abyssinia. We have now to chronicle the equally undifying and depressing sequel. The Abyssinian spokesman had no difficulty in showing that what Lord Halifax had represented as a conflict between two incompatible ideals was really just a conflict between principle and expediency. What Lord Halifax had asked of the Council was their concurrence in the view that States-members of the League should be regarded as being free to accord or withhold recognition of the Italian *fait accompli* at their individual discretion. And it was a foregone conclusion that considerations of expediency would prevail over an Abyssinian case which neither Lord Halifax nor any other delegate on

THE CHIEF PROPOSED ROUTES



the Council knew how to answer. In the ensuing debate Lord Halifax was supported by the representatives of France, Roumania, Poland, Sweden, Belgium, Poland, Ecuador, Iran and Latvia, while he was opposed by those of New Zealand, Bolivia, China and the Soviet Union. The chairman refrained from taking a vote which would manifestly not have been unanimous. He wound up the proceedings by a declaration from the chair that it was evidently the wish of most Council members to be left free to recognise or not recognise the conquest as they thought fit. It seems a strange inversion of the constitution of the League to circumvent the unanimity rule by "taking the sense of the meeting," and it was particularly strange in view of what was the subject at issue. The purpose of the unanimity rule is to safeguard the sovereignty of States-members; and there could be no greater infringement of sovereignty than to declare, over a sovereign State-member's head, that its sovereignty, and its very existence, has been extinguished! On Friday, the 13th, the Council, by four votes to two—all the rest of the members abstaining—rejected a resolution, proposed by the Spanish delegation, inviting the League to envisage forthwith the ending of the policy of non-intervention. It might have been thought that, at this 101st session of the Council, the League had been shedding its duties rapidly enough to satisfy even the most impatient advocates of "League Reform"; but the pace proved still too slow for Chile; and on the closing day of the session the Chilean delegate announced his country's decision to withdraw from the League because the League had not yet achieved universality! On the same day, the 13th, the Council passed a platonic resolution of sympathy with China, and took note of Switzerland's declaration of intention to revert to complete neutrality. Really, Chile need not have been in such a hurry. When all League obligations are repudiated or ignored, the distinction between members and non-members will cease to be discernible.

* * *

Mussolini and France.—Mussolini's speech at Genoa last Sunday displayed friendliness towards Germany, coolness towards Great Britain, and hostility towards France. These differentiations of tone are, of course, deliberate, and are nicely calculated to suit the speaker's policy at the moment. They are no guide to what he will do in an international crisis. Still, the speech brings out some points in the Italian dictator's policy which are not the less interesting for being just what we expected. Once again Signor Mussolini has disclaimed any intention of lining up with any other Powers to challenge Germany's ascendancy on the Continent. "The whole diplomatic episode connected with the name of Stresa is now dead and buried"—and with it, presumably, all the hopes which inspired Mr Chamberlain to woo Mussolini's friendship by giving him presents at Abyssinia's and Spain's expense. Italy "could not assume the mantle of Austria under the Habsburgs and Metternichs and try to prevent the movement of nations towards unity." Taken seriously, this would signify an intention of ceding to Germany and Yugoslavia the Tyrolean and Slovenian territories which Italy obtained in the peace settlement in violation of the Fourteen Points; but we take it that the speaker was referring, not to the beam in his own eye, but to the mote in Dr von Schuschnigg's and Dr Benes's. As for the Anglo-Italian agreement, Italy intends to respect it scrupulously, i.e. not to place it in the same category as the Italo-Abyssinian non-aggression pact of 1928; and since the Duce thought the British Government intended to do the same, it might be considered a durable agreement. He did not know, however, whether the Italo-French negotiations would reach a conclusion, "because in one extremely vital matter, the war in Spain, we stand on opposite sides of the barricade. Their desire is for the victory of Barcelona; we, on the other hand, want Franco to win." In other words, France is guilty of the, for Italy, unpardonable offence of objecting to an interpretation of the Non-Intervention Agreement which makes this instrument binding on the democratic Powers while leaving the Fascist Powers free to break it. And if this French attitude is an insuperable obstacle to

the negotiation of an Italo-French agreement, then the fact that an Italo-British agreement has been initialled must mean that, in Mussolini's estimation, Mr Chamberlain has in effect consented to allow Italy to break the Non-Intervention Agreement unilaterally to whatever extent may be necessary to make Franco win. It is now for the Prime Minister to refute this interpretation of the agreement. Silence will mean consent.

* * *

Armaments and Industry.—Estimates of economic possibilities, made by well-known City firms and institutions, have not frequently erred through an overdose of the hope that springs eternal. That charge, however, certainly does not lie against a review circulated this week by an important stock-broking firm. This survey, after considering the favourable and unfavourable factors in the present situation, reaches the conclusion that, while re-armament may prevent Great Britain from suffering anything like the severe depression which afflicts the United States, it will not in itself obviate the possibility of a further decline in trade activity. This judgment is founded on a table which brings up-to-date the firm's earlier estimates of the distribution of the nation's defence expenditure. The figures are reproduced below:—

DEFENCE EXPENDITURE—£ MILLIONS
Financial Plans to March 31st

	1934-35	1935-36	1936-37	1937-38	1938-39
I. Pensions.....	19.0	19.3	19.8	20.0	20.2
Wages and salaries (a).....	45.5	49.4	54.4	59.2	67.5
Food, clothing, quartering, barrack stores, etc.	9.2	10.8	13.1	16.3	20.2
Oil and petrol	2.1	2.5	3.9	5.4	7.6
	75.8	82.0	91.2	100.9	115.5
II. Aircraft, guns, ammunition, vehicles, all engineering supplies and metal goods (b)	11.9	20.4	43.8	76.7	109.5
III. Shadow factories, ordnance factories (building and equipment).....	...	...	1.8	21.8	17.4
New construction (inc. land purchases) (c)	3.8	7.2	12.0	19.5	24.0
Maintenance work	1.9	2.2	2.3	2.5	2.8
	5.7	9.4	16.1	43.8	44.2
IV. Shipbuilding and naval engineering: New construction (inc. machinery, armour and gun-mountings, but not guns)	10.3	12.1	17.3	25.6	34.8
Repair work	6.1	7.8	9.2	10.1	13.5
Other dockyard work, stores, etc. (d)	3.8	5.9	8.1	10.0	14.6
	20.2	25.8	34.6	45.7	62.9
Total (inc. miscellaneous items)	120.8	146.2	195.2	286.5	351.7

Notes.
I. (a) Includes all pay of all sections of the troops, and all salaries, including administrative salaries. Also includes social and health insurance.
II. (b) All goods of a metal nature—lorries, armaments, aircraft, ammunition, tanks, electrical apparatus, etc. The 1937-38 figure includes a large item for machine-tools, including an estimate of machine-tools needed for new Royal Ordnance Factories.
III. (c) Includes cost of land for new factories, both private and Government.
IV. (d) This item represents the provision of naval stores—steel, timber, armour, etc.—in excess of actual construction needs.

The conclusion drawn from these figures is that the concentration of increased re-armament expenditure in heavy industries, which are already working at or near full capacity, may have an adverse effect on other industries, in proportion to their dependence on iron and steel for their raw materials. Steel prices are still high, but steel output, as we show in a Note on page 443, is falling. There is force in the contention, which the review makes, that, while high steel (and fuel) prices may tend to check "civil" building, cargo tonnage construction and factory re-equipment, the iron and steel industries may themselves become dangerously dependent on re-armament and liable to be left high and dry, if and when re-armament expenditures are reduced.

* * *

Trade Unions and Re-armament.—The two bodies representing Britain's 500,000 skilled engineers, the Confederation of Shipbuilding and Engineering Unions and the Amalgamated Engineering Union, have at last agreed to meet the employers on May 25th to discuss the speeding-up of re-armament. There has been delay, especially on the part of the A.E.U., but that delay has been less striking than the Government's own delay in

this matter. Two years ago, a White Paper laid stress upon the need for trade union co-operation in the defence programme. Only this year, when the programme had fallen behind in important instances and general criticism was growing, were steps taken by the Government to secure the corporate aid of organised labour—or, indeed, of the employers of labour. Thereupon, there was need for the unions to formulate conditions for their co-operation in the best interests of their members. On Tuesday, the C.S.E.U. conference discussed this question and, without binding their delegates to meet the employers with cut-and-dried terms, emphasised a number of important points to be considered: the recognition of shop stewards; the payment of uniform and, in certain circumstances, higher rates of wages; and the employment of wholly union labour. It is the function of the trade unions to safeguard industrial standards, and if the price of national emergency is to be some surrender of their privileges, then there must be sacrifices *pro tanto* from employers and shareholders, and some security for the future when re-armament slackens off. The unions' concern, however, has not been wholly with wages and conditions of work. A newly-articulate criticism of the Government's foreign policy has won notable converts among trade union leaders as well as the rank and file; and there is no more enthusiastic material for the proposed Popular Peace Alliance than among many of the members of labour organisations, despite the Labour Party's *ex cathedra* condemnation of the project. The propriety of the injection of foreign politics into union decisions is disputed; but a major portent in the present situation is the unions' eagerness for a democratic front of nations to defend peace and free institutions.

* * *

Civil Aviation.—In the Commons on Wednesday, the new Air Minister, Sir Kingsley Wood, moved the second reading of the Air Navigation (Financial Provisions) Bill, and, in so doing, turned down the Maybury and Cadman Committee's recommendations against subsidising internal air lines in this country. The aim of the Bill was to raise the total subsidy of civil aviation by the State from a maximum of £1,500,000 per annum to £3,000,000, in the shape of payments for services under agreements made with the Air Minister. Till now, most of the annual subsidy has fallen to Imperial Airways; and only a few years ago did British Airways obtain a subsidy for carrying mail on their Scandinavian route. The recent Cadman Report recommended, *inter alia*, the confinement of Imperial Airways services to Empire routes and routes outside Europe, e.g. the possible new route to South America in which British Airways are understood to have long been interested. Sir Kingsley told the House on Wednesday that of the *additional* financial assistance, the bulk of £1,000,000—i.e. nearly two-thirds—would be allotted to the Empire routes outside Europe, i.e. to Imperial Airways, and the balance to services within the frontiers of the United Kingdom. Of the remaining £500,000 increase, £400,000 would be allotted to improving, modernising and speeding-up the European services. Hitherto these have been mainly operated by Imperial Airways; but if the Cadman Report is implemented, British Airways will in time probably take over most of the European passenger services, and may well absorb yet other independent small operators working freight and passenger lines to the near-Continental airports. An extra £100,000 would be set aside this year, diminishing in succeeding years, for services in the United Kingdom. Capt. Harold Balfour made a good impression in his new post as Under-Secretary. He gave two welcome assurances: that pilots' pay would not be calculated with so great a ratio dependent on "results"; and, secondly, that the railway companies' ban on air bookings would be removed within a month or two.

* * *

Government and the Unemployed.—The gradual worsening of trade conditions was reflected in the sharp

criticism of the Government voiced by the Opposition in Tuesday's Commons debate on the Vote for the Ministry of Labour. Clearly, the Government cannot justly be saddled with all the responsibility for the existence of 1½ million workless. Criticisms of the official treatment of the unemployed were more to the point. The device of wholesale industrial transference, especially of juvenile workers, is liable to create grave social problems in the absence of some comprehensive plan of labour distribution. And the continued existence, through bad days and good, of an unprecedentedly large number of long-term unemployed presents a problem which may be intractable, but is none the less pressing. Moreover, no effort should be spared to meet the complaints which have been registered against the methods and status of the Unemployment Assistance Board. It has been argued that the Board's responsibility to Parliament is not sufficiently close, and its functions too rigidly delimited to permit of the elasticity in operation which is essential to the treatment of human misfortunes and disabilities. It may be true that the average rate of benefit paid by the Board, at 24s. 5d. per head, is as generous as financial circumstances will permit. It is equally true that this sum leaves no margin for special cases of hardship; and the Minister's proposal to give the Board statutory powers to pay extra sums in individual cases of distress is wholly desirable. So, too, are measures to remove any suspicion of bureaucratic methods from the Board's work, admirable in many respects. Inquisitorial supervision of applicants' political views has no proper place in the administration of unemployment assistance. And, when the Board's administrative expenses have risen from £3,750,000 in 1934 to £4,413,000 in 1937, though the number of its clients fell from 951,000 to 600,000 in the same period, it is especially important that no charge of unsympathetic treatment should lie against the Board. In the absence of economic and financial measures to cushion the consequences of the deepening recession, the Government would do well to examine with care the human aspects of official policy. A member's statement in the debate that "it is always winter for the unemployed," is unfortunately only too true in many ways.

* * *

Journalists' Freedom.—Libel is the major bogey of British journalists. Lately, however, a second menace to their traditional liberties has emerged in the wide use made of the Official Secrets Acts. Recent cases in the courts have suggested that the special powers accorded to officers of the law by the Statute of 1920 are capable of being employed to prevent newspapers acquiring and publishing news of a kind for which the Act was never designed. Initially devised to prevent the disclosure of military and naval secrets, the exceptional powers of interrogation provided by these measures have, in fact, been used in cases wholly civil in character. Replying to a number of parliamentary questions on May 12th, the Home Secretary

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regretted his inability to amend the law in such a way as to confine its operation narrowly to its original purpose. He laid stress upon the fact that certain civil secrets were as important to the State as purely military matters. Since 1930, however, the fiat of the Attorney-General had been necessary to sanction the use of special powers of interrogation under the Acts; and, in future, such authorisation would only be given in cases of serious public importance. On the other hand, Sir Samuel Hoare pointed out that "leakages of confidential information of an official character might assume such proportions as to raise an issue of serious public importance, even though the matter disclosed was not in itself of this character." Sir Samuel's definition of official secrets did not reassure the journalistic profession, who voiced their uneasiness at meetings in Manchester and London on May 14. The Press is broadly content with the freedom afforded it by the law of the land. But the degree of discretionary power given to the executive arm by the Official Secrets Act in its present form is dangerously wide. *Raison d'état*, undefined, is an element foreign to Britain's juridical tradition.

The Breach with Mexico.—A Note handed to the Mexican Government by the British Minister on the 11th of this month has moved Mexico to break off diplomatic relations with this country. The British demand was for a four-months-overdue instalment of payments that are being made in compensation for losses suffered in Mexico by British nationals during the revolutionary years of 1910-20. The Note breaking off relations was accompanied by the overdue cheque, and contained a pointed reminder that Great Britain had not in recent times met all her monetary obligations. The formal ground for rupture is that the overdue payments which were the subject of the British Note were not an international obligation as between Governments, but were an *ex gratia* payment by the Mexican Government to private individuals; and that therefore the British Note was an unwarrantable interference in Mexico's internal affairs. The Mexican Minister has been recalled from London, and the British Minister in Mexico, Mr O'Malley, has arrived in Washington. The Mexican Government's action seems capricious; the British Note was only sent after the failure of repeated attempts to obtain payment of the overdue instalment by private and informal representations. Moreover, the corresponding instalment of payments due to United States nationals had been punctually discharged. This breach is also a pity from a wider point of view. The opportunity has been taken by the Mexican Government to break off relations at a time when a much greater dispute—that over the expropriated oil companies—is unsettled. Now, the principal protagonist on the oil concerns' behalf must be the Government of the United States. That Government is not too well disposed towards the oil companies, least of all foreign

concerns; and no British action can now be taken on behalf of the Anglo-Dutch interests without involving the Monroe Doctrine's application. Indeed, as was really always the case, the paramount influence on Mexican domestic and foreign relations can only come from Washington; and if the Mexican economic situation deteriorates much further, developments in Mexico might take awkward shapes for the State Department. Closer relations between Mexico and Germany, Japan or Italy would be one problem; and internal trouble in Mexico, the possibility of which increases as economic conditions there get worse, another. In any case, the end of the Mexican story is not yet even in sight. The State Department's demand for "adequate compensation" on behalf of expropriated American oil concerns has still to be met; and it is hard to see how it ever can be.

The American Scene.—Events have crowded thick and fast on the American stage during the last few days. The amended Tax Bill has now gone through. In the evening of Thursday of last week, the virtually intact \$3,119,425,000 "lending and spending" programme of the President passed the House of Representatives by 329 votes (291 Democrats, 25 Republicans, eight Progressives and five Farmer-Labour) to 70 (59 Republicans and 11 Democrats), and now goes to the Senate. The announcement of the result of the unemployment census, conducted on the basis of voluntary registration by Mr Biggers of Toledo, Ohio, at the request of the Government, may have impelled the Democrats to stand firm behind the Administration's programme. There were 5,833,000 totally unemployed, 2,000,000 on relief work, and 3,200,000 partly unemployed; and even the affirmative votes of the 25 Republicans show that some of the Opposition were attracted, as they nearly always are in every country, by the power of the public purse during a recession. The Works Progress Administration, despite Republicans' attacks, retains its right unimpaired to expend \$1,250 millions of the total sum in the programme. On Monday the Supreme Court recorded three decisions which bluntly upheld the powers of the often-criticised National Labour Relations Board. An order by that Board for the reinstatement of strikers was upheld; a Circuit Court's issue of an injunction against would-be strikers was reversed; and, most important, three members of the Philadelphia Circuit Court were summoned before the Supreme Court for May 23rd to justify their refusal to the Labour Relations Board of permission to withdraw the suit it had filed against the Republic Steel Company for alleged contravention of the labour code. This set of decisions by a body more venerated than any other in the United States has had a powerful effect in rallying the President's supporters and their flagging optimism and energy; and, more important, it reinforces the sane view of many American employers that something like the Board would be necessary, whatever kind of Administration sat in Washington.

On Wednesday the result of the Pennsylvania primary election of candidates for the General Election in November showed that the Old Guard Republicans ran away with the Republican candidacy for the Governorship—that of Judge Arthur H. James, who defeated the Progressive Republican nominee, Mr Gifford Pinchot. The present Republican Senator, Mr James Davis, was renominated. On the Democrats' side, the candidacy for Governor fell to the State Democrat Committee's nominee, Mr Charles Alvin Jones, over the head of the present Lieut.-Governor Thomas Kennedy, who was openly, but unsuccessfully, backed by Mr John L. Lewis's Committee for Industrial Reorganisation, and more recently by the chairman of the Democrats' National Committee and the Postmaster-General, Mr "Jim" Farley. On the other hand, in the primary election for the Democrats' senatorial candidate, the present Governor

of the State, Mr Earle, defeated the present Mayor of Philadelphia, Mr Davis Wilson; and Governor Earle also had the backing of Mr Farley. Pennsylvania is among the three most Conservative States in the Union; it has always been a law unto itself in its political party life; but this week's primary election results show that, in Pennsylvania, Republicans are staunchly Conservative—no room for Progressives there—while Democrats and Labour are far from united, still manoeuvring for position.

Unity in the South African Union.—The South African elections have had a surprising result, for, according to the early returns, the Government has suffered neither the expected losses to the Dominion party in the towns of Natal and the Cape nor the expected losses to the Nationalists in the country districts. If, as appears possible, the Government emerges with a net gain of seats, the result will be comparable to what would have occurred if, at the 1935 election in Great Britain, the National Government had increased its 1931 majority. The leader and deputy leader of the Dominion party have both been defeated, the latter by Mr B. K. Long, the former editor of the *Cape Times*, who had an astonishing majority. The Nationalists have also suffered some unexpected reverses. These results entirely upset the almost unanimous forecast that the election would show the national unity achieved in South African politics since 1933 to be crumbling under the erosion of racial propaganda. General Hertzog, in his eve-of-the-poll message, declared that the elections would reveal whether South Africa desired national unity or not. The answer of the electors, so far, is unmistakably clear.

The Change of Government in Belgium.—Notwithstanding the Parliamentary success of M. Janson's Government which we recorded last week, unbridgeable differences within the Cabinet brought the Ministry to the ground, after all, on the 13th. The task of trying to form a new Ministry was entrusted by the King to M. Spaak, the Socialist statesman who had been M. Janson's Minister for Foreign Affairs. On Sunday, M. Spaak's endeavours achieved success. The new Belgian Ministry consists of eleven members, six of whom held office under M. Janson. The keynote is its representativeness. Three of the new Ministers are Catholics; four, including M. Spaak himself, are Socialists; two are Liberals; and two are non-partisan experts. Again, four of them are Flemings, four are Walloons, and three are Bruxellois. This composition of the Cabinet that has been brought together by the first Socialist Prime Minister that Belgium has had gives hope that M. Spaak and his colleagues may enjoy a long term of office.

A New Government in Hungary.—On the 13th of this month M. Darányi's Government resigned and a new Government was formed by Dr Imrédy, the late President of the National Bank, who joined M. Darányi's Government two months ago in order to put into execution a Hungarian Five-Year Plan, of which he was himself the author. The reasons for this change of Government in Hungary are not primarily economic. They are to be found rather in the political repercussions upon Hungary of the annexation of Austria to Germany. In Hungary, ever since then, the pressure of an indigenous Fascist movement, allied to National-Socialism, has been rising; and for some time M. Darányi has been under criticism for remaining too passive in face of a growing danger. Dr Imrédy appears to be grappling with this danger in two ways. On the one hand, he has taken into his Ministry an element—though not a preponderant element—that is to some extent sympathetic towards the Hungarian National-Socialist movement. On the other hand, he has announced his determination resolutely to repress any attempt to achieve National-Socialist aspirations by illegal methods. This latter point in his programme was laid down in vigorous

words by the new Prime Minister in a speech in the Chamber on the 14th, and the words were followed by action in the shape of two Bills: one providing for the vigorous repression of attempts at forming secret societies or political parties imposing oaths of allegiance on their members; and the second Bill reinforcing the existing measures for the repression of subversive political activities. The timeliness of these steps was illustrated on the same day by a clash between ex-servicemen and the Nazi followers of Major Szálasi. The ex-servicemen were holding an anti-Nazi demonstration, and a Nazi counter-demonstration led to a scuffle in which the Nazis were roughly handled. In the field of foreign policy, Dr Imrédy declared in the Chamber on the 14th that there was to be no change; and in fact he has retained M. Darányi's Foreign Minister, the experienced M. De Kánya. Dr Imrédy went on to say that Italy "continued to hold the first rank" among the nations closely united to Hungary by ties of friendship and mutual interest. He also had friendly words for Great Britain, for France and, most significant of all, for the Little Entente. "Normal relations" leading to "friendly collaboration" were what he hoped for the peoples of the Danube Basin. Dr Imrédy has courageously shouldered an onerous task.

Japan in China.—The Chinese "push" into Shantung, beyond the Suchow junction of the Lunghai Railway with the Tientsin-Nanking line, looks as if it were going to end in yet another of those military defeats of the Chinese forces which, in reality, because of Chinese superiority in numbers, have only proved Pyrrhic victories by the Japanese. An army of over 200,000 Chinese is reported from Japanese sources to be trapped in this sector, with Japanese divisions concentrating upon it from all directions round Suchow. On the other hand, the Chinese deny that the strategic railway from the coast, known as the Lunghai Railway, has been cut further inland than Suchow; and rains are impeding operations; so the Chinese may yet manage to escape from the trap into which they rushed. More than ever does it seem that this war is going to be a very long affair; and its effects more likely to cripple Japan than China.

Motor Cars from Germany.—The endeavour in certain quarters to work up an agitation against the increased imports of German cars into this country is readily comprehensible; for the jump in imports during the first three months of this year, as compared with the first quarter of 1937, from 295 private cars valued at £34,349 to 2,974 cars valued at £266,006, touches the British industry in a tender place. In the first quarter of last year, imports from Germany represented only 5 per cent. in value of a total of £715,629. In the first three months of this year they were equivalent to 33 per

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cent. of a total of £800,093. It is understood that something like nine-tenths of the German cars which have come in this year are made by the Opel Company, which belongs to the General Motors group. Unlike the American and Canadian cars, which have hitherto formed the bulk of British imports, they come mainly into the 11 horse-power class. Thus, they mark the first serious incursion of the foreign manufacturer into the light car market which, largely as a result of the peculiarities of the British taxation system, has hitherto been the preserve of the domestic manufacturer. Estimates made in the trade claim that a retail selling price, in this country, of £135 for the Opel "Cadet" car (which compares with prices ranging from £205 to £245 for 12-horse-power models of leading home manufacturers) represents a net value of less than £60 to the German manufacturer. Although the evidence which has been hitherto secured is not conclusive, it appears to show that substantial payments are made by a semi-official body in Germany to car exporters out of a levy (said to amount to 3 per cent. of annual turnover) on all German manufacturers of automobiles.

If these statements were correct, one would surmise that the policy of those in control in Germany was designed in the first place to ensure that the industry obtained sufficient foreign exchange to finance all its own imports of raw materials, and, in the second place, to secure "additional exports" as a general contribution to Germany's general exchange needs under re-armament and the Four-Year Plan. But what action Great Britain could, or should, take, if all this were true, would be another matter. The technique of an internal levy to finance an export bounty is anything but new in Germany, and is certainly not unknown in other countries. And it would seem to be right and proper that, if the British Government were asked to clap special anti-dumping provisions on top of a 33½ per cent. duty on cars of any particular horse power, they should ask whether British cars, of equivalent quality and class, were in fact being produced under the cheapest possible conditions. They might inquire, for example, whether retail prices in Great Britain could not be substantially reduced, if the home industry, taking a leaf out of the Opel Company's book, concentrated its efforts on a greatly reduced number of models.

Collision on the Underground.—News of a head-to-tail collision between two east-bound trains on the District Railway between Charing Cross and the Temple, at the end of the Wednesday morning rush hour, was received by the public with some surprise. For it is a generally accepted fact that the signalling system on London's Underground is as safe and as efficient as any in the world, as is shown both by the intensity of daily traffic and by the system's immunity from a fatal collision for over thirty years. Each train automatically places a signal to danger behind it, and holds it there until it has passed the next signal. It also raises a train-stop in the line, which automatically applies the brakes to any following train attempting to over-run a danger signal. If that apparatus breaks down, the signals and train-stops automatically assume the danger position. This system is operated with complete success, even during the rush-hour periods. On the other hand, if a failure or suspected failure of a signal occurs, then either the whole traffic of the line must come to a standstill while the fault is located and rectified, or traffic must be allowed to proceed slowly and under caution past the signal which has ceased to function. In the latter event, each train would depend upon the "human element" for its safety instead of upon automatic control. Comment on the cause of Wednesday's accident must necessarily await the outcome of official inquiry; but assuredly a system which leads to disaster only once in thirty years and which safely looks after many thousands of passengers every day, can be said to be as

near to complete security as anything is in an uncertain world.

Manchester—and Cardiff.—This week, while London has been presented with a sweeping plan to remodel its system of roads, two other important and influential cities, metropolitan in their own provincial settings, have also figured prominently in the news. Manchester has been celebrating the centenary of its incorporation, to the accompaniment of a notable Royal Progress through the County of Lancaster. Cardiff has had a different experience. For a hundred years, the Bute family has been closely associated with Cardiff's growth. The second Lord Bute launched the city's first Dock Act in 1830, and the Bute Trustees added to the West Bute Dock, opened in 1839, the East Bute Dock in 1855, the Roath Dock in 1887 and the South Bute Dock thirty-one years ago. Until this week, the present Lord Bute, the largest individual owner of coal royalties in Britain, owned half of the city of Cardiff. On Tuesday, this long-standing link was broken. An un-named syndicate negotiated the purchase of the Bute properties in South Wales. Ground rents to an annual value of £150,000 are involved in the deal; and in Cardiff, the sites of the Shipping Exchange, Guest, Keen, Baldwin's works and the Mount Stuart dry docks have changed hands, with 20,000 houses, 1,000 shops and 250 public houses. Part of Penarth, many villages and agricultural acres have passed into new ownership. There has been concern in Cardiff about the future, but Lord Bute has rebutted all reports that the city's interests may be adversely affected. The Bute family have done so much to ensure Cardiff's place in British trade and industry that this week's break with tradition will be a matter for genuine regret. Much of their land, however, has already passed into the safe keeping of the city's fathers; and there is no reason to believe that the city's future well-being will be prejudiced by the present sale.

Italy's Finances.—In the course of a review of Italy's financial situation before the Chamber of Deputies last Wednesday, Count Thaon di Revel, the Italian Finance Minister, put at a total of 36,000 million lire the extraordinary expenditure incurred between July, 1934, and the end of March, 1938, for the Abyssinian war, the re-armament programme and the initial outlay for developing the Empire. The peak of extraordinary expenditure had been reached in 1936-37, and no more than 9 milliards would be required for the year ending next June. For 1938-39 the figure would certainly be lower. A summary of Italy's total revenue and expenditure for the last four years is given below:—

ITALIAN BUDGET Million Lire Years ending June 30th				
	1935	1936	1937	1938 Estimated
Revenue	18,817	20,371	24,702	20,596
Ordinary Expenditure.....	14,670	16,142	23,413	23,769
Extraordinary Expenditure ...	6,177*	16,915*	17,519	9,000
Total Expenditure	20,847	33,057	40,932	32,762
Surplus (+) or deficit (—)	— 2,030	— 12,686	— 16,230	— 12,166

* Of which 1,685 millions in 1934-35 and 11,919 millions in 1935-36 were spent by the Colonial, War, Marine and Aviation Ministries.

Total expenditure for the year 1937-38 is expected to be in the neighbourhood of 33 milliard lire, which is the equivalent of 20 milliard pre-devaluation lire. This was the usual figure at which the Budget was balanced before the Abyssinian war and, once incomes have adjusted themselves to the new level, it should not impose any undue burden on the taxpayer. But the deficit will still be considerable, though Count Thaon di Revel was confident that the greater yield of taxation and the proceeds of the loan on real estate would reduce the current year's figure below the anticipated level.

Overseas Correspondence

From Our Special Correspondents

United States

New Hopes of Recovery

NEW YORK, May 10.—Industrially, the first week in May brought no evidence of change; financially, the behaviour of both the bond and stock markets reflected renewed hope of an early and decisive improvement. Seasonal influences are not propitious for an early upturn in production. Between April and midsummer, there is usually a seasonal recession of just under 10 per cent., largely reflecting the decline of the motor industry from its spring peak. The first four months of this year failed to produce a spring peak; but a failure of production to decline from its spring "plateau" would be accepted as a promise of autumn upturn.

In general, optimistic opinion lays great stress on the spending programme. In the current quarter, the Federal deficit may run close to \$1,000 millions; and thereafter at a comparable figure for some time. This forecast is at variance with the President's statement a month ago that, in the 15 months ended June 30, 1939, the public debt would rise by only \$1,500 millions.

The revised figure is largely derived from the forecast of Mr Hopkins, of the Works Progress Administration, that relief expenditure will be about double the earlier estimate, and approach \$3,000 millions. While Mr Hopkins is convinced that the spending programme will produce recovery, one would infer his opinion to be that the upturn will not be so rapid as to reduce unemployment in the near future; and that the full impact of the present low level of activity has not yet been registered.

Inadequate Unemployment Statistics

The term "relief" is comprehensive, and rather difficult to define. The Public Works Administration, of which Mr Ickes (Secretary of the Interior) is administrator, is distinct from the Works Progress Administration, of which Mr Hopkins is administrator. The W.P.A. is classed as relief; the P.W.A. is not—although the projects may sometimes be of similar type. The W.P.A. is Federal "work relief"; but in addition there is simple "relief," provided by the local agencies, commonly the municipality.

The so-called "relief rolls" refer to the W.P.A., and carry between two and three million names; the numbers on local relief are probably greater. The number of unemployed is commonly given as 12 millions; but it would appear that only about half this number is on Federal or local "relief." An unstated proportion of the remainder is covered by unemployment insurance, which became generally effective in this calendar year.

It is remarkable that a country which loves statistics for their own sake, is not provided with more than the sketchiest data about unemployment. Information is fragmentary and irregular. For example, the City Relief Commissioner estimates that of Cleveland's population of 1,200,000 between one-third and one-fourth are dependent on either direct (local) relief or on the W.P.A. Some 87,000 persons are listed on local relief, but whether these are totals or heads of family groups is not specified. As a centre of heavy industry, it is not unlikely that Cleveland has been more severely affected than the average; but it must be fairly typical.

Income in 1936

The Treasury recently published its preliminary returns of individual income tax data for the calendar year 1936. They show a large increase over 1935, as the table below shows.

Returns are required from single persons with a net income exceeding \$1,000, and from married persons with incomes exceeding \$2,500—incomes below these figures being exempt from tax. There is, further, an allowance of \$400 for each child under 18 years of age. The normal income tax rate is 4 per cent. Of the returns under \$5,000, the great majority are non-taxable; and the actual tax collected on taxable incomes under \$5,000 in 1935 was 1.11 per cent.

In 1935, combined rate of normal and surtaxes did not

reach 10 per cent. until beyond the \$25,000-\$30,000 limit, after which it climbed rapidly to a maximum effective rate

ITEMS FROM INCOME TAX RETURNS			
	1935	1936	
No. of returns	4,473,426	5,447,439	
Of which taxable		2,888,990	
	(\$'000,000)		
Income from salaries, wages, etc.....	9,688	11,385	
Business profits	1,837	2,426	
Partnership profits	711	987	
Capital gains	505	975	
Rents and royalties.....	532	663	
Dividends	2,257	3,245	
Income from fiduciaries	319	837	
Taxable interest	878	954	
Other income	236	231	
Total income	17,006	21,703	
Net income	14,656	19,069	
Tax	654	1,210	

of 58 per cent. While there was a general growth in all kinds of returned income, the largest proportionate gain came in the income from fiduciaries (trust funds) and in dividends. The rise in dividends was nearly 50 per cent. The growth of "fiduciary" income is less indicative of the change in economic conditions than of the growing popularity of this form of holding property, whether the trust is created by will or by deed.

Capital Gains

The item of capital gains is of special interest in view of the proposed (and probable) legislation for the application of special schedules rather than general rates to capital gains.

Net Income Classes :—	Dividends	Capital
	Received	Gains
	— (\$'000,000)	
Under \$5,000	682	177
\$5,000–10,000	403	159
\$10,000–25,000	653	233
\$25,000–50,000	499	162
\$50,000–100,000	411	114
\$100,000–150,000	164	41
\$150,000–300,000	181	40
\$300,000–500,000	84	14
\$500,000–1,000,000	86	18
\$1,000,000 and over	82	17

If the receipt of dividends is evidence of proportionate corporate property ownership, one would expect the capital gains to run parallel with dividends. Actually, capital gains run, relatively, somewhat higher in the lower income grades, which suggests that the effect of recent taxation has been partly to immobilise the investments of owners of large equities.

For some time, the short-term public debt has been virtually non-interest bearing. This does not mean merely that the rates are extremely low; they are literally unquotable. On one or more occasions, the Treasury has received bids on bills without discount; but, recently, there have been occasions when market transactions have been made at negative interest. In the last offering of Treasury bills, a bid for \$10,000 ninety-day bills was made at \$10,001—the first instance of an initial bid at negative interest. The reason

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given is that some States now impose a tax on non-interest-bearing bank deposits. The average bid on the issue was about 0.03 per cent. It is a fact of some significance that our "cheap money" policy has literally carried our market into the area of negative interest.

France

Defence Loan's Success

PARIS, May 9.—The Treasury has been authorised to make special advances in francs to the Equalisation Fund, whose resources (14,000 million francs) seemed too small in view of the new low level of the franc in relation to the pound. The Fund for the support of Rentes has been authorised to invest its liquid resources in gold.

When the new Defence Loan was offered for subscription, some 15,000-20,000 million francs of exported capital had returned. The interest on National Defence Bonds had been reduced from 4 to 2.75 per cent., and the Bank rate from 3 to 2.5 per cent. The new loan amounted to 5,000 million francs, and was a 5 per cent. loan, issued at 98, redeemable at 120 by annual drawings, with the option of repayment at par every third year, beginning May 15, 1941.

The rapid subscription of the loan marked the peak of the successful financial policy of M. Daladier's Cabinet. This success made it unnecessary for the Government to have recourse to advances from the Bank of France and possible to renounce the launching of a further great loan, the first effect of which would have been to absorb the fresh liquid resources of the money market and thus to close its doors to private treasuries, which are now very low.

The position of the franc has been consolidated. The return of capital now seems to have lost its first impetus. But the technical position of the franc is now such as to make practicable a certain inflation of credit to promote the revival of business.

Need for Increased Revenue

An increase in national revenue is still the chief condition for complete recovery. Annual public expenditure is estimated at 110,000 million francs. A portion of this expenditure (public debt service and pensions) represents fixed charges. These were devalued with the franc. An increase in fiscal receipts should follow immediately any rise in prices. An increase in other charges will also follow from a rise in prices, but with a certain time-lag. It is essential that the impoverishment of the country, caused by successive devaluations, should not lead to a further contraction in the community's purchasing power and a consequent slackening in business turnover—which actually seems to be happening.

If the rising trend of French prices is partly counter-balanced by the inertia of world prices, the economic difficulties abroad are likely to be unfavourable to the revival of French visible and invisible exports. The main question now is whether the new decree laws will produce the desired results at home, notably through a revival in building.

A New Atmosphere

Meanwhile, after its financial success, the Government has gained in stability. Public opinion, after the deflation of the Conservatives and the inflation of the Left and the ideological struggles about foreign policy, is now ready for a more realistic policy. Capitalists—private persons or companies—in need of revenue or liquid assets are no longer in such a hurry to send their funds abroad. The workers, faced with the rise in the cost of living and the resistance of the authorities to an increase in wages, are more ready to work extra hours.

The markets, however, are still nervous. They have suffered disappointments before, and there is still a persistent fear of

external conflict. There is a great shortage of savings and, altogether, the key to the future lies more than ever in a rapid and considerable increase in production.

The Statistique Générale has just published its monthly figures of industrial production:—

	1928	1937	1938	1938	1938
		March, 1937	January, 1938	February, 1938	March, 1938
General Index	93	87	85	84	84
Mines	93	89	91	96	96
Chemical industries	106	105	102	96	96
Paper	198	166	163	157	157
Textiles	90	83	82	81	81
Leather	83	69	69	69	69
Iron and steel	83	83	79	73	73
Engineering	91	89	87	83	83
Automobiles	89	90	92	88	88
Building	76	58	58	59	59
Gas and electricity	123	131	130	133	133
Miscellaneous	114	107	104	102	102
Old general index (1913=100)	104	98	96	94	94

The figures for the cotton industry were as follows:—

	December, 1937	January, 1938	February, 1938	March, 1938
Spinning (average per spindle in kilograms):—				
Production	2,210	1,914	1,811	2,002
Deliveries	2,124	1,780	1,729	1,937
Stocks	1,938	2,079	2,074	2,126
Unfulfilled orders	5,810	5,900	5,797	5,633
Weaving (average per loom in pieces of 100 metres):				
Production	5.31	4.67	4.48	4.89
Deliveries	5.35	4.37	4.16	4.94
Stocks	7.67	8.32	8.31	8.13
Unfulfilled orders	15.72	16.11	16.10	15.79

Rising Prices

Unemployment on May 7th was 391,983, against 393,054 in the previous week and 363,569 a year ago. And the rise in prices is noticeable:—

	April, 1937	Feb., 1938	March, 1938	April, 1938	May 14, 1938
Wholesale prices (1914=100)					
General index	533	614	619	619	643
Domestic products	558	656	657	662	678
Imported products	487	538	552	543	579
Foodstuffs	522	625	617	623	641
Industrial products	542	605	623	617	645
Retail prices (1914=100)	580	692	690	691	...
Lighting and heating (1930=100)	94.8	116	116.4	117.4	...
Clothing (1930=100)	93.7	100	100	100	...

Bankruptcies numbered 444 in April, against 417 in March and 370 in February; bankruptcies and judicial liquidations together were 625 in April, compared with 703 in March and 565 in February.

Germany

Rising Prices

BERLIN, May 18.—The chief economic organ of the Nazi Party foreshadows new pressure to compel the reduction of prices. It admits that the rise in prices is still going on, which is usually denied in official circles. Industry, it is remarked, must realise that, in view of the increase in the public debt, the volume of State orders must some time be reduced. In that case, the increase in earned income (as distinct from wage rates), which has counterbalanced the rise in prices, will cease; and then an appreciable general reduction in prices will be needed to ensure good sales and employment.

The reduction in prices ought to be met out of the improved financial resources of industry. This kind of price-cutting would not be new. The prosperous nitrate and potash industries were recently compelled to cut prices by 30 and 25 per cent., respectively; and, since then, there have been numerous enforced, or virtually enforced, reductions in the prices of manufactured goods, largely of metal goods, but also of rayon and other goods. Undoubtedly, assuming continued full employment, a general cut in prices would be possible at the expense of manufacturers' profits, which are substantial. But it would probably not be possible to reduce prices at the expense of wholesale and retail trade, upon whom a good deal of recent losses due to price cuts was imposed.

The rise in prices has lately been very rapid. It is not shown either in the movements of the index of wholesale prices, which has risen since 1932 from 96.5 to 105.5, or in those of the cost-of-living index, which has risen from 120.6 to 125.6. As indications of price movements, these indices, however conscientiously compiled, are worthless. The components of the wholesale index are a few agricultural products, whose prices are officially fixed, and certain materials whose prices are also fixed by joint State and cartel measures, or which, being imported, have fallen in price since early 1937. The cost-of-living index is based largely on those few, if important, foods whose prices are fixed and on rents, which are also fixed.

Apart from price-fixing measures for individual commodities, there is in force a general "Price Stop Ordinance," which forbids all increases in price whatever—though exceptions have had to be made. In general, Germany is by law a country where all prices are theoretically stabilised. Yet prices, as the Party journal admits, continue to rise. A main cause is that rigid price-fixing of this kind is impracticable. It is practicable in the case of rents, bread, butter, and certain commodities produced in few and standardised sorts. But a decree which prescribes that a hat or a pair of boots must not cost more than in 1936 cannot be enforced. The great and inordinately rapid rise now under way is mainly in the prices of manufactured goods or in those of numerous foods which, owing to their variety and quality, can no more be controlled in price than hats or boots.

High Cost of Living

The following list of prices (which has been personally verified) is on the basis of the sterling exchange (1 mark = 1s. 8d.), there being no other standard for comparison with foreign prices. The aim is to illustrate the divorce between the German and the international price levels. All the prices mentioned are either individually fixed or are supposed to come under the General Ordinance, and therefore not to have risen of late.

FOODSTUFFS (lbs. metric)	
White bread (wheat, potatoes and maize)	9d. per lb.
Butter	2/8 "
Beef	3/1 "
Veal fillet	4/4 "
Apples (medium quality)	1/- "
Dried fruit (apples and prunes)	1/6 "
Carrots	2/4 "
Grape fruit	1/- each
Cauliflower (very small)	1/4 "

Most other foodstuffs are priced at similar levels. The prices of vegetables, fruit, and foods of varying sorts and quality, which cannot be controlled, are relatively much the highest.

In the case of manufactured goods, owing again to the innumerable sorts and qualities, comparisons are of doubtful validity. Ready-made clothing, and in particular underclothing, is three to five times dearer than in New York. Ready-made substitute-flannel trousers cost £2 to £2 10s.; a ready-made sports jacket (corresponding to the English blazer but of bad material) costs £3 10s. to £4. Fairly good ready-made shirts (material uncertain) cost about £1; ready-made pyjama suits of corresponding quality cost £1 15s. to £2.

The price (actually paid) for 12 plain overcoat buttons of plastic material is 4s. The price of one centimetre-thick boat-rope is 7d. a metre (5d. a year ago). One lb. of office gum costs 3s. 4d.; 100 sheets of best carbon copying-paper 6s. 8d. The standard letter-post rate (for the whole Reich) is 2½d.; a telegraphic address costs £2 10s. per annum.

In general, the above figures give a fair idea of the German price-level—from the international viewpoint only, and not from the domestic and social. On the mere exchange basis German rents are about double the pre-war, but in marks they are only 20 per cent. higher. What the purchasing power parity of the Reichsmark is it is hard to say. But even foreign visitors who spend registered marks, acquired at about the former exchange of £1=20 marks, find prices here very high. At the official £1=12 marks, they are inordinately high, and, indeed, represent a level entirely independent of world prices, like prices in Russia.

Austria in the Reich

No fresh statement has appeared about Austria's foreign debts, but the British official statement is noted that the matter will be dealt with during the negotiations, late this month, for the revision of the Agreement of November, 1934. An important point is that the German law of May, 1937, was extended to Austria on April 29th. Under this law,

foreign creditors for already matured debts must either prolong the loans at a reduced interest rate (4 per cent.) or have them paid in domestic currency into a blocked account.

The Reichsbank's return for May 14th states expressly that the Austrian National Bank's gold and exchange reserve, with other Austrian National Bank assets, is included in "Other Assets," which now stand at Rm. 1,244 millions, against Rm. 801 millions at the beginning of March. The liquidation of the National Bank is virtually complete. Since the *Anschluss*, the Reichsbank's note circulation has risen from Rm. 4,949 to Rm. 5,804 millions, or by more than might have been expected on the basis of Austria's population and financial conditions.

Austrian unemployment is stated to have fallen to 416,000, against about 600,000 two months ago. Austrian iron prices, which were higher than Germany, have been reduced by between 20 and 50 per cent. The first Reich drilling for oil in Austrian territory has been reported. The purchase and sale of Austrian shares by citizens of the old Reich have been prohibited. Under a new Reich law the Rhine-Main-Danube Canal is to be completed by 1945.

The number of unemployed in the old Reich area declined in April by 85,000 to 423,000. Pig-iron output in April was 1,442,400 tons; and in the first four months it was 5,749,800 tons, against 5,093,000 tons in the same months of 1937. New restrictions have been imposed on the use of iron and of zinc.

Norway

Activity Sustained

OSLO, May 2.—It would be useless to try to disguise the fact that repercussions of the depression already long in evidence in most countries of the world are at last becoming rather persistent in Norway. Nevertheless, domestic trends, in general, are still surprisingly favourable.

The official index of industrial production in February was 134, against 121 in January and 123 in February last year, but there are indications of some recession in March and April, for which official figures are not yet available. This may prove to be especially pronounced in industries producing for export, where such trades as wood, paper and canning have had to curtail their output because of reduced demand.

Activity in these two months in industries catering for the home market, however, is likely to compare favourably with that in February—if the comparatively high level of turnover in retail trade during recent weeks is any guide. Bank deposits rose by about 91 million kroner in the first quarter of the year, against a rise of only 50 million kroner in the corresponding months of 1937. Part of this increase, however, was probably due to the influx of idle money from investors, who have preferred to accept cash for redeemable bonds instead of converting them at the sometimes considerably lower rate of interest offered for new issues.

Active Foreign Trade

Further evidence of fairly well maintained activity is derived from the figures of foreign trade during March, compared with the preceding month and with the position a year ago:—

	March, 1937	Feb., 1938	March, 1938
		(Kroner, 000,000's omitted)	
Imports	99.8	93.6	111.6
Exports	62.9	63.9	66.0
Import surplus	36.9	29.7	45.6

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The rise in imports was chiefly due to heavy purchases of raw and semi-manufactured minerals, ships, motor cars and machinery. Exports of wood pulp increased by nearly 10 million kroner during March. The import surplus in the first quarter of the year amounted to 94.1 million kroner, against 99.9 million in 1937.

Unemployment was about 3.5 per cent. lower in March than in February, but compared with March last year the position was slightly worse. The downward movement in wholesale prices which began last July seems to be gaining momentum; and the index of the cost of living, after having resisted obstinately hitherto, fell at last by one point in March.

The freight markets remain dull, and operations on the Bourse, both in shipping and other shares, have lately been on a rather limited scale. The nervousness characterising foreign centres has affected our domestic market more than would seem reasonable—at least as far as industrial and miscellaneous shares are concerned.

The money market continues easy. The example of loan conversions initiated by the Government at the turn of the year is still being followed by several public, semi-public and private institutions. The national accounts for the first eight months of the fiscal year indicate that there has been an increase in receipts from taxation of about 34 million kroner (including indirect taxes) compared with the same period of the preceding Budget year.

Spain

Industrial Supervision in Catalonia

BARCELONA, May 2.—More than twelve months have now elapsed since the collectivisation of the greater part of Catalan industrial concerns. The Catalan Government, on the experience acquired with regard to the working of this system, has issued a new decree with such "supplementary regulations and alterations as are necessary for the consolidation of the economic system inaugurated by the original decree."

Under the earlier system, a delegate representing the Catalan Government (or Generalidad) controls the management of all collectivised establishments, as well as all plants under official control. In order to invest these official delegates with the necessary authority, by the new decree they are to be regarded as representatives of the State, to watch over the interests of the community and the welfare of the establishment or group of establishments to which they are attached. Their appointment is proposed by the workers of each establishment to the Technical Department of Economic Control of the Generalidad.

Procedure of Control

The delegates have to approve or reject all business transactions embodying payments of money; to be present, with voice but without vote, at all meetings of the board of directors or the committee of workers; to serve as mediators between the undertakings and official bodies; and to ensure strict compliance with the law relating to collectivised enterprises.

At the end of every quarter (and, in special cases, more frequently), the delegates have to draw up and submit to the Department of Economics a report, stating the technical and commercial activities of the enterprise, giving figures of output and sales as well as a balance sheet, showing the amount of cash in hand and in the banks. The delegates have the right to veto any decision taken by the board if against the law; and all cheques and documents referring to financial transactions must be countersigned by them. In case of a measure being vetoed by a delegate, the committee or the owners of the establishment have the right to appeal to the Department of Economics within eight days.

The agreement between the Spanish Government and the Compañía Arrendataria de Tabacos de España which, up to the present, has had the sole right to handle tobacco business in Spain, has not been renewed. At the expiration of this agreement, the Government will run the monopoly direct. At the same time, the Government has authorised the cultivation of tobacco in peninsular Spain, which has hitherto been prohibited.

Strict supervision will be exercised, however, and only trustworthy and efficient farmers will be allowed, on application, to cultivate tobacco.

Books and Publications

New Houses for Old

EXPERIENCED for eight years in London housing, Miss Denby toured Europe to survey Continental post-war building. This book* is the remarkable fruit of her labours. She states the housing problems of European countries; outlines the various technical, financial and organisational methods used to solve them; and describes exhaustively every facet of rehousing in Sweden, Holland, Germany, Vienna, Italy and France. As an expert, objective record Miss Denby's study stands alone; as an essay in social philosophy it is shrewd and telling.

When the war ended, twenty years ago, there was urgent need to rebuild a shattered Europe. Nowhere was this need more acutely felt than in the field of house-construction. For four years in many countries housing had stood in abeyance. Each nation set about the task in its own way. On the Continent perennial wars and invasions had caused the age-old planning of cities compactly behind walled and water defences. Towns could not spread easily, and tenements reached up to the skies. In peaceful England, houses and cottages with gardens—and then without—sprawled unevenly into the countryside. The waxing industrial populations of the nineteenth century tested contrasted styles to the uttermost. Light, air and space in the towering Continental flats became unattainable luxuries for the poor; the English cottages were built closer together, massed in dreary regiments, "their gardens gone, trees gone, all beauty gone." "Vertical slums abroad, horizontal slums in England."

After 1918, there was added cause to tackle the housing problem; to catch up fresh arrears of under-building; to demolish and re-plan the "worn out and unhealthy parts of

* Europe Rehoused. By Elizabeth Denby. Allen and Unwin. 284 pages. (32 illustrations.) 14s.

cities"; and to organise a regular and adequate supply of satisfactory dwelling places. The cost of materials, labour, land and money had soared. The initiative inevitably lay with governments; by restricting the rents of old dwellings and subsidising for a time the erection of new, they set the ball rolling.

Special taxes on existing houses were levied in Vienna, in Germany, and in Scandinavia. The Swedish, Dutch, German, and French Governments issued or guaranteed loans to approved societies at low interest. Co-operative housing organisations evolved in the Scandinavian countries. New buildings were exempted from taxation in Italy and France. In Holland, Germany and Austria, land was often municipally owned and inexpensive. In France and Britain, private speculation in land was a serious obstacle to adequate rehousing. Municipalities were in the forefront of the campaign, to plan and assist, though only in Britain, Vienna, and parts of France did they actually build houses. The key agencies were public utility and co-operative building societies.

Quantitatively, European rehousing has been widely successful. Only in France has the housing shortage not been "technically" overcome. Actually, however, the shortage of low-cost houses is still generally acute, and the crux of the problem is still the housing of the poor. In every country the greater part of post-war rehousing, largely for the middle classes, has been done by private enterprise, and in most places without public funds. Great Britain, however, has maintained for two decades the costly policy of direct subsidy for land and buildings, and spent far more per dwelling than any other country.

Which of the countries surveyed by Miss Denby has got the best value for money? Human health and happiness must figure in the answer. "Shelter is not enough," Miss Denby plumps for Vienna; "the greatest housing achievement of the century," where companionship, recreation, education and environmental beauty were allied to the provision of houses. And she perceives "right vision and right action" in the flexible policy of Sweden, suited to a "prosperous, free

and vigorous" people, in the new estates of Holland and Germany, in the "renewed beauty" of Italian cities, and the new satellite towns around Paris.

Two things are essential—really informed and sensitive standards of urban planning and of taste, and adequate protection of the community against land speculation.

Britain's claim to success, in the broadest sense, Miss Denby rates very low: there has been no directing plan, no intelligent control, no sense of the proper limits which should be set, for the sake of health, culture and good living, to the growth of towns. The living tradition of British housing resided in our gardens; and it has been largely lost. "Traffic is the first consideration in re-planning, industry the second, humanity only third." Public taste is lamentably low, and the price of land obstructively high.

The indictment is grave; and Miss Denby looks with longing at the real democracy and lovely, happy cities of the Scandinavian countries.

Books Received

America's Stake in International Investments. By C. Lewis and K. T. Schlatterbeck. (London) Faber and Faber. 710 pages. 18s. net.

How We Live. Second Edition. By J. A. R. Marriott. (London) H. Milford. 142 pages. 2s. 6d. net.

Empire Trade. By W. H. Wilson. (London) P. S. King. 296 pages. 10s. 6d. net.

Why the League has Failed. By "Vigilantes." (London) Gollancz. 96 pages. 1s. paper; 1s. 6d. cloth.

A People's History of England. By A. L. Morton. (London) Gollancz. 544 pages. 8s. 6d. net.

League of Nations. Money and Banking, 1937/38. Vol. I. Monetary Review. 165 pages. 5s. net. *Vol. II. Commercial and Central Banks.* 214 pages. 6s. net. (London) Allen and Unwin.

Persons and Periods. By G. D. H. Cole. (London) Macmillan. 332 pages. 12s. 6d. net.

Du Gouffre à l'Espoir. By J. P. Reinach. (Paris) Librairie Félix Alcan. 208 pages. 15 frs.

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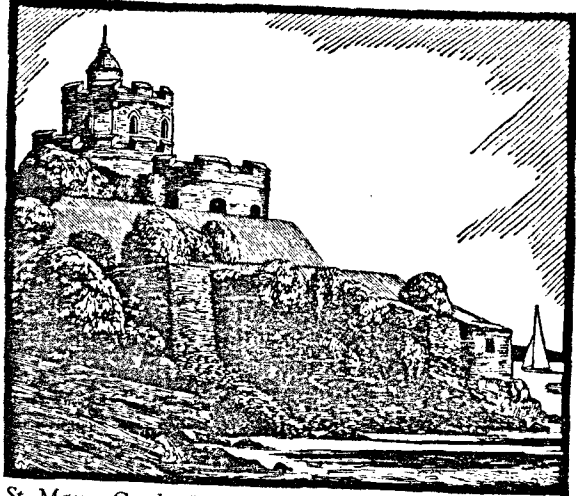
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THE BUSINESS WORLD

French Money Goes Home

(By Our Banking Correspondent)

DURING the week ended May 11th a sum of money estimated at around £100 millions was repatriated to France from foreign centres, and the major portion is thought to have come from England. The exchange transactions arising out of this huge movement of funds were handled by the various official Exchange Controls. Broadly speaking, what happened was that the sterling previously held on French account was taken over by the British Exchange Equalisation Account (described hereafter in this article as the E.E.). In return, the E.E. sold gold to the Banque de France, which completed the cycle by giving francs to those who were repatriating their money. Thus, the French owners of sterling obtained their francs and the Banque de France secured its gold, while the E.E. acquired sterling. These movements obviously caused no lasting disturbance to the foreign exchange market.

Naturally, transactions of this magnitude caused some disturbance in the London money market. Money became a little tighter than usual. There was a certain amount of calling by the banks. And the authorities had to give relief by making open-market purchases of bills. As is shown later, this "special buying" also served another purpose. Some indication of these movements was given in the Bank of England's return of May 11th, which showed the following changes in comparison with the preceding week:—

	Million £
Note Circulation	- 8
Public Deposits	+26
Bankers' Deposits	-29
Government Securities	-12
Reserve	+ 8

The purpose of this article is to suggest what may, in fact, have been happening behind the scenes. With this object in view, the accompanying table has been prepared, in which all the different transactions which were in progress are shown separately, column by column. The figures given are in most cases purely illustrative and hypothetical. Their sole purpose is to facilitate clarity of exposition, by showing what might have occurred. They are based on an assumption that, of the total French Funds repatriated, some £74 millions came from London.

The initial section of the table shows the assumed distribution of these French funds before their withdrawal, whether on deposit at the banks, invested in Treasury bills or British securities, or hoarded in British currency. Then come relevant extracts from the balance sheets of the French banks in London and the British joint-stock banks. The next section relates to the discount market, with its call and short loans set against its bill portfolio. Next come certain items from the Bank return, followed by the various assets of the E.E. The table concludes with an analysis of the Floating Debt. A word of explanation is necessary in the case of the E.E. and of the Floating Debt. Treasury bills are issued either by tender (mainly to the banks and the money market) or through the "tap" to the E.E. and other Government departments and official bodies (including, it is here assumed, the Bank of England). It may happen that bills originally issued by tender are subsequently acquired by the E.E. or other bodies who normally obtain their bills through the "tap." The total size of the

floating debt depends solely upon the Government's needs, and is independent of the E.E.'s operations. The total size of the E.E. is constant. To the extent that it does not hold gold, it holds either Treasury bills or cash (lodged in public deposits at the Bank of England); or it may re-lend to the Government its surplus funds, in which case the loan ranks among Ways and Means Advances from Public Departments.

The various assumed operations, in connection with last week's movements, may now be explained, column by column.

Column (1). The week's contraction of £8 millions in the note circulation probably was not entirely the result of French dishoarding. In the absence of any information, it is assumed that half the contraction was due to the return of currency into the banks from the hands of the British public. This added £4 millions to deposits at the joint-stock banks, to the joint-stock banks' cash, to bankers' deposits at the Bank of England and to the Bank's Reserve.

Columns (2) to (6) analyse the various forms the French repatriation might have taken, and a combined total for these five columns is shown in column (7).

Column (2). It is assumed that £25 millions is withdrawn from the French banks in London, its repatriation being covered by the E.E. This entails a £25 millions reduction in the French banks' balances with the British banks acting as their agents, and also in the latter's cash and deposits. Thus the £25 millions finds its way to public deposits, to the credit of the E.E.

Column (3). Some £20 millions is assumed to be drawn from French deposits at the British banks. The latter lose £20 millions in cash, all of which goes into public deposits, to the credit of the E.E.

Column (4). assumes that £10 millions of British securities is sold by Frenchmen to British investors, who pay for their purchases by means of cheques on their banking accounts. Again the British banks lose cash to the E.E., which lodges it in public deposits.

Column (5) covers the assumed dishoarding of £4 millions of British currency. The notes pass through the British banks into the Reserve of the Bank of England.

Column (6). French holders sell £15 millions of British Treasury bills, originally issued by tender. These are ultimately bought by the E.E. and, in effect, are paid for in gold.

As *Column (7)* shows, the net result of all these movements is: (1) A heavy loss of cash by the British and French banks; (2) a £74 millions loss of gold by the E.E., offset so far mainly by the acquisition of cash; and (3) some redistribution of "tender" Treasury bills.

Obviously the cash losses of the London banks require rectification. This is the next stage, which for clarity's sake is shown separately from the "repatriation" stage, although in fact the two proceed simultaneously.

Column (8). On May 7th, the Government owed the Bank £8 millions on Ways and Means. It is assumed that the E.E. took over this debt, and also bought £4 millions of "tap" Treasury bills from the banking department of the Bank. This absorbed £12 millions of the E.E.'s cash, but did not help the British or French banks to replenish

their cash. It merely involved a further redistribution of the floating debt.

Columns (9) and (10) assume "special buying," on account of the E.E., of £21 millions of "tender" Treasury bills, comprising £8 millions from the French banks (*Column 9*), and £13 millions from the discount market (*Column 10*). The market proceeds to repay £13 millions of its call and short loans, of which £6 millions are repaid to the French banks and £7 millions to the British banks. The French banks lodge the cash which they receive (£14 millions in all) with the British banks acting as their agents. Thus the British banks gain, altogether, £21 millions of cash, and the Bank return shows the consequent transfers from public to bankers' deposits. The E.E. and Floating Debt sections of the table reflect the consequent redistribution of tender Treasury bills.

Column (11) is the sum total of the ten previous columns. It agrees with the only available information, given in the Bank return of May 11th, and shows how the

assumed withdrawal of £74 millions of French funds might have been handled, together with the possible effect upon the London market. The banks, it will be seen, are all left relatively short of cash. The E.E. is still glutted with cash, but only to the extent of £26 millions against gold sales of £74 millions. The banking system has lost £36 millions of tender Treasury bills to the E.E., which has also taken over £12 millions of the Bank of England's assets. The total size of the Floating Debt remains unchanged, but there has been considerable alteration in its distribution.

Columns (12) to (16) represent an attempt to carry illustrative analysis into the future, and are, consequently, even more hypothetical than *Column (11)*.

Column (12) assumes that the British joint-stock banks do not buy fresh Treasury bills to replace all their maturities. Instead, the E.E. takes up £5 millions of "tap" bills. The joint-stock banks' cash is reinforced by £5 millions, derived from their excess maturities.

Column (13) envisages further special buying, out of

	REPATRIATION, ETC., OF FRENCH FUNDS Covered by E.E.A. Gold Sales						RECTIFICATION (Partial) IN LONDON		FUTURE POSSIBILITIES							FINAL RESULT		
	British currency returns to banking system	Withdrawal of £25 millions of deposits at French banks	Withdrawal of £20 millions of deposits at British banks	French sales of £10 millions of British securities	French dishoarding of £4 millions British currency	French investors' sale of £15 millions of Treasury bills, ultimately to British E.E.A.	E.E.A. takes over £8 millions of W. & M. Advances due to Bk. of E., and buys £4 millions of Treasury bills from Bk. of E.	Special Buying of Bills for E.E.A.	ASSUMED RESULT (to accord with Bank Return of 12.5.38) (sum of Columns 1 to 10)	E.E.A. takes up tap bills of £5 millions, replacing Joint-Stock Bank maturities of tender bills	Special buying for E.E.A. £6 millions from French banks, £5 millions from market	£10 millions met by issue of tap bills to E.E.A.	£25 millions met by issue of tender bills to Banks and markets	War Loan Dividend Payment of £35 millions, June 1, 1938	Tender bills held by E.E.A. mature and are replaced by tap bills			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	
French Funds in London																		
(a) Deposits at French banks...		-25					-74				-25						-25	
(b) Deposits at British banks...			-20								-20							-20
(c) British securities				-10							-10							-10
(d) British currency					-4						-4							-4
(e) Treasury bills						-15				-15							-15	
French Banks in London																		
Deposits		-25					-25				-25						-25	
Cash (= balances with British banks)		-25					-25		+ 8	+ 6	- 11		+ 6				- 5	
Call and Short Loans								- 8		+ 6	- 2		- 6				- 4	
Discounts (Treasury bills)											- 8						- 14	
British Joint-Stock Banks																		
Deposits:—																		
(a) British	+ 4			-10			-10				- 6			+10	+25		-29	
(b) French banks		-25					-25		+ 8	+ 6	-11		+ 6				-20	
(c) French investors			-20				-20				-20						-4	
Cash	+ 4	-25	-20	-10			-55		+ 8	+13	-30		+5	+11	+10		-1	
Call and Short Loans										-7	-7		-5			+13	-1	
Discounts (Treasury bills)															+12		+7	
Discount Market																		
Call and Short Loans										-13	-13		-5		+13		-5	
Holdings of Treasury bills										-13	-13		-5		+13		-5	
Bank of England																		
Issue Department:—																		
Notes in circulation	- 4						- 4				- 8						- 8	
Notes in reserve	+ 4						+ 4				+ 8						+ 8	
Banking Department:—																		
Public deposits		+25	+20	+10	+ 4		+59	-12	- 8	-13	+26	- 5	-11	-10			nil	
Bankers' deposits	+ 4	-25	-20	-10			-55		+ 8	+13	-30	+ 5	+11	+10			- 4	
Government securities								-12			-12						-12	
Reserve	+ 4				+ 4		+ 4				+ 8						+ 8	
Exchange Equalisation Account																		
(a) Gold		-25	-20	-10	- 4	-15	-74				-74						-74	
(b) Treasury bills (tender)						+15	+15		+ 8	+13	+36		+11				nil	
(c) Treasury bills (tap) and W. & M. Advances								+12			+12	+ 5		+10		+47	+74	
(d) Cash (held in public deposits at Bank of England)		+25	+20	+10	+ 4		+59	-12	- 8	-13	+26	- 5	-11	-10			nil	
Floating Debt																		
Treasury bills issued by tender and held by:—																		
(a) French investors						-15	-15				-15						-15	
(b) French banks								- 8			- 8		- 6				-14	
(c) British banks and market									-13	-13	-13		- 5		+25		+ 2	
(d) Exchange Eq. Ac.						+15	+15	+ 8	+13		+36		+11				nil	
Treasury bills issued by tap and held by:—																		
(a) Exchange Eq. Account								+ 4			+ 4	+ 5		+10		+47	+66	
(b) Bank of England								- 4			- 4						- 4	
Ways and Means Advances:—																		
From Public Departments								+ 8			+ 8						+ 8	
From Bank of England														+10	+25		+35	
TOTAL, FLOATING DEBT														+10	+25		+35	

the E.E.'s funds—comprising £6 millions of tender Treasury bills from the French banks and £5 millions from the market.

Columns (14) and (15) look forward to the War Loan dividend payment on June 1st. The full amount of £35 millions is assumed to be paid to British investors, who in turn pay it into their banking accounts (hence the increase in deposits at the joint-stock banks). To finance the payment, the Floating Debt is increased by £35 millions, made up of £10 millions of "tap" bills taken by the E.E., £13 millions of tender bills sold to the discount market, and £12 millions of tender bills purchased ultimately by the joint-stock banks.

Column (16). By this time the E.E. has bought £47 millions of tender Treasury bills. It is assumed that as they mature they are replaced by "tap" bills issued to the E.E.

Column (17) gives the final result. It will be seen that in the end the condition of the Bank of England, the British joint-stock banks and the London discount market need only undergo a change which is very small in comparison with as large a withdrawal of French funds as the assumed total of £74 millions. Some incidental disturbance has occurred in the money market, and there has been a certain depletion of bank cash.

The primary need is to continue and complete the process of "rectification." To meet this need, the E.E. must find some way of restoring its idle cash to the banking system. In effect, it must take up fresh Treasury bills, and it would be highly advantageous if this could be effected by some means additional to "special" buying. The simplest course would be to wait until there was a

deficit of current Government revenue below expenditure, and to cover that deficit by issuing "tap" Treasury bills to the E.E. instead of tender Treasuries to the market.

As it happens, the payment of the June 1st War Loan dividend will present such an opportunity, and it may be strongly urged that advantage should be taken of it. If so, the reduction in the tender issue will not take place abruptly, but will be gradually spread over the rest of the financial year, as revenue overtakes expenditure.

A further suggestion may be made, having for its object the prevention of any fresh depletion of bank cash, in the event of a further repatriation of French funds. The E.E., instead of lodging its surplus cash in public deposits at the Bank of England, might decide to lodge it on deposit at the joint-stock banks. Such a decision would obviate any transfer of money from bankers' deposits to public deposits, and would relieve the banks of any necessity to call from the market. As the E.E. turned its cash into "tap" Treasury bills, there would be a gradual and balanced contraction in deposits at the banks and in their discounts and/or call and short loans against Treasury bills. Thus, disturbance would once again be minimised.

The key to the success of the whole series of operations has been the E.E.'s abundant gold reserves. The fact that, without them, the whole machine must have broken down shows the wisdom of sterilising a sufficiency of gold reserves to cushion the eventual withdrawal of foreign hot money. The magnitude of the gold reserves which we still hold is commensurate with the new strains the machine may be called on to bear. This month's events, as a whole, however, emphasise the desirability of considering every practical suggestion for increasing the machine's efficiency.

Investment Trust Outlook

INVESTMENT experience in many fields is crystallised in the results of British investment trusts. The present is an appropriate moment for attempting to put their recent achievements into financial and economic perspective; for, so far, the winter of 1937-38 has resembled that of 1929-30 in showing the earlier symptoms of a general trade recession. Without suggesting that history is

likely precisely to repeat itself (*absit omen!*), we may ask whether the trusts are better or worse equipped to face the possibility of moderate depression than they were eight years ago. In what way has the basis of earning power changed in the interim?

In the tables at the foot of this page we have summarised the figures of twelve trusts for 1929, 1933 and 1937.

12 INVESTMENT TRUSTS: COMPARATIVE RESULTS

Trust (and Date†)	Total Rev.: 000's			Ord. div.: 000's			To Res. etc.: 000's			Earned for Ord.			Paid on Ord.			Price
	1929	1933	1937	1929	1933	1937	1929	1933	1937	1929	1933	1937	1929	1933	1937	
Caledonian Tr. (Jan. 31, 1938)	158	113	135	51.2	23.3	36.0	12.5	0.7	12.4	19.9	7.2	12.7	16	7	9	158
Clydesdale Inv. (Sept. 30, 1937)	165	110	120	48.3	18.0	18.2	16.7	1.1	12.8	20.1	6.4	10.2	15	6	6	105
Debtenture Corp. (Dec. 31, 1937)	253	230	249	80.0	75.0	75.0	28.3	4.5	20.1	13.5	10.6	12.7	10	10	10	214
Metropolitan Tr. (Jan. 1, 1938)	241	165	177	100.0	56.2	56.9	22.7	0.4	14.5	24.5	12.1	15.1	20	12	12	225
Rly. and Gen. Inv. (Sept. 30, 1937)	33	52	61	6.4	4.5	6.9	2.0	2.5	5.1	6.5	4.6	7.8	5	3	4	89½
Second Indus. Tr. (Sept. 30, 1937)	55	29	62	23.5	7.5	15.2	6.7	1.0	11.6	9.7	3.2	8.8	7½	2½	5	87½
U.S. Deb. Corp. (Jan. 31, 1938)	288	217	267	150(c)	80(c)	100(c)	13.8	4.3	22.3	16.7	8.6	13.0	15	8	10	177½
U.S. & Gen. Tr. (Dec. 31, 1937)	189	138	157	56.5	22.3	28.6	13.7	0.4	8.8	17.5	5.4	9.1	14	5½	7	126½
London Border (Jan. 31, 1938)	118	83	127	24.0	Nil	12.0(c)	12.6	1.1	9.0	7.6	0.3	4.0	5	Nil	2	27½
Scott. Stockholders (Nov. 30, 1937)	53	33	61	10.9	Nil	Nil	3.9	(e)	(e)	7.5	Nil	Nil	5½	Nil	Nil	25
Second Caledonian (Mar. 1, 1938)	73	53	56	11.2	4.5	3.0	8.3	0.9	5.7	12.2	3.6	5.8	7	3	2	60½
Third Scott. West. (Mar. 1, 1938)	96	65	72	18.0	2.1	2.1	10.2	0.9	6.9	12.5	1.4	4.3	8	1	1	50

12 INVESTMENT TRUSTS: PORTFOLIO DISTRIBUTION AND VALUE

Trust	Basis (£)	% in Gt. Britain			% in U.S.A.			% in equities			% in bonds†			Valuation* (%)			Yield %
		1929	1933	1937	1929	1933	1937	1929	1933	1937	1929	1933	1937	1929	1933	1937	
Caledonian Trust	Val. (h)	31.1	34.3	52.8	14.8	19.1	13.6	18.9	23.4	39.6	52.5	46.2	25.9	...	-16	-14	5.7
Clydesdale Investment	Val. (h)	30.4	31.2	48.8	10.0	16.5	15.5	14.5	22.4	36.1	56.9	48.5	26.9	...	-24	-10	5.7
Debtenture Corporation	Val. (h)	58.4	48.5	48.3	(a)6.2	(a)7.5	(a)6.8	18.3	15.7	18.6	69.5	74.1	67.8	...	+2(f)	-5	4.7
Metropolitan Trust	Val. (h)	37.0	49.4	52.3	12.2	7.9	14.9	28.1	29.0	35.2	48.0	43.7	30.0	+23	-13	-7	5.3
Railway and General Inv. Trust	Val. (h)	29.1	44.4	34.4	15.3	15.3	29.3	25.2	31.7	44.8	51.2	34.2	26.7	...	+7(f)	-13(b)	5.6
Second Industrial Trust	Val. (h)	43.0	39.7	41.7	6.2	5.3	7.0	40.6	41.3	48.0	41.2	27.7	40.1	...	+7(f)	-13(b)	5.6
U.S. Debenture Corp.	Cost	49.0	42.0	39.0	6.0	12.0	35.0	15.0	20.0	46.0	51.0	44.0	17.0	...	+0	-11	5.6
U.S. & General Trust	Val. (h)	39.7	49.8	53.3	13.7	10.4	16.1	30.2	26.0	34.0	46.7	43.7	30.5	...	+15	-15	5.5
London Border & Gen. Trust	Val. (h)	26.3	36.6	42.7	12.6	10.7	18.0	47.9	55.8	57.6	32.6	27.1	18.7	...	-12	-35(d)	7.3
Scottish Stockholders	Val. (h)	26.5	46.3	36.0	14.7	7.6	26.6	45.7	56.2	52.2	28.5	19.9	14.9	...	-8	-45	28
Second Caledonian	Val. (h)	33.3	28.9	44.6	9.4	13.6	17.7	12.5	18.0	34.3	64.0	50.1	30.4	...	-2	-27	3.3
Third Scottish Western	Val. (h)	21.8	25.3	44.0	17.5	20.2	17.5	18.4	19.4	35.4	52.9	49.4	27.9	...	-12	-33	2.0

† Latest year ends on day shown, and information given under 1937: columns for 1929 and 1933 refer respectively to 8 and 4 years previous to latest. * % appreciation (+) or depreciation (-) as compared with book values. † Including debentures and loans. (a) Percentage is that in all countries outside British Empire, Europe and S. & Cen. America. (b) After deducting reserves, etc. (c) Gross. (d) After taking into account balance of appropriation account. (e) Preference dividends in arrears. (f) Book values stated to be "represented." (g) Percentage distribution based on cost or valuation, or not known. (h) Basis 8 years ago not known.

Although a growing number of trusts include in their reports various analyses of their holdings, the number who did so in 1929 was not large. Hence our sample is necessarily arbitrary, though the results shown are reasonably representative.

In the first place, the investment trusts cannot escape the effects of medium- or long-term changes in interest rates. Normally, when interest rates are steady, revenue should slowly expand, owing to the constant investment of funds put to reserve. But between 1929 and 1937, the experience of the companies of our sample shows at least some permanent loss of revenue. While recovery since the depression years has been satisfactory, only four of the twelve trusts had a larger total revenue in 1937 than in 1929, and two of these four were new companies whose results in 1929 were too close to their dates of formation to be representative. So far as the decline in revenue is due, however, to the conversion of securities held in investment trust portfolios to lower interest rates, the risk of continuing loss is diminishing; for the number of high interest-bearing securities which are "callable" in the near future is now relatively small. Foreign bonds have proved anything but a stabilising factor in investment portfolios, and here the risks of further loss are greater.

Another factor in investment trust revenue is the proportion between fixed and variable yield securities in a trust's portfolio. Since 1929, there has been a widespread tendency to switch from fixed-interest securities into equities, the average proportion of the latter having risen, according to our sample, in eight years, from 26 per cent. to 40 per cent. How far is the altered distribution a result of deliberate policy, and how far is it an automatic rearrangement as a result of changing values?

These two factors can be separated only by a detailed study of investment lists, or by an analysis based on original cost, as distinct from either book value or market value. But certain broad inferences are possible. On the whole, the rise in equity holdings has been more at the expense of bonds and debentures than of preference shares. Yet since 1929 the values of undefaulted loans (particularly those of British Empire countries) have risen; and there is no obvious reason why equities should have been bought with the proceeds of encashments of debentures rather than of preference shares. Defaults on foreign government securities can only afford a partial explanation; for the 12 trusts in our table held only a relatively small proportion of their portfolio (say, 15 per cent. at most) in foreign government bonds in 1929. It is significant, nevertheless, that between that year and 1937 the proportion of European securities of all classes fell heavily. At the end of 1929, the proportion of European holdings varied between 13 and 33 per cent., whereas the latest reports show a proportion in excess of 9½ per cent. in one case only. There is also evidence of a smaller, though well-marked, decline in South American holdings. For example, the U.S. and General Trust held 12.9 per cent. in South Americans at December 31st last, against 19.8 per cent. eight years before. These considerations, taken together, suggest that a significant part at least of the reduction in the proportion of bonds and its converse, the rise in the proportion of equities, can be explained by reduced market values, reflecting currency and international trading difficulties. Whatever its cause, however, the fact that an increased proportion of revenue-producing assets consists of equities, has implications, in the event of a setback in general industrial activity and profit-earning power, which neither investors nor trust managements can afford to neglect. Indeed, in more than one chairman's speech, recently, reference has been made to a desire to secure steadier revenue by holding more fixed-interest securities.

So far as conditions overseas affect the trusts' revenue the future is more difficult to predict than for many years past. And individual companies vary widely in their vulnerability. On the whole, more assets are now domiciled at home than in 1929, and there is no doubt that foreign holdings, outside the United States and the British Empire, have sharply contracted in value. Such overseas investments (excluding those of the Debtenture Corporation) accounted for anything between 32 per cent. and 53 per cent. of the portfolio eight years ago. To-day, the range is from 9 per

cent. to 31 per cent., something under 25 per cent. being the most common proportion. The incidence of conditions in the United States varies considerably between the different companies. Trusts with large American holdings made useful exchange profits on their dollar interests until 1933, and received exceptionally large dividends in 1937 owing to the tax on undistributed profits. Income from America will be less satisfactory in 1938. The effect of the setback in the United States prospects, indeed, may extend, indirectly, to the trusts' holdings in the British Empire, which frequently include substantial blocks of Canadian securities.

On the whole, it is unlikely that any deterioration of trust company earnings, in the immediate future, will affect the dividend status of debenture and preference stocks—war risks alone excepted. The position of ordinary stockholders, however, may well deserve closer examination. It is plain from the figures shown in our table that, owing to the high gearing of the trusts' capital structure, earnings available for ordinary stocks have fallen more steeply than total revenue since 1929. The average rate (unweighted) of ordinary earnings in 1937 was only 8.5 per cent., against 14.0 per cent. in 1929. The small scope for conversion of trust debentures, and the substantial amount of preference capital, have in fact thrown the full burden of lower interest rates upon the somewhat highly-g geared ordinary shares of trust companies. According to a sample inquiry made by *The Economist* in 1934, about one-third of trusts then existing had debentures whose earliest redemption date was, on the average, some thirty years ahead. In the six years from 1932 to 1937, only twelve investment trusts converted any of their capital to lower interest rates, and the amount of capital affected was only £10 millions nominal. In 1929, the trusts included in our present table paid out roughly 48 per cent. of their total earnings for debenture service and preference dividend. In 1933 the proportion was nearly 70 per cent., and even in 1937 it was still as high as 62 per cent. In 1933, the effect was

THE CANADA LIFE Assurance Company

1937 Report

The net new business written during the year amounted to £11,442,000, an increase of £1,793,000 over the 1936 figure. The share of the British Isles Division of the Company amounted to £2,160,000, an increase of £145,000 over that for the previous year.

The Company's income during 1937 was £7,818,000, while in settlement of claims, bonuses, annuities and surrender values, the Company paid during the year £4,831,000. The assets of the Company increased during 1937 by £1,402,000 to £53,288,000 and include special reserves and undivided surplus totalling £2,092,000.

THE CANADA LIFE Assurance Company

(Incorporated in Canada as a Limited Liability Company)

ESTABLISHED 1847

W. P. BRAUND, Manager

2 ST. JAMES'S SQUARE, LONDON, S.W.1

article on page 418). In September, 1936, the French Exchange Fund was created with resources of Frs. 10,000 millions, but at the present level of the franc these are equal only to £56 millions sterling, and they have proved inadequate to cover the recent French repatriation. The French Fund, in fact, found itself unable either to buy all the gold offered to it by the authorities abroad or to pay out all the francs demanded of it. One remedy would be for the Fund to re-sell gold to the Banque de France, but this would have exposed part of the operation of the Fund to the publicity of the Banque's weekly return. And last winter the Fund had an unfortunate experience, when it first sold gold to the Banque and then had to buy it back again. It has been decided, therefore, to keep the Fund's gold resources intact, by borrowing francs from the Banque de France and from the Rentes Stabilisation Fund and by lodging gold as collateral. Thus, France is following the British precedent of holding a reserve of sterilised gold against future emergencies. At the same time, the decision protects the Banque de France's gold reserves from the buffets of international capital movements. This procedure, however, throws a new strain on the Banque de France and also directs part of the Rentes Fund's resources from their normal purpose; and this may explain, in part, the reaction in the rentes markets which has occurred this week. France has still to follow the British method of financing Exchange Fund gold acquisition by means of short-term borrowing in the money market. The present glut of funds in Paris might, indeed, offer a convenient opportunity for the adoption of the British practice.

Slump in the Shanghai Dollar.—The Shanghai dollar rate has recently fallen to a new low record since it was pegged at 1s. 2d., following the demonetisation of silver in China in 1935. It has fallen during the past week from 12½d. to 10½d. and even at the latter figure the quotation has been nominal. The break from the pegged rate first occurred last March, following the withdrawal by the Central Bank of China of its facilities for conversion of notes into foreign exchange at its Shanghai office. The market in that city, deprived of its centralised foreign exchange reserve, was for a time thrown back on the play of current supply and demand. At the same time, the gentlemen's agreement, under which foreign banks in Shanghai had undertaken to keep the rate steady at the official level, was abandoned. The rate immediately slumped to 11d., but recovered to about 1s. 1d. after the grant by the Chinese authorities of conditional conversion facilities to the Shanghai market. The more recent sagging of the Shanghai rate is due, not to any technical defect in the mechanism of the market, but to the fact that the drain on the exchange reserves of the Central Bank is forcing that institution, in self-defence, to lower its official conversion rate. The hostilities in the interior have considerably interfered with the flow of export materials to the ports, while imports continue to be inflated by purchases of considerable quantities of war material. Over and above all this, a considerable export of capital has been effected from China for some months past. In view of the paucity of China's exchange reserves, this combination of adverse factors is bound to be reflected in the exchange rate.

Anglo-Turkish Trade.—For several weeks rumour has been insistent on the impending conclusion of an agreement whereby Turkey will obtain a credit of £16 millions for the general industrial development of the country, and more specifically for the purchase of British goods and the employment of British contractors. As a necessary corollary to such an agreement, the existing Anglo-Turkish clearing agreement will be improved in the direction of freeing British money now blocked in Turkey. Inquiries in official circles in London suggest that it is premature to assume that the negotiations are yet complete, and until an official statement

is made it is impossible to determine or discuss the details of the agreement, or to know whether it will go beyond a guarantee by the Exports Credits Guarantee Department. In principle it is to be hoped that such an agreement is imminent. Its conclusion would provide fresh scope for British trade in a country where German commercial activities have long been noticeable, and it would also establish British relations with Turkey upon an even more friendly basis.

Irish Budget.—The Budget which Mr McEntee introduced last week came as a pleasant surprise to taxpayers who had feared that the standard rate of income tax would be raised from its present level of 4s. 6d. In fact, the Budget contained only a few minor changes in taxation, and the Minister, by means of charging certain non-recurrent items to capital account, estimated for a small surplus. In view of the agreement with Great Britain and of the forthcoming loan of £10,000,000 necessary to carry out the financial clauses of that agreement, it was wise to avoid the increase in taxation that strict financial orthodoxy might demand. There is, indeed, reason to hope that conditions in Eire will improve as the result of the cessation of the economic war, and that the yield of existing taxes will therefore increase. As the Minister quite properly pointed out, the relief which the Anglo-Irish Agreement promises the taxpayer is indirect rather than direct, the only direct benefit being the reduction of the export bounties. Indeed, the handing over of the three Treaty ports will involve increased expenditure on defence.

There are signs that many types of public expenditure will continue to rise in future years, and it is, therefore, a matter of prime importance that every effort should be made to expand the national income. Such an expansion depends upon an increase of exports, and, since Irish exports are for the most part agricultural, this will necessitate intensifying production and increasing efficiency on the land. Costs of production are at present rather high and are capable of being reduced provided that the most modern technical processes are adopted. The Government is being urged to set up a commission of agricultural experts to study the latest developments in agriculture, especially in the utilisation of grass, in relation to Irish conditions. An inquiry of this kind, together with the review of the new industries by the Prices Commission which is provided for in the Anglo-Irish Agreement, would do much towards re-establishing equilibrium in the Irish economy. Hence, it would tend to increase the income and the taxable capacity of the country.

Indo-Chinese Piastres.—One of the less evident but none the less important results of the devaluation of the French franc has been a currency difficulty in the French colony of Indo-China. The monetary unit of the colony is the piastre, the parity of which is 10 French francs. The circulating medium consists partly of paper currency, issued by the Bank of Indo-China, and partly of silver. The complications which have arisen are due to the fact that since the devaluation of the franc, the contents of the silver piastre coin have been worth about 10 per cent. more than the exchange value of 10 francs. Arbitrage operators have profited by this discrepancy, and considerable traffic in silver piastres has developed. The coins are obtained from the Bank of Indo-China, melted, and sold as refined metal in the bullion market. The abnormal demand for piastres to be converted into silver coins has already caused the currency to rise to 10.05—a rate well above the normal range of fluctuations of this currency in terms of its French franc parity. The problem presented by the drain of silver coins from the colony is causing the authorities concerned a good deal of difficulty. One suggestion which is being considered is the revaluation

of the piastre by 10 per cent., which would give it an exchange value approximately equivalent to its existing bullion parity. As this would disturb a traditional link between the franc and the piastre, the authorities would be reluctant to have resort to it. The alternative would be to withdraw all silver currency from circulation and to retain for the authorities the profit provided by its demonetisation. The objection to this course of action would be that the native population has been accustomed to handle silver for generations, and its readiness to accept paper currency has been due to the knowledge that paper and silver, circulated jointly, were mutually convertible. This trust in paper currency might disappear if silver were withdrawn from circulation. Obviously, the problem involves a nice dilemma for the French authorities.

America's Balance of Payments.—The preliminary estimates by the Bureau of Foreign and Domestic Commerce of the United States' balance of payments in 1937 have recently been published in Washington. They are as follows (a plus sign indicates a net credit or in-payment, a minus sign a net debit or out-payment):—

BALANCE OF PAYMENTS OF THE UNITED STATES (in \$ millions)		
	Revised 1936	Preliminary 1937
Merchandise	+ 33	+ 261
Freight and shipping	— 61	— 110
Tourist expenditures	— 364	— 455
Immigrant remittances, contributions, etc.	— 180	— 175
Interest, dividends, etc.	+ 330	+ 345
Other current items	+ 82	+ 85
Balance on current account	— 160	— 49
Gold movements (net)	— 1,030	— 1,386
Silver movements (net)	— 174	— 83
Total gold and silver	— 1,204	— 1,469
Net movement of short-term funds	+ 404	+ 290
Net movement of long-term funds	+ 773	+ 512
Currency movements	+ 22	...
Miscellaneous capital movements	— 12	+ 5
Total capital items	+ 1,187	+ 807
Residual item	+ 177	+ 711

The increase in the residual item, for corrections, will not escape attention. It is very high, and probably offsets the gap caused by a sharp increase in gold imports, with an equally sharp reduction in classified capital imports.

On trade account, exports increased in 1937 by over \$100 millions more than imports, the export surplus arising in the last quarter of 1937; tourist traffic, of which almost one-half of U.S. citizens' payments abroad was in Canada, rose; and out-payments for freight increased. In 1937, therefore, the current account virtually balances, compared with a net debit of \$160 millions in 1936 and a net credit of over \$200 millions in 1935. When we examine the bullion figures, we find that the net increase of \$350 millions of gold imports in 1937 is reached by a real increase of \$470 millions in gold imports reduced by earmarkings to foreign account, which rose from \$86 millions to \$200 millions during the year. These bullion imports reflect the long- and short-term capital movements in the lowest section of the table. The U.S. Treasury's figures of capital movements show that, for the first three quarters of 1937, there was an almost complete correlation between net gold imports and inward capital movements; but in the last quarter, virtually no gold came in, while \$500 millions of capital flowed out. The net inward short-term capital movement in 1937 was below that of 1936 or 1935, mainly due to an abnormally heavy outflow in the last quarter, amounting to \$650 millions. Dr Amos Taylor's comments accompanying his estimates contain these observations:—

It constituted one of the heaviest withdrawals of short-term funds from the United States ever experienced in so short a period of time and was the first heavy withdrawal since the

banking crisis of February–March, 1933. Just before this outward movement, reported short-term foreign liabilities of American banks stood, on September 29, at \$2,305 millions. This was the highest total since England's suspension of gold payments in 1931 became the signal for the first of three foreign "runs" on American banks which occurred during the 16-month period between suspension in England and the banking crisis of February–March, 1933, in the United States.

Net purchases of U.S. securities by foreigners were only 40 per cent. of their 1936 figures and two-thirds of such purchases occurred in the good first quarter of last year; yet despite the Wall Street slump "foreigners continued to acquire American securities in moderate amounts." These latest American estimates, and Dr Taylor's commentary, are most illuminating. The rapidity of their publication and the amount of detail provided, stamp our Board of Trade's laconic and tardy "hit-and-miss" guesses at one or two items in our own balance of payments as woefully inadequate.

Irish Banks' Returns.—The returns for the banks operating in Eire for the March quarter, published by the Currency Commission, are as follows:—

(Thousand £s)					
	March Quarter, 1937	Dec. Quarter, 1937	March Quarter, 1938		
			In Eire	Elsewhere	Total
Liabilities:—					
Capital, reserves, etc.	17,338	17,408	10,279	7,166	17,445
Notes in circulation	8,769	8,966	5,133	3,772	8,905
Current deposit and other accounts	165,133	161,114	117,358	43,987	161,345
Other liabilities	5,232	5,727	2,730	2,340	5,070
Total	196,472	193,216	135,501	57,266	192,767
Assets:—					
Cash and balances with London agents and other banks	12,471	13,950	4,933	7,064	11,997
Money at call and short notice	10,230	9,869	5	9,586	9,591
Bills	6,346	6,752	6,266	1,113	7,379
Loans and advances	69,048	70,679	47,113	25,473	72,586
Investments:—					
(a) Government	80,087	73,475	3,507	69,967	73,474
(b) Other	10,622	10,584	3,672	6,431	10,103
Other Assets	7,668	7,814	3,106	4,527	7,633
Total	196,472	193,216	68,605	124,162	192,767
Excess of Assets outside Eire over liabilities outside Eire	73,429	67,826	...	...	66,897

The decrease in deposits during the year is the result partly of withdrawals for investment in some of the new industrial flotations, partly of the more attractive rates of interest given on savings certificates, and partly of the dispersion of savings to tide farmers over bad times. The increase in bills reflects the additional issue of Irish Exchequer Bills made during the year. The increased volume of loans and advances indicates that the worst of the agricultural depression is over, and the reopening of the export trade will doubtless lead to a further demand for accommodation. The additional loans and advances have been financed by a slight reduction in liquid assets and the sale of Government securities. The anxiety to which the decline in the banks' net sterling assets would otherwise have given rise is allayed to some extent by the hope of a revival of exports following the conclusion of the agreement with the British Government.

The Economist's Banking Supplement.—The latest of our semi-annual surveys of British and overseas banking is published with this issue of *The Economist*. Our Supplement contains a review of recent British banking trends, with special reference to the recent business recession. Other articles discuss the present direction of British monetary policy and also describe banking conditions in France, Germany, Scandinavia, the United States and South America. The Supplement concludes with a complete statistical summary of the past few years' balance sheets of the British banks and of all overseas banks with London offices.

MONEY MARKET NOTES

8

Foreign Exchanges

UNTIL last Tuesday the French Control continued to buy dollars in London, in order to dispose of part of its sterling acquisitions, and so the New York rate remained firm at \$4.964. On Wednesday there was no French buying; for the French Control was losing sterling, and the rate eased to \$4.974. On Thursday the French authorities had sterling offered to them again, and operators, sensing the change in the position, came in as buyers of dollars and made the rate stiffen to \$4.968. Francs have strengthened during the week from Frs. 177.70 to Frs. 177.60, with the French Control operating both ways. Three months' francs widened to Frs. 18 discount on Wednesday, but have since come back to Frs. 1—1½ discount. There are obvious reasons why the French authorities do not wish to see the forward rate go to such a discount as would bring it above the declared limit of Frs. 179, and support in the forward market is always forthcoming in case of need. Belgas weakened on Friday on the fall of the Belgian Government, with the one month's and three months' rates at Bel. 1.45 and Bel. 2.30 discount, respectively. These rates tempted some speculative buying from those who did not believe in an early Belgian devaluation. The formation of the new Government strengthened the market, bringing the forward rates back to Bel. 0.45 and Bel. 1.00, respectively. This improvement led to fresh selling as last week's buyers were taking their profits. The spot rate with the dollar has remained at the gold export point without gold losses.

*

The Money Market

The market has still to recover all the funds of which it has been deprived by French repatriation, and money this week was described as "usable"—from the lender's point of view. There was also calling by one or more of the clearing banks on most days of this week. New loans against bonds can now be obtained at ½ per cent., but ¾ per cent. remains the rate for old loans.

	May 20, 1937	May 12, 1938	May 19, 1938
Bank Rate	2	2	2
London Deposit Rate	2	2	2
Short Loan Rates:			
Clearing Banks	12-1*	12-1*	12-1*
Others	12-58	12-34	12-58
Discount Rates:			
Treasury bills	12	12	12
Three months' bank bills	1732-916	1732-916	1732-916

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

Discount rates are unchanged. The clearing banks, with their depleted cash reserves, are naturally not ready buyers, especially as maturities are also smaller than usual. There has been a little more special buying, but here again the market has not many bills to sell. In spite of the change in the position, due to the French repatriation, there is no serious shortage of money, which previously had been very abundant.

*

The Bank Return

This week has witnessed a further though limited drop in the note circulation, which may represent the continuance of French dishoarding. Otherwise the Bank return largely bears out the suggestion made in a leading article on page 418, on the effect of the French withdrawals.

	May 19, 1937	May 4, 1938	May 11, 1938	May 18, 1938
Issue Dept.: £ mill.	321.3	326.4	326.4	326.4
Notes in circulation	481.4	490.5	482.0	478.6
Banking Dept.:				
Reserve	40.7	36.7	45.2	48.5
Public Depts.	19.2	10.7	36.9	28.5
Bankers' Depts.	97.4	117.5	87.9	93.2
Other Depts.	37.6	36.0	35.5	36.0
Govt. Secs.	103.3	117.8	105.7	98.3
Discounts & Advances	6.6	8.2	7.6	7.8
Other Secs.	21.4	19.3	19.4	20.7
Proportion	26.4%	22.3%	28.1%	30.7%

The fact that public deposits remain on the high side, with only a drop of £8.4 millions since last week, shows that the Exchange Account is so far not finding it an easy matter to dispose of all its surplus cash. Indeed, the drop of £7.4 millions in Government securities suggests that it is mainly doing so by tak-

ing over Treasury bills from the Bank itself—a procedure not envisaged in our article, which will ultimately lead to some contraction of the credit base. Bankers' deposits are only £4.3 million on the week. As stated in the previous Note, there was some further special buying of bills early in the week, though only of a very limited amount; that of course, would be one explanation of the increase in bankers' deposits. Apart from this, the contraction in the note circulation may not entirely represent French hoarding. This would equally explain the increase in bankers' deposits.

*

The Bullion Market

Continental buying met by sales from official quarters has remained the chief theme of the London gold market. On one day, however, it proved possible to equate buying and selling, and in accordance with the usual practice, the price was fixed at a point sufficiently low to absorb all offerings, while buyers were rationed, only 20 per cent. of their demands being satisfied. There are signs that the authorities wish to keep the price around 140s. per ounce, and are not prepared to enter the market as buyers when the price is above that limit.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc. %	Amt. dealt in	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
May 13 ...	139 11	1½ pm	177	181½	187½
" 14 ...	139 11	1½ pm	434	184	187½
" 16 ...	140 1	1½ pm	274	184	187½
" 17 ...	140 1½	1½ pm	259	184	187½
" 18 ...	140 0	1 pm	451	181½	187½
" 19 ...	140 1½	1½ pm	584	181½	187½

* Above or below American shipping price. The New York price of silver remained at 43 cents per ounce - 999 fine during the week.

The silver market remains very quiet. There has been some American trade demand, especially whenever the dollar becomes firmer. There has also been a little Indian buying. Sales have come from Indian and speculative sources.

INSURANCE NOTES

Marine premiums amount to £926,000 compared with £807,000 in 1936, and the profit on 1936 account, amounting to £41,000, has been carried to profit and loss. The corresponding transfer a year ago was £53,000.

*

The results of the past two years are given below:—

	1936	Percent-Amount age of Profit Prem. of Profit Prem.	1937	Percent-Amount age of Profit Prem. of Profit Prem.
Fire	559,695	10.1	628,499	11.4
Personal accident, employers' liability and general	340,708	6.2	490,761	8.3
Marine	52,756		40,927	
Life	50,000		50,000	
Less items debited to profit and loss	1,003,159		1,210,187	
To general reserve	417,155		521,012	
	250,000		...	
	336,004		689,175	

Royal Insurance.—New sums assured in the life department increased from £4,924,000 to a new record of £5,158,000, but there was a decrease in annuity consideration moneys from £190,000 to £125,000. Death claims fell from £814,000 to £708,000, and the net rate of interest was 8d. smaller at £3 17s. 3d. per cent. Fire premiums were slightly larger at £5,539,000, and the underwriting profits were very satisfactory at £628,000. Experience in the accident department (like that of the Liverpool, London and Globe, whose share capital is held by the Royal), was extremely favourable. Underwriting profits in 1936 amounted to £341,000 and were said by the chairman to have been only twice exceeded in the history of the company. Last year, against an increase of 8.2 per cent. in the premium income to £5,946,000, underwriting profits increased by 44 per cent. to £491,000.

There was a large fall in "Municipal, county and public boards stocks" from £1,343,000 to £884,000. Against this decrease, there were increases in debenture stocks from £8,753,000 to £9,779,000, in preference stocks from £4,034,000 to £4,629,000, and in ordinary stocks from £5,479,000 to £7,508,000. The dividend is again 65 per cent. and costs £1,356,000, compared with available interest earnings of £1,239,000.

*

Phoenix Assurance.—New sums assured in the Life Department increased from £4,859,000 to the new record total of £4,921,000. The net rate of interest was 9d. smaller at £4 0s. 3d. per cent. Fire premiums, at £2,746,000, showed an increase of £56,000 in the year and the underwriting profit was satisfactory. In the Accident Department, premium income, which in 1935 amounted to £3,444,000, and in 1936 to £3,737,000, increased by a further substantial sum to £4,061,000. The profit realised was the best for many years. In the Marine Department, premium income was £686,000, against £548,000, but the amount transferred to Profit and Loss has been reduced from the usual £30,000 to £20,000. First year's claims account for 34.3 per cent. of the premium income, compared with 29.5 per cent. in 1936. The results of the last two years are given in the following table:—

	1936	Percent-Amount age of Profit Prem. of Profit Prem.	1937	Percent-Amount age of Profit Prem. of Profit Prem.
Fire	224,089	8.3	272,654	9.9
Personal accident, employers' liability and general	162,393	4.3	191,433	4.7
Marine	30,000	5.5	20,000	2.9
Life	20,000		40,000	
Sinking fund	20,000		...	
Less items debited to profit and loss	456,482		524,087	
	336,674		333,109	
Net trading surplus	119,808		190,978	

The consolidated balance sheet shows assets of £36,942,000, of which £19,291,000 are attached to the Life Department.

*

Among the life assets, loans increased from £3,442,000 to £3,619,000, and British Government securities from £3,595,000 to £3,912,000. Dominion and Foreign Government securities decreased from £2,486,000 to £2,185,000. Debenture, preference and ordinary stocks all showed moderate

increases at £4,704,000, £1,775,000 and £414,000, respectively. General reserve remains at £2,500,000, and Investment reserve £1,961,000, while the Profit and Loss balance, after deducting the cost of the dividend, is £1,589,000. The dividend is again 60 per cent. and costs £452,000, compared with available interest earnings of £370,000.

*

Friends' Provident and Century Life.—New life assurances of the Friends' Provident in 1937 amounted to £2,680,000 against £2,502,000 in the previous year; in addition policies assuring £172,000 were issued by the Century. In recent years annuity business has been transacted on a large scale, and consideration moneys last year amounted to £1,217,000 compared with £1,291,000 in 1936. Death claims were £201,000. The mortality profit would appear to have been very satisfactory, as this figure is only 67 per cent. of that expected by the A1924-29 table. The net rate of interest earned on the life assurance and annuity fund fell from £4 1s. 11d. per cent. to £3 19s. 10d. per cent. The chairman pointed out that, if credit were taken for the income tax deducted from annuity payments as a set-off against income tax deducted from interest income, this rate would be increased by 6s. 9d. per cent. to £4 6s. 7d. per cent. The Friends' Provident owns the whole of the share capital of the Century, which transacts all the main classes of insurance business, including permanent sickness insurance, in which the Century was the principal pioneer. During the year, with a view to the further strengthening of the financial equipment of the Century, the directors decided to subscribe, as at the close of the year, for 50,000 shares of £1 each at a price of £10 per share. The paid-up capital is thus increased to £450,000 and £450,000 is added to the general reserve, which is increased to £700,000 from which £150,000 is taken to investment reserve.

*

Premium income in each of the trading departments of the Century showed an increase, but some of the results were unfavourable. In the fire branch, which is the largest department, premium income amounted to £422,000 against £343,000. In the marine branch premiums increased from £55,000 to £99,000 and claims from £36,000 to £72,000, after crediting £46,000 from

the group contingency fund. This contingency fund is maintained to deal with "occasional untoward happenings" in any underwriting department. The results of the last two years are given below:—

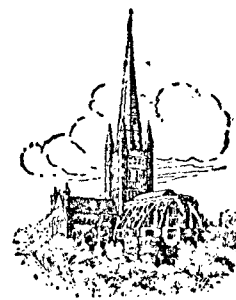
	1936	Percent-Amount age of Profit Prem. of Profit Prem.	1937	Percent-Amount age of Profit Prem. of Profit Prem.
Fire	28,010	8.2	31,095	2.6
Accident	1,171	5.3	2,099	8.2
Motor	4,313	3.8	14,794	12.3
General	17,834	18.8	30,752	30.4
Employers' liability	1,743	2.7	5,710	7.7
Marine	2,600		2,762	
Less misc. profit and loss items	53,329		5,713	
	17,337		9,802	
	35,992		4,089	

*

Gresham Life Assurance.—This society, the share capital of which is held by the Legal and General, is one of the few British life offices transacting business overseas to any considerable extent. Problems of exchange and investment in foreign countries are much more difficult in the case of life assurance, owing to the large reserves required, than in fire and accident insurance where, broadly speaking, each premium is exhausted by the current year's risk and expenses. Changing foreign conditions and legislation also are more disturbing in their effects on life assurance contracts, which are measured in generations, than on short-dated indemnity policies. It is thus not difficult to understand the reason why British fire and accident insurance is familiar in every part of the world, but British life assurance is transacted abroad only to a minor extent.

*

The effects of the present Spanish situation on the accounts of the Gresham are interesting. In 1936, Spanish securities were taken at their quoted values on July 17th of that year (the last date for which prices were available), and exchange was taken at the rate on December 31, 1936, namely, 60 pesetas to the £. In 1937 the sum of £767,000 has been written off the book values of these assets, resulting in a reduction in the life assurance and annuity fund from £10,140,000 to £9,853,000. Spanish law requires the investment of the actuarial reserves of local contracts to be invested



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in Spanish currency securities. As the actuarial liabilities are also in depreciated pesetas, however, there is little likelihood of any serious net capital loss to the company. Had it been possible to retain the assets in British securities, a handsome fortuitous profit would have accrued to the company. Interest receipts in Spain have been reduced, and probably the effect of the depreciated currency will be to increase the burden of expenses in relation to premium income. The assets deposited in Spain fell last year by £564,000 to £381,000.

★

Total new sums assured, which in 1934 amounted to £2,603,000, increased to £3,370,000 in 1935, and to £3,759,000 in 1936. Last year, there was a fall to £3,538,000, and this setback in new business development is almost entirely due to complete cessation of new business in Spain. It is, however, pleasing to note an increase last year in new business in this country from £1,219,000 to £1,517,000. The proportion of foreign to total new business last year was 57 per cent., against an average of 65 per cent. in each of the preceding four years. The net rate of interest is £4 8s. 7d. per cent. against £4 7s. 8d. per cent., but the increase is illusory owing to the reduction in the fund at the end of the year by the drastic writing down of the Spanish assets. Had no such entry been made in the revenue account, the net rate of interest last year would have been £4 5s. 2d. per cent.

★

Mortgages on property, both inside and out of the United Kingdom,

showed increases, but policy loans fell by the substantial amount of £112,000 to £872,000. British Government holdings at £2,674,000 were slightly larger, while Foreign Government securities fell from £1,954,000 to £1,645,000. Debenture stocks were also smaller at £1,503,000 against £1,698,000, but preference shares increased from £486,000 to £502,000 and ordinary stocks from £245,000 to £355,000. Stock Exchange securities were taken at middle market prices on December 31st last (except in the case of Spanish securities) using exchange rates ruling on that date. Spanish securities are again taken at July 17, 1936, values.

★

Liverpool and London and Globe Insurance.—New sums assured last year amounted to £2,886,000. This figure is a record exceeded only in 1936, when an appreciable share of the increase was due to a large pension scheme. The net rate of interest fell last year by 7d. to £3 17s. 2d. per cent. Fire premiums amounted to £3,926,000, against £3,910,000; the results in the department were satisfactory. Accident and Miscellaneous premiums showed a substantial increase of £271,000 to £4,899,000. The underwriting profits at £491,000 were the largest in the history of the company, the previous highest figure being in 1928, when the profit was £259,000. Marine premiums increased from £294,000 to £330,000; but for the first time in very many years there was a loss in this department amounting to 13.6 per cent. of the year's premium income. The results of the last two years are given below:—

	1936		1937	
	Amount of Profit	Percent- age of Premiums	Amount of Profit	Percent- age of Premiums
Fire	<u>£</u> 410,985	10.5	<u>£</u> 422,244	10.8
Accident	230,177	5.0	491,391	10.0
Marine	21,017	7.1	44,769	13.6
Life	26,000		26,000	
	688,179		894,866	
Less items debited to profit and loss	215,050		700,000	
Net trading sur- plus	473,129		194,866	

Included in the 1937 profit and loss item above is the sum of £450,000 written off investments and house property. No corresponding item appeared in 1936.

★

Total Fire, Accident and Marine funds amounted to £6,987,000, of which £3,662,000 consists of unexpired risk reserves of 40 per cent. of the premium income and £3,325,000 of additional reserves. Total assets in the consolidated balance sheet amount to £32,742,000. Loans at £1,618,000 showed some increase, but British Government securities fell by £145,000 to £5,450,000. Dominion Government securities increased by £215,000 to £1,857,000, but Foreign Government securities decreased from £7,213,000 to £6,483,000, at which figure they still represent nearly 20 per cent. of the assets. This large proportion is no doubt a consequence of the company's world-wide insurance-business. A moderate decrease in debenture stocks was more than offset by an increase in preference stocks, while ordinary shares increased sharply from £2,389,000 to £3,524,000. The dividend on the share capital, which is held by the Royal, is 67½ per cent. for the eighth successive year, and costs £533,000, compared with available interest earnings of £401,000.

Investment

Stagnant Wall Street.—Wall Street at the moment resembles an aeroplane whose tail obstinately refuses to leave the ground. The Dow Jones industrial index, which has been fluctuating this week between 115 and 117, remains comfortably above the low of approximately 99 on March 31st and, *de minimis*, the same condition applies to the railroad index, which has been fluctuating around 23, against a year's low of 19. But the volume of trading is attenuated. Sentiment, which is up one day and down the next, lacks conviction and direction, as it has done all this year. And there is more than a suspicion that the Administration's state of mind is itself somewhat similar. The President's right hand appoints Mr John Hanes, a convinced and conciliatory advocate of helpfulness towards business, to be Assistant Secretary to the Treasury, approves of the President's willingness to sign the Tax Reversion Bill, and even connives at his conservatism in limiting his Anti-Monopoly message to a demand for investigation without immediate legislation. But the market is not convinced; for Mr Roosevelt's left hand, which goes inside the Presidential pocket whilst the right is being waved in the air, has always had a habit of re-emerging disconcertingly. The reverse suffered by the Democrats in the Pennsylvania primary elections this week is, presumably, a bull point in Wall Street's scale of values—but it is only a bull point in the long term, and a doubtful one at that.

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It is now clear, in any case, that the Stock Exchange cannot hope to stage a major revival on negative evidence alone. Even if the President, like the villain of transpontine drama, were wholly converted to good works in the penultimate Scene of the final Act, a spectacular recovery in Wall Street would still pre-suppose a whole-

hearted revival in American business. And of that, as yet, there is no sign. Steel output remains obstinately at about 30 per cent. of capacity. Building, though slightly more active, is still disappointing, and machine-tool orders—one of the most closely watched pointers to activity in the capital trades—are falling. The railroads have no money with which to buy steel. Few of them are operating at a profit, and in default of a further increase of charges the Association of American Railroads is asking for a wage cut of 15 per cent. Altogether, the best that can be hoped is that the Administration's pump-priming measures will ensure that the secondary revival in business, already postponed from the spring to the autumn, may have some possibility of maturing then. Even the hopes of the optimists go no further, while more pessimistic commentators ask whether pump-priming, which was relatively successful when trade outside America was on a rising trend, will necessarily be as potent at a time when evidence is accumulating, in Great Britain and elsewhere, of a recession in consumption and new capital investment, despite the increased pace of re-armament. In these conditions, although a fresh Stock Exchange slump is improbable, the omens seem unfavourable to any substantial appreciation of American security values in the immediate future.

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Eire Loan.—Under the financial agreement reached between Eire and the United Kingdom on April 25th, the Eire Government undertook to pay £10 millions sterling in final settlement of financial claims, apart from certain reserved liabilities. A loan is to be raised for this amount in Eire, which takes the form of 3½ per cent. stock to be issued at par. It will be redeemable on September 15, 1958, at par, or from 1953 at the option of the

Government. The loan is a trustee investment in Eire. Interest will be paid without deduction of income tax, and stock held in the beneficial ownership of persons outside Eire will be exempt from all taxation of Eire. The Government undertakes to provide, in effect, a cumulative sinking fund of one-half of one per cent. each half year, to be applied to the purchase of the loan for cancellation when the price is at or below par, and either applied or invested when the price is above par. Of the total issue of £10 millions, the Minister for Finance will subscribe, on behalf of various funds, for £4 millions. Although the stock does not come within the permitted degrees of the Trustee Act of 1925, so far as the British investor is concerned, it may be of interest to those who are not restricted to trustee stocks, in view of its higher yield basis. Interest will not be subject to income-tax deduction at source. There is, of course, some disadvantage to the British investor in the fact that the stock will be officially quoted only in Dublin and Cork, but the recent appeasement between this country and Eire appears to have removed the major political disability attaching to Eireann loans. The issue price appears to compare favourably with the price of the 3½ per cent. Fourth National Loan, 1950-70, which has recently been standing at 102, *cum* 4½ months' interest.

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Vendors and Promoters.—"Someone, sometime and somewhere ought to say precisely what the duty of an Issuing House is. . . . It is difficult to say precisely what it is." With these words, Mr Justice Singleton granted an adjournment in an action brought against the London Industrial Finance Trust by certain vendors in connection with the flotation of Wellworthy Piston Rings, Limited, as a result of which a settlement was reached. The precise details of the case are perhaps less important than the broad principles involved. How far does an issuing house act as a principal on its own account when sponsoring a flotation, and how far is it in a fiduciary position towards the vendors? Normally, an issuing house acts in a dual capacity. When a vendor wishes to sell all, or part, of his interest in a company (or to raise further capital) the flotation involves the skilled and specialised services of experts, who combine a knowledge of technique, market conditions and City "placing power." Such advice cannot be obtained by vendors from their solicitors, who are not in a position to gauge market imponderables. To negotiate with more than one financial house, or to seek advice from one when conducting discussions with another, runs counter to City etiquette and may jeopardise the successful conclusion of the deal. In practice, therefore, vendors find themselves compelled to take advice from, and to negotiate with, the same firm at the same time.

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In this case, the plaintiffs, in effect, alleged that the Trust was under a duty to the old company and its shareholders, and that the relationship was that of agent and principal. The Trust contended that it bought the block of shares in question outright, and was entitled to make what it could from the transaction, since the relationship was that of vendor and purchaser. The Trust actually followed a practice common to such deals. It resold most of the shares purchased to the market and its placing circle, and retained a small number for itself, making a profit of between £5,000 and £6,000 on the transactions, which by any standard of custom appears reasonable in relation to the size of the flotation. The plaintiffs, however, contended that the Trust was to receive a fixed remuneration of only 1,500 guineas and that they were induced to part with more shares than were, in fact, necessary for market purposes. Although the case has been settled out of Court, it has brought to the fore the very real problem of the relationship between vendors and issuing houses. The latter are, and must be, *entrepreneurs*, and however a flotation is arranged they must bear important and inescapable risks. Only in quite exceptional cases can an issuing house act throughout in a fiduciary capacity, and the majority of vendors would hardly care to stand liable for all the adverse contingencies which would inevitably be associated

with such a position. It may well be that in future issuing houses will take care that their contracts with vendors leave no doubt that, in the main financial transaction, the relationship is that of vendor and purchaser, without any recourse, in that connection, arising from advice or discussion which may have taken place during the negotiations.

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Week's Bond News.—On Tuesday next discussions will be opened with the German Government on the question of revising the Anglo-German payments agreement of November, 1934, following the absorption of Austria into Great Germany. It was announced in the House of Commons last Monday that the future service of the Austrian Debt would be included in the subjects for discussion. This question has provided anxiety in plenty for the holders of the leading loans. The 7 per cent. issue, which stood at 76 before the invasion of Austria, is now quoted around 38; while the 4½ per cent. guaranteed issue has fallen from 71 to 53 in the same period. The British Government is understood to take the view that Germany should negotiate a settlement on an international basis for all Austrian loans—a point which significantly affects the guaranteed issue, since bilateral agreement would not, presumably, absolve this country from its 24½ per cent. guarantee if default occurred on other *tranches* of the loan. There is some fear that the German authorities may contend that, with the relegation of Austria's status to that of a mere *Land*, the bonds should be treated under the moratorium law, and their service arranged by the *Konversionskasse*. In answer to this contention, the creditors should have no difficulty in proving that these loans, being the primary direct obligations of Austria, well secured and fully served, should rank in no way inferior to the Dawes and Young issues, whose full service was secured with the weapon of exchange clearing in reserve. The news that the service for the Shanghai-Nanking Railway 5 per cent. loans of 1904 and 1907 have not been remitted has further depressed the Chinese bond market. It is difficult, however, to see what other outcome could have been envisaged at the present stage of hostilities. The fact will at least serve to emphasise that the recent agreement between the British and Japanese authorities is limited to the Customs loans, and that (as we pointed out a fortnight ago) it in no way covers the salt and railway obligations. The episode underlines the impossibility, under present conditions, of attempting to assess the long-run investment merit either of Chinese or Japanese bonds.

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Accountants and Expenditure.—Although some considerable part of Mr Walter Holman's address to the annual meeting of the Society of Incorporated Accountants was necessarily concerned with domestic professional affairs—including the important matter of professional etiquette, which closely affects the interests of the investor—his main theme was concerned with the stability of national and local finances. The accountancy profession is schooled to distinguish, with the utmost rigour, between revenue and capital, and this training provides a safeguard making for economy and efficiency in expenditure. Mr Holman argued for the same system of checks in public finance, not only in connection with the re-armament programme, from which a degree of unproductive outlay is inseparable, but also in connection with the financial programmes of local authorities. He appealed, in fact, for "the conservation of local resources for use in well-considered schemes on improvement and development when the stimulus of re-armament is past." The majority of investors would doubtless echo this view, and it gains the more point from the five-year plan which has lately been introduced by the Ministry of Health. It would appear, incidentally, that the Society, like the Institute of Chartered Accountants, has inferred from the debate on company law amendment last December that immediate moves toward revision would be out of season. The Society, however, is assembling information for presentation in evidence when the time is ripe.

Company Notes

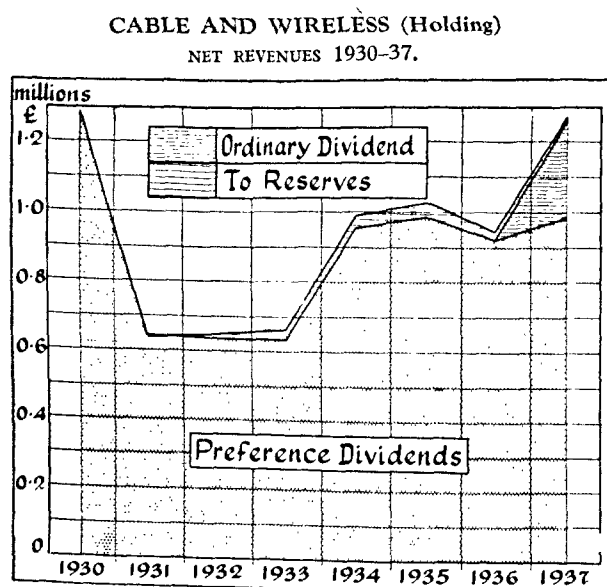
Cable and Wireless Results.—In a Note in *The Economist* of April 30th (page 250) we set the profits of Cable and Wireless—the operating company of the group—at a minimum level of £1,255,000 last year. The accounts, published this week, disclose that the net profits were actually £1,256,919, compared with £842,945 for the preceding year. Net message receipts increased from £4,446,098 in 1936 (when £122,520 was provided against doubtful collections) to £4,745,050. The dividend has already been announced, at 3½ per cent. compared with 2½ per cent. for the previous year, which provides £1,050,000 against £750,000 for the communications companies, and thence towards the Holding company's profits. The latter's total income, including increased receipts from Marconi's Wireless Telegraph, has increased from £986,276 to £1,355,738, and its distribution is analysed in the following summary table:—

	Years to December 31st		
	1935	1936	1937
Total income	1,120,234	986,276	1,355,738
Administration, taxes and fees ...	69,122*	43,539	72,579
Funded income stock service.....	...	...	61,512
Preference div.	922,143§	922,162§	922,162

Ordinary stock:—			
	1935	1936	1937
Earned	Nil	Nil	299,485†
Paid	Nil	Nil	275,324†

Carried forward 167,762†† 188,337 199,097‡
 * Includes £11,822 loan interest. † Earned, 4·5 per cent.; paid, 4 per cent. ‡ After £13,401 reduction expenses.
 § Years to March, 1934 and 1935, respectively; arrears to December, 1936, satisfied by issue of funded income stock.
 †† After charging £64,534 interest on preference stock cancelled during year, and £25,071 expenses.

The chart below shows the trend of the Holding company's profits since 1930:—



It should be added that the service of the funded income stock is included in the preference dividends for the latest year.

The group balance sheets reflect the capital reorganisation scheme introduced last year, the principal changes (apart from capitalisation) being a reduction in the shares of subsidiary companies in the Holding company's balance sheet from £44,007,000 to £21,419,000, and the elimination of the item of £11,965,336 for goodwill from the consolidated balance sheet. The prospects for the Holding company's ordinary stock, as we have recently suggested, are dependent upon the results of the new Empire rates scheme, and on the course of international trade. The market is now taking a more cautious view of these possibilities, for the

ordinary stock is quoted at 54½ to yield 7½ per cent. In view of its appreciable gearing under the new standard revenue arrangement, and of the fall in the receipts index from an average level of 86.2 for the first four months of 1937 to 72.8 for the corresponding months of 1938, this caution is probably warranted.

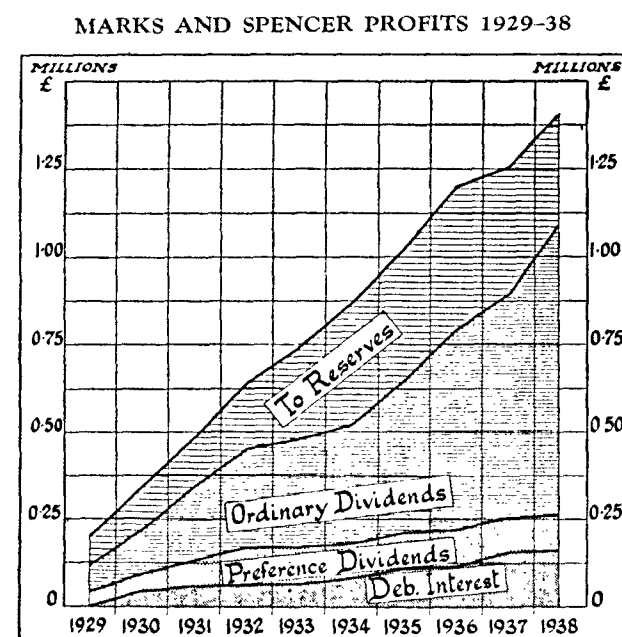
Marks and Spencer.—The dynamic progress of Marks and Spencer was fully maintained last year. As we showed in a Note in our issue of May 7th, the rate of increase in net profits belied all apprehensions on the score of rising costs and the suggested tendency towards saturation point in fixed-price store operations. In the following table we analyse the company's progress for the past three years:—

	Years ended March 31st		
	1936	1937	1938
Trading profit, etc.	1,612,388	1,868,388	2,106,507
Debt and loan service ...	113,322	153,066	160,927
Fees	2,085	3,000	3,000
Depreciation, etc.	243,121	290,238	351,891
Tax reserve	167,165	238,544	325,699
Staff funds	...	25,000	25,000
Preference dividend	105,000	105,000	105,000

Ordinary shares:—			
	1936	1937	1938
Earned	981,697	1,053,540	1,134,990
Paid	573,986	633,884	742,605
Earned per cent.	77·3	75·3	73·5
Paid per cent.	40	40	42½
Capital bonus: per cent. ...	10	10	10

Reserves*..... 393,496 370,302 389,328
 Carry forward 87,684 82,584‡ 85,641
 * General reserves and properties contingencies. ‡ After £54,454 discount, etc., and expenses written off.

The chart below provides a vivid illustration of the consistent progress registered by the company during the past decade:—



This unexampled progress in profit-earning capacity provides full justification for the company's share bonus policy.

The market, however, has not reacted markedly either to the announcement of an increased cash distribution, or to the full accounts. The latter show the effects of expansion at almost every point. The total value of properties now stands at £7,994,598, compared with £7,279,595 at the end of March, 1937. Stocks, moreover, have jumped from £1,179,141 to no less than £1,505,802. Compared with a year ago, cash balances have been reduced from £1,492,226 to the more normal level of £872,139—last year's figure was, of course, inflated by the unabsorbed proceeds of the debenture issue in June, 1936. Side by side with the

EIRE

FINANCIAL AGREEMENT LOAN

(£3.15.0 per cent. Registered and Inscribed Stock, 1953-1958.)

ISSUE OF £10,000,000 STOCK.

The Minister for Finance, on behalf of various Funds under his control, is applying, on the terms of this Prospectus, for stock of this issue to the amount of £4,000,000.

PRICE OF ISSUE
£100 per cent.

Interest payable half-yearly 15th March and 15th September.

Principal repayable at par on 15th September, 1958, the Government of Eire having the option to redeem the stock in whole or in part, at par, on or after the 15th September, 1953, on giving three calendar months' notice in *Iris Oifigiúil*. Both the Principal and Interest of this Issue will be a charge on the Central Fund of Eire.

The following banks are authorised by the Government of Eire to offer for subscription £10,000,000 of the above Stock authorised to be issued under the Agreement with United Kingdom (Capital Sum) Act, 1938:—

BANK OF IRELAND.	NATIONAL CITY BANK.
GUINNESS MAHON & CO.	NORTHERN BANK.
HIERNIAN BANK.	PROVINCIAL BANK OF IRELAND.
MUNSTER AND LEINSTER BANK.	ROYAL BANK OF IRELAND.
NATIONAL BANK.	ULSTER BANK.

Applications must be for sums of £10 or multiples thereof. Applications may be either—

- (1) Fully paid applications, when the whole sum payable must be lodged on application; or
- (2) Instalment applications, when instalments will be required as follows:
 £10 per cent. on application,
 £20 " " " allotment, 10th June, 1938,
 £20 " " " 13th July, 1938,
 £20 " " " 19th August, 1938,
 £30 " " " 15th September, 1938.

The first interest, payable on 15th September, 1938, will be as follows:—

On allotments fully paid on application	£1 2 6 per cent.
On instalment allotments	£0 10 0 per cent.

Payment of instalment applications may be made in full at any date after allotment, no discount being allowed. In case of default in the payment of any instalment at its due date the amount previously paid will be liable to forfeiture. In the case of a partial allotment, the balance of the amount lodged with a fully paid application will be returned and the balance of the amount lodged with an instalment application will be applied towards the payment of the subsequent instalments. Instalments may be paid without additional charge through any of the offices of the banks mentioned.

The stock of this issue is a trustee investment in Eire authorised by the Trustee Act, 1893, and trustees may invest therein even though the price at the time of investment exceeds the redemption value of £100 per cent.

Dividends on stock of this issue will be paid without deduction of income tax, but the income derived from such dividends will be assessable to income tax in the hands of recipients at the rates of tax appropriate to their respective incomes. Stock of this issue and the dividends payable thereon will be exempt from all taxation of Eire, present or future, if it is shown in the manner directed by the Minister for Finance that the stock is in the beneficial ownership of a person who is neither domiciled nor ordinarily resident in Eire.

Subject as hereinafter provided, the Government of Eire undertake to set aside on 15th March and 15th September of each year a sum equal to £2 7s. 6d. per cent. of the total nominal amount of the loan. After deducting therefrom the amount required for payment of interest, the balance of the sum so set aside will be carried to a Sinking Fund which will be applied to the purchase of the loan for cancellation when the price (excluding accrued interest) is at or under par, and, when such price is above par, will be either so applied or otherwise invested for the benefit of the Sinking Fund. The sum to be set aside on 15th September, 1938, shall be such an amount as after deduction therefrom of the interest due on that date will enable a balance of £30,000 to be carried to the Sinking Fund.

The Books of this issue will be kept as separate Registers at the Head Office of the Bank of Ireland, Dublin, and at the principal Office of the same bank in Cork, and transfer between the Register in Dublin and the Register in Cork will be free of charge. Stock may be inscribed as transferable in the Stock Transfer Books or may be registered as transferable by Deed. Inscribed Stock will be exchangeable for Registered Stock or vice versa, without payment of any fee. Stock will be transferable in any sums which are multiples of a penny. Powers of Attorney for the transfer of Inscribed Stock and Deeds for the transfer of Registered Stock will be free of Stamp Duty. The Stock will be officially quoted on the Dublin and Cork Stock Exchanges.

A Commission of five shillings per cent. will be allowed to Banks, Stockbrokers and Financial Houses on allotments made in respect of applications bearing their stamp.

Forms of application may be obtained from any office of the Banks previously mentioned or from any Post Office; from Messrs. Butler and Briscoe, 16-17 College Green or from any stockbroker; from the Department of Finance, Dublin; from the High Commissioner for Eire, 33 Regent Street, London; from Messrs. Guinness Mahon & Co., 53 Cornhill, London; from the National Bank, Ltd., 13 Old Broad Street, London; or from the Provincial Bank of Ireland, Ltd., 8 Throgmorton Avenue, London.

21st May, 1938. Department of Finance, Dublin.

£3.15.0 per cent. Financial Agreement Loan, 1953-1958.

TO THE BANK OF IRELAND.	NATIONAL CITY BANK.
GUINNESS MAHON & CO.	NORTHERN BANK.
HIERNIAN BANK.	PROVINCIAL BANK OF IRELAND.
MUNSTER & LEINSTER BANK.	ROYAL BANK OF IRELAND.
NATIONAL BANK.	ULSTER BANK.

In terms of the Prospectus dated 21st May, 1938,

(1) I/we hereby apply for a "Fully paid Allotment" of £....., say pounds of the above-mentioned issue. The sum of £....., being the amount of the required payment at the rate of £100 for every £100 of the Loan applied for, is enclosed herewith.

(2) I/we hereby apply for an "Instalment Allotment" of £....., say pounds of the above-mentioned issue. The sum of £....., being the amount of the required deposit at the rate of £10 for every £100 applied for, is enclosed herewith.

And we hereby engage to pay the instalments as they shall become due on any allotment that may be made in respect of this application, as provided in the said Prospectus.

Either (1) or (2) above must be selected, but not both.

I request that any allotment made in respect of this Application may be—
 (a) Inscribed as Stock—"transferable in the Stock Transfer Books."
 at Bank of Ireland, Dublin—Cork.*
 (b) Registered as Stock—"transferable by Deed."
 at Bank of Ireland, Dublin—Cork.*
 * Strike out the place not selected.

Stock is to be inscribed or registered (as indicated above) in the name(s) of

..... Please write distinctly

Signature.....

Certificate of inscription or Registration to be sent to.....

Address.....

Date.....1938.

no dividend since \$4 per share was paid for 1931. In present circumstances of higher costs and adverse revenues, it is difficult to take a favourable view of the outlook for the stock, whose rehabilitation depends on a really convincing economic recovery in the industrial states.

* * *

Griffiths Hughes Dividend.—In 1935, the £1 ordinary shares of Griffiths Hughes Proprietaries reached 62s. 6d. To-day, they are quoted at 11s. 3d. The profits and dividend record of the company since that year has shown an unmistakable downturn, which is further confirmed in this week's dividend announcement. The Proprietaries company is to pay 6½ per cent. for the nine months' accounting period from June, 1937, to March, 1938. According to an official statement issued last December, the change in accounting period does not affect the profit of the holding company, which has received the benefit of a full year's profit from the operating company to March. The 6½ per cent. dividend, therefore, is comparable with the payment of 11 per cent. for 1936-37, and 17½ per cent. for the preceding year. The sharp fall in dividends reflects the recent change in the operating company's profitability. For the year to March, 1936, the latter recorded a total profit of £454,121; during the succeeding year, profits fell to £234,026, and for the past year a further setback has occurred to £162,196. Such a persistent and substantial decline in earnings must evidently be regarded as disturbing. The setback in 1936-37 was explained at the last meeting as being largely due to currency devaluations, together with the constitutional crisis and the effect of the projected medicine tax. Shareholders will await with some concern a fuller explanation of the company's present trading position.

* * *

General Refractories Position.—Investors will find two features of particular interest in the report of General Refractories for 1937. The first is the intimation that the board considers that the process of expansion has come to an end. Future policy will be directed towards the consolidation and development of the resources acquired during the past few years. The company's expansion has indeed been spectacular. At the end of 1935, total assets amounted to £543,361, of which £360,982 was represented by plant and investments in subsidiaries. By the end of last year, the total had expanded to £1,461,623, of which fixed assets and subsidiary interests accounted for £780,640. Such rapid expansion evidently called for the full consolidation of assets and earnings for the whole group, and this provides the second feature of the report. The statements disclose the existence of bank loans and overdrafts (partly secured) amounting to £422,194 at the end of December, while the current net assets position reflects the consequences of the recent expansion of the group. Consolidated trading profits amount to £166,436, of which the balance attributable to General Refractories, after charging £15,960 for the subsidiaries' depreciation, and £25,000 for the central depreciation fund, is £81,600. The corresponding net profit of General Refractories itself amounts to £79,726, which covers the 16 per cent. dividend with a margin of £3,026. It appears, however, that sums

totalling £62,177 have been appropriated from general reserve (whose total of £404,752 included share premiums to an amount of £213,948). In particular, some £25,000 has been transferred to obsolescence and depreciation reserve, and £15,000 to income tax reserve. To what extent, if any, these provisions are of a special nature (since they have been charged against accumulated, and not current, profits) may perhaps be explained at next week's meeting. Meanwhile, the group has the advantage of a surplus (subject to £37,700 final dividend) of £405,612, but last year's dividend was covered with a relatively small margin of earnings, before taking account of the special charges.

* * *

Yorkshire Amalgamated Collieries Report.—The rapid expansion of profits recorded by this colliery concern in recent years at one time encouraged hopes of a generous increase in earnings and dividend for 1937-38. The increased distribution of 5½ per cent. tax free, however, suggested that the rise in profits would not be as generous as in 1936-37. An 8 per cent. increase in income, to £305,587, is satisfactory in itself, but seems modest compared with the expansion shown in recent years. The course of profits is analysed in the following comparative table:—

	Years ended March 31		
	1936	1937	1938
Income.....	£151,828	£282,161	£305,587
Expenses	3,245	3,761	3,803
Debt interest	40,554	39,394	38,558
Preference dividend	...	8,163	11,250
Ordinary shares:—			
Earnings†	108,029	230,843	251,976
Paid	88,913	145,760	160,336
Paid %	4	5½	5½
Special charges	22,500	12,076	1,954
General reserve	...	50,000	50,000
Carry-forward	6,191*	29,679*	70,000*

† Tax free. * After crediting income tax repaid: 1935-36, £475; 1936-37, £481; 1937-38, £635. ‡ Subject to deferred rights.

Actually last year's improvement is somewhat better than the figures for total income suggest, and the latest distribution is made on a conservative basis. Profits in 1936-37 included receipts from subsidiaries to the extent of £41,877 in excess of current earnings. Last year the subsidiaries retained £1,233 of their net profits, and made considerably increased provisions for income tax and N.D.C. The holding company also received no benefit from the new coke-ovens and bye-product plant of the Dinnington Colliery Company, which came into operation only last March, following delays in obtaining materials and plant. Although the group's output was the highest for some years, higher wages and material costs were payable. Shareholders will also note a rise in the group's stocks from £99,025 to £164,274. Expenditure upon the new Dinnington plant presumably accounts for a large part of the increase in properties and plant from £5,906,621 to £6,217,121, though further purchases of new railway wagons are reported. In assessing the prospects for the current year, investors may set against the industrial outlook the group's improving technical efficiency and the advantage of the coal-selling schemes, but at the current price of 17s. 6d. the £1 shares offer the significantly high return of £8 13s. 6d. per cent.

* * *

Siemens Brothers Setback.—Compared with the excellent profits of the previous year, the latest results of Siemens are disappointing. The fact that they fall a little short even of the 1935 level has not affected the ordinary dividends, for with the assistance of some saving in charges, earnings short of the 7½ per cent. distribution by only

small margin. After crediting £28,257 for income in respect of earlier years, the directors have been able to set aside £10,000 to reserve and to increase the balance carried forward by some £8,000. The allocation of profits for the past three years is shown in the following table:—

	Years ended December 31		
	1935	1936	1937
Profit	£236,122	£347,656	£228,520
Prob. service and pensions ...	27,383	17,670	...
Ref. dividend	55,000	55,000	55,000
Ordinary stock:—			
Earnings	153,739	274,986	173,520
Paid	147,000	183,750	183,750
Earnings %	6.4	12.5	7.1
Paid %	6	7½	7½
General reserve	...	86,343	10,000
Carry-forward	339,724	344,617	352,644†

† After crediting £28,257 income of previous periods realised during year.

No comment upon the 1937 results was offered in the report, and Lord Queenborough's survey at this week's meeting was therefore awaited with the more interest. A year ago we suggested that Siemens might be affected by rising costs. It is difficult to estimate how individual manufacturers were affected by the soaring prices in the spring and by the sharp falls in the autumn of 1937, but such information as is available from Siemens' accounts does not suggest that declining orders account for the setback. During 1937 the workshops were fully occupied, and the increased order book has necessitated further extensions. The balance sheet shows, in fact, that fixed assets have risen from £1,033,095 to £1,157,054, and the rise in stocks is greater still—from £1,134,970 to £1,522,094. Such an increase may probably be interpreted favourably, for the company manufactures more for orders than for stock. Since 1932, however, Siemens' profits have seen some degree of fluctuation, and not until 1936 were pre-depression levels re-attained. In view of to-day's uncertain trade outlook, a yield of 6½ per cent. on the ordinary shares at 24s. is probably justified.

* * *

Fine Cotton Spinners and "Stubbers."—The week's textile company news reflects the recent uncertainty which has been apparent in trade reports. Fine Cotton Spinners have followed up the recovery of 1936-37 with a further rise in total profits from £304,421 to £349,445, which, in the circumstances, may be regarded as satisfactory. After provision for charges, including £100,000 for depreciation, which are practically the same as in the previous year, the amount earned for dividend is rather more than 50 per cent. higher at £133,761. The improved earnings, of course, are applied to the reduction of the debit balance carried forward to £212,538. The chairman last year pointed out that a satisfactory earnings basis must be achieved before the balance sheet "slimming" could be undertaken. The latest report states that a scheme is now being prepared, and will be submitted within the next few months. The few changes in the balance sheet, such as a fall from £1,780,789 to £1,704,790 in stocks and an appreciable improvement in cash, do not affect the obvious need for an extensive reconstruction. British Cotton and Wool Dyers, whose ordinary dividends have been satisfactorily maintained in recent years, experienced last year a setback in profits of 16 per cent. to £110,062. The allocation for depreciation is maintained at £35,000 but no further provision is made for obsolescence. It is largely due to this fact that earnings for the share capital are only a trifle lower at 6.2 per cent. The 4½ per cent. dividend (against 6½ per cent.) therefore reflects a more conservative policy than in recent years. Like many established concerns serving the textile industry, "Stubbers" are obviously finding present conditions difficult, and their dividend record, rather than any immediate prospects of recovery, probably explains the present price of 3s. 7½d. for the 5s. shares.



*The Government of Southern Rhodesia
invites enquiries regarding the
potentialities of mining in
the colony*

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numerous other minerals.*

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ALONE HAS BEEN
PRODUCED IN THE
LAST FORTY YEARS,
AND NUMEROUS
PROSPECTS AWAIT
INVESTIGATION.**

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REQUIRES MORE
DEVELOPMENT**

**MINERAL PRODUCTION FOR 1937
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Department of Mines, Salisbury, Southern Rhodesia
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Rhodesia House, 429, Strand, London, W.C.2.

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Ocean Coal Scheme.—The reduction of ordinary capital which Ocean Coal and Wilsons is seeking to effect is not directly necessitated by the company's own position. Preference dividends have been regularly paid, an ordinary dividend of 3½ per cent. has been declared for 1937, and the company's income, at £268,005, increased by no less than 41 per cent. over the 1936 total. A subsidiary, United National Collieries (which represents £1,160,553 of the total assets of £7,470,285 in the parent company's balance sheet) has paid no preference dividend since 1926, no ordinary dividend since 1924, and has a debit balance at profit and loss of £394,710. In one operation the parent company proposes to write down the book value of the holding in United National (together with some smaller adjustments for other subsidiaries) by reducing its own capital and also to acquire the remaining capital of United National as a step towards the absorption of the subsidiary colliery companies into one operating company. By reducing its ordinary stock from £5,000,000 to £4,000,000, Ocean Coal will write down its holding in United National by £881,430 to £279,553 (representing 20s. per preference and 5s. 4d. per ordinary share), and will apply the balance to the adjustment of book values for other holdings. There remain 225,814 preference and 304,090 ordinary shares of United National in the hands of the public which the parent company offers to purchase. The basis proposed is 12s. preference and 8s. new ordinary (or 10s. old) in Ocean Coal for each United National £1 preference share; and 5s. 4d. new (or 6s. 8d. old) ordinary capital for each £1 ordinary share. Ocean Coal's issued capital will then consist of £1,733,194 5 per cent. preference and £4,171,417 ordinary stock, against £1,597,706 and £5,000,000, respectively, as at the end of 1937. On the basis of current market values the terms appear reasonable, and, taking the United National Company's assets at their book values, the break-up value of the ordinary shares would be roughly 14s. per £1 share. But on the basis of United National's past earning capacity, they seem generous. At current Ocean Coal market values, United National preference shares are being acquired for about 16s. 3d. and the ordinary shares for 3s. 3d. The position of Ocean Coal shareholders is not altered to any important extent by the scheme, and the proposals as a whole are likely to find acceptance.

Swedish Industrial Profits.—Readers who studied the charts appearing on page 123 of *The Economist* of April 9th will have been impressed by the degree of industrial recovery which Sweden has achieved since the depression. Its translation into profits in 1937 is evident from the announcements of Swedish industrial concerns in the course of this year. These results are compared with those of 1935 and 1936 in the following table:—

Company	Earned for Divs.†	Div.	Shares		"B" Shs. (London price)
			Earned	Paid	
	Kr. 000	Kr. 000	%†	%	£
Separator—					
1935	4,926	4,085	6.1	5	5½ (Kr. 100)
1936	6,228	4,902	7.7	6	
1937	7,251	6,536	9.0	8	
Svenska Kullager-Fabriken—					
1935	20,556	13,000	15.8	10	13½ (Kr. 50)
1936	22,832	13,000	17.6	10	
1937	22,717	13,000	17.5½	10½	
Elektrolux—					
1935	8,451	6,000	14.1	10	7½ (Kr. 75)
1936	8,888	6,000	14.8	10	
1937	9,152	6,000	15.3½	10½	
Volvo—					
1935	844	650	6.5	5	— (Kr. 50)
1936	1,306	650	10.0	5	
1937	2,014	910	11.0*	5*	

† Before legal, etc., reserve allocation, if any. * In 1937, capital increased by issue for cash from Kr.13,000,000 to Kr.18,200,000. ‡ Or 20 per cent. on new capital paid, and 35% earned. § Or 13½ per cent. on new capital paid, and 20-4% earned.

The rate of expansion in profits last year compares quite well with that achieved in 1936, and this total is often close to the 1929 figures. Profits of Separator Company, who make centrifugal apparatus for a variety of pur-

poses, are within Kr. 582,000 of the 1929 figure, while Elektrolux and S.K.F. (whose English subsidiary recently issued a satisfactory report) show the best results for a decade. These two companies may claim the additional merit of having maintained a comparatively high rate of dividend throughout the depression. Earnings of Volvo (makers of motor-cars and engines) have been rising rapidly in recent years, though the real rate of progress is masked by expansions, which last year involved a cash issue of Kr. 5,200,000. For the most part, however, these international trading concerns have achieved their good profits record in the face of currency and other trade restrictions. Having accumulated resources beyond their profitable needs, both Elektrolux and S.K.F. have returned part of the capital to shareholders, of the substantial proportions of Kr. 25 and Kr. 50 respectively on the former Kr. 100 shares. While these Swedish companies have staged a commendable recovery in recent years, the pressure of trade restrictions, which might be intensified if international commerce suffered a decline, is very relevant to their future prospects.

Other Company Results.—Other important results published this week come mainly from miscellaneous industrial companies, though the rubber and the investment trust groups are also well represented. Our usual analysis of profit and loss accounts, on page 462, covers nearly ninety companies, whose results are discussed on page 438 under the heading "Shorter Comments."

Company Meetings of the Week.—In this issue reports of company meetings begin on page 448. Mr. Walter Holman's address to *Incorporated Accountants* is discussed in a Note on page 429. At the *Anglo-Palestine Bank* meeting, Mr. L. Istoric expressed satisfaction that the bank had not experienced any disturbance of business by reason of the present recession. A fairly large amount of additional credit had been required. Mr. Walter H. Brown, addressing *London and Manchester Assurance* members, drew attention to the growth of industrial assurance since 1869, when the company was formed; to-day, there were over 90 million industrial policies in force in the British Isles. Efforts to minimise fire hazards were discussed at the *Liverpool and London and Globe Insurance* meeting by Mr. A. E. Pattinson, who reported that the latest year's underwriting profit was one of the best recorded. In reviewing the latest results of the *British Match Corporation* Mr. Clarence Bartholomew reported that during the year the company's trade had been free from serious disturbance except in Brazil. Home, Dominions and Argentine trade yielded almost the same revenue as in the previous year, but taxation absorbed nearly £50,000 more from the group. Addressing *South-Eastern Gas* shareholders, Sir David Milne-Watson pointed out that, following recent acquisitions, only five gas undertakings were larger than their group. Members of *British Shareholders Trust* were informed by Sir Follett Holt that the trust's 290 investments were in undertakings operating principally in this country or under British control. At the *Rubber Plantations Investment Trust* meeting, Mr. H. J. Welch expressed the view that it would be in the best interests of Empire producers if the preference in this country on Empire teas were removed. Teas displaced from the London market in turn displaced Indian and Ceylon teas in outside markets. Addressing *Lunuvu (Ceylon) Tea and Rubber Estates* shareholders, Mr. Welch declared that the main problem in the tea business was to find the best way of keeping the harvest down to permissible limits. With rubber, however, it was more profitable to sell a proportion of export rights than to produce an equivalent quantity of rubber. At the *Sungei Batu (Malaya) Rubber* meeting, Mr. E. D. Hewan disclosed that forward sales of five tons per month had been effected for 1938 at 1s. 0½d. per lb (landed London). Sir Francis Voules, at the *Kepong (Malay) Rubber* meeting, declared himself sceptical of the value of a buffer pool to the rubber

ustry's well-being. Surveying the *Mining Trust's* recent interests, Earl Castle Stewart expressed the view that the holding in Saudi Arabian Mining Syndicate would be very profitable. Additional shares had been purchased and shipment of plant had begun. At the meeting of *Smith's Potato Crisps*, Sir Herbert E. Morgan referred to a new factory at Lincoln, and the doubling of capacity at Stockport to increased trade. Mr. Walter MacLachlan,

reviewing the interests held by *British-Borneo Petroleum Syndicate*, disclosed that the market value of securities exceeded book values at March 31st. Payment of a dividend in respect of the current financial year was forecast by Mr. Arthur E. Hadley at the *Rhodesia Railways* meeting. Mr. R. Olaf Hambro referred to the excellent financial position of the Scandinavian countries, which account for well over 50 per cent. of *Hambros Bank* business.

THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT
MAY 24 MAY 26

The shrinkage of turnover to famine dimensions has continued this week. Apart from speculative activity in certain sections of the Kaffir market, indeed, markets have relapsed into a condition of stalemate, in which holders are prepared to hold, but new buyers are not attracted. The coincidence of this stalemate with a certain restiveness regarding international politics may be significant, but further economic indicators, such as the latest trade returns and the building plans figures, also provide little incentive for the industrial share investor. Such improvement as occurred in the middle of the week appeared to mark the preparatory stages of the closing of an account in which the bears played a greater part than the bulls.

Quiet conditions marked the opening in the *gilt-edged market*, though National Defence Bonds, with a small rise, reached the new high level of 100%. Lack of support, coupled with the announcement of the Kent loan terms, caused a further setback, but in mid-week the tone was distinctly firmer. Fairly large buying of War Loan was reported, and this prompted the inference that "help" was being accorded to the market. Further selling of New Zealand issues caused losses of up to a point on successive days.

In the *foreign bond market* the Shanghai-Nanking default was followed by a setback in Chinese issues, while Central European issues marked the continuance of political uneasiness. Brazilian loans were also a consistently weak group.

The *home rail group*, encouraged perhaps by bear operations, made the most of the prospective traffic losses at the beginning of the week, major falls again being recorded by the junior preference issues. The actual returns provided the signal for a prompt improvement, ranking up to a point, in both ordinary and preference issues. London Transport "C" stock declined, but was not specifically affected by the accident. In the foreign rails section, Cordoba issues alone made headway, on hopes that the Argentine Government would implement the purchase of the line.

Business in the *industrial market*, except for certain special groups, remained at low ebb, although prices appeared steadier in mid-week. The steel group, for instance, showed improvements of a few pence on Wednesday, after two reactionary days in which Dorman Long and Tube Investments were particularly affected. Electrical equipment shares remain an uncertain market, Siemens declining further on the report (see page 434). Supply shares also tended to ease. Aircraft issues

lacked their previous impetus, but prices remained relatively firm. Motor shares proved sensitive to poor support, and, with the exception of Distillers, the brewery share list was not impressive. Tobacco shares staged a late improvement, but little interest was taken in store shares, while textile issues remained friendless. The miscellaneous list showed a limited mid-week recovery, after opening dull.

In the *oil share market*, a somewhat firmer tendency followed a dull and irregular start to the week. Prices sagged at first through lack of interest, and the mid-week improvement was not accompanied by much expansion of business. Mexican Eagle fell on the breaking of diplomatic relations between Great Britain and Mexico. Conditions in the *rubber market* were thoroughly idle, though the tendency towards sagging prices was checked in mid-week, and public sales were small. Tea shares continued thoroughly apathetic, and unresponsive to the good company results recently published.

Although the week began quietly, the *mining market* was rather more active than some other sections. Among Kaffirs, Western Holdings again provided the chief feature, staging a minor professional boom in which profit-taking seemed to be well absorbed. Other issues started with trifling losses, but by mid-week the influence of Western Holdings caused a certain broadening of activity, particularly in developing mines on Cape support. West Africans were neglected on the whole. Until mid-week, Rhodesian coppers were subdued, and firmer quotations did not result in a much higher turnover.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
May 13	6,450	7,590	86.5	128.6
May 16	7,395	7,590	85.1	128.6
May 17	6,835	7,075	84.4	128.7
May 18	7,075	7,955	85.2	128.7
May 19	8,055	7,055	84.4	128.6
1938 High...	...	...	97.2	131.0
Low...	...	...	79.4	126.9
			Jan. 12	Feb. 4
			Mar. 16	Mar. 17

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

ACTUARIES' INVESTMENT INDEX

The Actuaries' index of 151 industrial equity prices which stood at 66.5 on Tuesday last (May 17th) had fallen to a rather greater extent than in recent weeks though it remained 1½ points above the "low" touched early in April. A week ago the index stood at 68.3, and a month ago at 69.2. The corresponding average yields are 5.62, 5.44 and 5.33 per cent.

A selection of the separate indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1938 High
	Apr. 19, 1938	May 10, 1938	May 17, 1938	
Building mats. (6)	82.4	83.4	81.9	87.1
Coal (9)	95.9	91.6	86.7	106.7
Cotton (6)	28.7	27.6	26.3	37.1
Elec. mfg. (12)	119.4	120.7	117.8	129.7
Iron and st. (17)	60.7	56.8	53.5	66.4
Home rails (4)	63.2	55.8	54.0	71.0
Breweries (20)	128.0	129.9	127.4	133.6

Group	Yields (%)			Prices, 1938 Low
	Apr. 19, 1938	May 10, 1938	May 17, 1938	
Building materials	6.74	6.67	6.78	75.0
Coal	5.41	5.68	6.03	91.1
Cotton	2.89	2.91	2.99	26.3
Elec. manufg.	5.72	5.47	5.60	111.1
Iron and steel	6.90	7.73	8.30	53.5
Home rails	5.22	5.78	6.13	54.0
Breweries	5.20	5.13	5.23	110.8

New York

AFTER an aimless start to the week, Wall Street took a slight turn for the better. Over the week-end trading was overshadowed by the news that Mr. Roosevelt would send a Special Message to Congress reaffirming his opposition to changes in the undistributed profits and capital gains taxes. The continuing gloom of the business outlook was responsible for a poor start this week, and prices sagged in all sections of the market. Then, for no well-defined reason, the tone improved on Tuesday, without bringing any accompanying rise in turnover. The main subject of discussion was the level of third quarter steel prices, the U.S. Steel announcement being expected shortly. The general opinion, however, still favours no change. Steel mill activity is estimated by *Iron Age* at 30 per cent. of capacity, against 30.5 per cent. in the previous week. A further small improvement in prices occurred in mid-week, though the market was in no very decided mood. Some impetus has been given by the results of the Pennsylvania primary elections.

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

	WEEKLY AVERAGES				
	1938		May 11, 1938	May 11, 1938	May 11, 1938
	Low Mar. 30	High Jan. 12	May 11, 1938	May 11, 1938	May 11, 1938
347 Ind'ls. ...	75.9	101.5	87.2	90.3	88.5
32 Rails ...	19.0	31.4	21.4	23.2	22.0
40 Utilities ...	57.7	78.8	67.0	72.7	70.2
419 Stocks ...	63.7	86.4	73.3	76.6	74.8
Av. yield %*	8.35	5.16†	5.38	5.16	5.29
	High	Low			

* 50 Common Stocks. † May 11th.

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

May 12	May 13	May 14	May 16	May 17	May 18
101.6	99.9	100.3	98.4	98.9	99.7

1938 High: 116.9 January 11th. Low: 83.6 March 31.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares	Bonds	
	000's	000's	000's
May 12	600	6,330	131
" 13	600	6,030	111
" 14	230	2,450	42
" 16	400	4,300	85
" 17	410	5,160	93
" 18	430	7,480	85

* Two-hour session.

New York Prices

	Close	Latest	Close	Latest
	12, 19,	May	12, 19,	May
	1938	1938	1938	1938

1. Rails & Transport		4. Manufacturing	
Atchafalaya 30 1/2	27 1/2	Briggs 19 1/2	17 1/2
Balt. & Ohio 6 1/2	6	Chrysler 45 1/2	41 1/2
B.M.T. 10 1/2	9 1/2	Elec. Autolite 17 1/2	16
Can. Pacific 6 1/2	5 1/2	Gen. Motors 31 1/2	29 1/2
Ches. & Ohio 23 1/2	22 1/2	Hudson Mtr 6 1/2	6 1/2
C.N. Ry. Pl. 18 1/2	16 1/2	Nash Kelvnt 8 1/2	7 1/2
Illinois Cent. 9 1/2	8 1/2	Packard Mtr 3 1/2	3 1/2
N.Y. Central 13 1/2	12 1/2	Bendix Avtn. 11 1/2	11 1/2
Northern Pac 9 1/2	8 1/2	Boeing Airplan 25 1/2	24 1/2
Pennsylv. R. 17 1/2	15 1/2	Douglas Air 47 1/2	44 1/2
Southern Pac 13 1/2	11 1/2	United Aircrft 27 1/2	26 1/2
Southern Ry. 8 1/2	7 1/2	Air Reduction 48 1/2	46 1/2
Union Pac. 66 1/2	63 1/2	Allied Cheml. 150	149
Greyhound 9 1/2	9 1/2	Col. Carbon 68	69
		Dupont 104	100
		Un. Carbide 68 1/2	67 1/2
		U.S. Ind. Alc. 19	17 1/2
		Allis Chalmr 44	43
		Gen. Electric 36 1/2	35 1/2
		West. Elec. 80	77 1/2
2. Utilities and Communications			
Am. W'orks 10 1/2	9 1/2	Gen. Electric 36 1/2	35 1/2
C.W. & S. 2 1/2	1 1/2	West. Elec. 80	77 1/2
Con. Edison 26 1/2	24 1/2	American Can 87 1/2	87
Col Gas & Elc 7 1/2	6 1/2	Addressograph 21	19 1/2
El Bond & Sh 9	7 1/2	Caterpillar 45	42
Nat. Pwr. & Lt 7 1/2	7 1/2	Cont. Can. 39 1/2	39 1/2
N. American 21 1/2	19 1/2	Ingersoll Rand 81 1/2	80
Pac Gas & Elc 27 1/2	27	Int. Harvester 59 1/2	55 1/2
Pac. Lighting 38	38	Johns Manville 74 1/2	72
Pub. Serv. N.J. 32	47	Am. Radiator 12 1/2	11 1/2
Stan. Gas & El 4 1/2	3 1/2	Corn Prods. 63	63 1/2
United Corp. 3 1/2	2 1/2	J.I. Case & Co. 81	78
Un. Gas Imp. 10 1/2	10 1/2	Glidden 19 1/2	17 1/2
Amer. Tel. 132 1/2	130 1/2	G. Am. Trans 38 1/2	37 1/2
Internat. Tel. 9	9 1/2	Celanese of A. 14 1/2	13 1/2
West. Union 23 1/2	21 1/2	Ind. Rayon 18 1/2	8
Radio 51	50 1/2	Eastm'n Kdk. 154	156
		Glillette 8 1/2	7 1/2
		Lambert Co. 11	11
		Loews 43 1/2	41 1/2
		20th Cen. Fox 22 1/2	22 1/2
3. Extractive and Metal			
Am. Mol. Mill 17	15 1/2		
Beth. Steel 47 1/2	46 1/2		
Beth. Steel P 88	88		
Republic St. 14 1/2	13 1/2		
U.S. Steel 97 1/2	97 1/2		
U.S. Steel P. 97 1/2	97 1/2		
Alaska J'neau 9 1/2	10 1/2		
Am. Metal 32 1/2	29 1/2		
Am. Smelting 39 1/2	36 1/2		
Anacosta 26 1/2	26 1/2		
Bohn Alum. 20 1/2	19 1/2		
Cerro de Pas. 37 1/2	35 1/2		
Int. Nickel 47 1/2	45 1/2		
Kennecott 35 1/2	32 1/2		
Patio Mines 9 1/2	9 1/2		
Tex. Gif. Sul. 31	30 1/2		
U.S. Smelt. 57 1/2	56 1/2		
Vanadium 16 1/2	16		
Atlantic Refg. 22 1/2	20 1/2		
Phillips Petr. 33 1/2	32 1/2		
Shell Union 13	13		
Shell Un. P. 100 1/2	100 1/2		
Socony Vac. 13 1/2	13		
Stan. Oil Cal. 29 1/2	28 1/2		
Stan. Oil N.J. 49 1/2	47		
Texas Corp. 38 1/2	36 1/2		
		5. Retail Trade, &c.	
		Mont. Ward 32 1/2	31 1/2
		J. C. Penney 65	64
		Sears Roebck 58 1/2	56 1/2
		United Drug 5 1/2	5 1/2
		Walgreen 16	16 1/2
		Woolworth 43 1/2	43 1/2
		Borden 16 1/2	16 1/2
		Gen. Foods 25 1/2	26 1/2
		Kroger Grcy. 14 1/2	14
		Nat. Biscuit 22 1/2	22
		Nat. Dairy 13 1/2	13 1/2
		Stand. Brands 7 1/2	7 1/2
		Am. Tob. B. 71	70 1/2
		Lig. Myers B. 91	91 1/2
		Lorillard 16 1/2	16 1/2
		Reyn. Tob. 37 1/2	37
		Nat. Distillers 20 1/2	20
		Schenley Dis. 18	16 1/2
		6. Finance	
		Comcl. Credit 33	32
		Atlas Corp. 7 1/2	6 1/2
		Com. Inv. Tr. 38 1/2	37 1/2

Capital Issues

COMPARED with the poor reception accorded to the London County Council loan last week, this week's *Kent County Council* issue has enjoyed a much better response. A 70 per cent. allotment to large applicants, in fact, underlines several advantages of the loan. Its amount is limited to £1,000,000, and it has a single redemption date in 1968. Otherwise, the terms—3½ per cent. stock issued at £101 10s. per cent.—are

identical. There is, however, the advantage that the first payment of interest will be paid in September. The L.C.C. scrip improved to 1½ discount when the result of the Kent issue was known.

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
May 21	£	£	£
To the Public	1,000,000	...	1,015,000
To Shareholders	1,318,151	...	2,313,327
By S. E. Intro.	600,000	...	697,500
By Permis. to Deal. ...	58,281	...	213,610
Sav. Certs. w/e	...	...	...
May 14	Dr. 150,000	...	...

Year to date	Including Conversions	Excluding Conversions
1938 (New Basis)	87,198,816	73,395,963
1937 (New Basis)	286,616,738	255,930,196
1938 (Old Basis)	63,094,047	50,541,289
1937 (Old Basis)	186,195,987	156,141,380

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp.	Foreign Countries
1938 (New Basis)	49,687,435	18,914,862	2,429,229
1937 (New Basis)	215,764,533	39,012,523	1,153,140
1938 (Old Basis)	33,050,420	15,091,745	2,399,124
1937 (Old Basis)	147,048,590	9,092,790	Nil

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	40,706,619	5,329,850	27,359,494
1937 (New Basis)	131,231,521	15,792,702	109,516,073
1938 (Old Basis)	33,112,766	2,392,222	15,036,301
1937 (Old Basis)	118,233,223	9,038,215	28,869,942

NOTE.—"Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

PUBLIC OFFERS

Kent County.—Issue of £1,000,000 3½ per cent. stock at 101½. Redeemable at par March 1968. A trustee stock. Ranks with other loans. Estimated population 1,336,500; rateable value, £10,586,222. General County rate, 4s. 11d.; special, 4s. Net debt, £4,867,372. Lists closed 9.30 a.m. May 19th.

BY STOCK EXCHANGE INTRODUCTION

Fylde Water Board.—Particulars of issue of £250,000 3½ per cent. stock, sold to Messrs Marsden W. Hargreave and Company and Messrs Pember and Boyle at £100 12s. 9d. net. Redeemable at par October, 1958. Proceeds for conversion of short-term loans. Area supplied, 207 square miles, including Blackpool, Fleetwood, etc. Population served over 200,000. Board can levy water rates on a sliding scale from 11½ per cent. down to 7½ per cent. upon the rateable value.

PRIVATE PLACINGS

Spurling Motor Bodies.—Underwriters Trust have placed privately 180,000 4s. ordinary shares of Spurling Motor Bodies at 5s.

Electrical Distribution of Yorkshire.—The directors have placed privately £500,000 3½ per cent. redeemable stock, 1955-65.

ISSUES TO SHAREHOLDERS ONLY

Blackett and Son.—This company is issuing 30,000 £1 6 per cent. cumulative preference shares at 21s.

Commercial Company of Salonica.—Issue of 120,000 new shares 5s (ranking from the year 1936-37) at 5s. 10d. per share (1 new share for every 6 old shares held).

Lawrence, Scott and Electromotors.—Issue of 100,000 5 per cent. cumulative redeemable £1 preference shares at par and 144,398 5s. "A" ordinary shares at 9s. 6d. (one new share

for every ten "A" or "B" ordinary shares held on May 4th).

Simonds (H. and G.), Ltd.—Issue of 37,752 £1 ordinary shares at 60s., in proportion of one for every £20 of ordinary stock held on May 24th. The new shares will rank from October 1, 1938.

St. Austell and District Electric Lighting and Power.—Issue of 10,000 new £1 ordinary shares, at 30s.

United British Oilfields of Trinidad.—Issue to existing ordinary shareholders of 3,000,000 6s. 8d. ordinary shares at 12s. 6d. (2 new for each share held). To rank from January 1, 1938.

Morrell Estates.—Issue at par of £75,000 5½ per cent. debenture stock. Applicants for every £5 of stock will have the right to purchase from liquidator of Morrell (Builders) one 6 per cent. £1 cumulative preference share of Morrell Estates at 5s.

CONVERSIONS AND REPAYMENTS

Norwegian Government 4 Per Cent. Loan 1911.—This loan will be repaid on August 31, 1938. Holders can convert into a new 3 per cent. Norwegian Government loan in Swiss francs at 95. New loan redeemable at par by drawings from 1939 to 1971. The offer is open from May 17 to 27, 1938.

OFFERS ABROAD

Government of India Rupee Loan.—Issue at 98 of a 3 per cent. loan (redeemable at par, 1965, or from 1963 on notice in India) up to about Rs. 15 crores (Rs. 15,000,000). Subscriptions can be in cash; also in 5½ per cent. loan, 1938-40, or 5 per cent. loan, 1939-44, as cash equivalent of Rs. 101 As. 12 and Rs. 104, respectively, per Rs. 100 nominal tendered.

RESULT OF ISSUE

London County Council Loan.—Only £450,000 was subscribed by the public for the issue at 101½ of £1,000,000 3½ per cent. stock, 1968-73. Underwriters had to take up 95½ per cent. of the issue.

SHORTER COMMENTS

Company Results of the Week.—A satisfactory increase in revenue has been achieved by LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES, whose profits amount to £396,101 against £392,470, although recently there has been some tendency for expenses to increase. IMPERIAL CONTINENTAL GAS ASSOCIATION net profits are practically unchanged at £427,686. This result, however, is entirely due to increased taxation and expenses, for total revenue is nearly £34,000 higher at £634,595. Among the larger rubber companies which report substantial progress are REMBAU JELAI, STRAITS RUBBER, and UNITED PATANI (MALAY), the latter concern paying 12 per cent. against 8 per cent. Excellent results are also reported by the James Finlay group of tea companies—AMALGAMATED TEA ESTATES, ANGLO-AMERICAN DIRECT TEA TRADING, CONSOLIDATED TEA AND LANDS, and KANAN DEVAN HILLS PRODUCE. A satisfactory rise in profits is recorded by INDUSTRIAL AND GENERAL TRUST, whose profits amount to £306,395 against £263,264, while the dividend is increased from 11 per cent. to 12 per cent. PLATT BROTHERS AND COMPANY (HOLDINGS) pay a 5 per cent.

Ordinary dividend in respect of the first year since the scheme of arrangement was effected, net profits having risen from £54,318 to £80,684. Our table also includes the results of other textile machinery makers, TWEEDALES AND SMALLEY and HOWARD AND BULLOUGH. DERITEND STAMPING have earned £48,803 against £33,536, but although the dividend is raised from 12½ to 15 per cent., the distribution is conservative, for £10,000 (against nil) is put to general reserve. Despite a substantial reduction in output in the last few months of the financial year, RICHARD JOHNSON AND NEPHEW show an increase in profits of 45 per cent. to £76,356. B. LAPORTE, LTD., the chemical manufacturers, maintain the 22½ per cent. dividend, net profits being a little higher thanks to increased turnover. PARKINSON AND COWAN, having earned £60,820 against £44,641, have brought preference payments up to date, and are distributing 3 per cent. on the ordinary capital. The first accounts of SINGER MOTORS since the reconstruction show a trading profit for 15 months to March 31st last, expenses (in particular maintenance c.s. and debenture interest) convert this profit into a net loss of £24,560.

RAILWAYS

A. Agasta (Chili) and Bolivia Railway.—Net revenue for 1937 (including dividend from Andes Trust, income from investments, and after exchange depreciation) was about £400,360, against £368,839 in 1936, when £104,000 was deducted for exchange reserve. A further dividend of 3½ per cent. on 5 per cent. cumulative preference stock is proposed, being balance for 1934 and 1½ per cent. for 1935. The company is thus paying off arrears amounting to 6½ per cent. out of revenue for 1937, compared with 5 per cent. in 1936. Earnings for the quarter ended March 27th were £211,650, compared with £207,670 for corresponding quarter in 1936.

Nitrate Railways Company.—Gross receipts rose by £35,698 to £159,421 for 1937, of £387,108—a rise of £120,825. Dividends are being resumed with 1 per cent. on the ordinary and preferred converted ordinary shares. Carry forward, £186,493.

MISCELLANEOUS

Meux's Brewery Company.—This company is offering to purchase the preference and ordinary shares of Mellersh and Neale, subject to ratification by the latter company's members, before whom the terms will be placed as soon as possible.

London County Freehold and Leasehold Properties.—For year to March 31, 1938, net revenue has risen from £392,470 to £396,101. To N.D.C., £14,000; 11 per cent. dividend repeated; to general reserve, £30,000, against £35,000. Carry forward, £130,852, against £127,050.

Deritend Stamping Company.—Profit for year to February 28, 1938, £49,703, against £34,936. To depreciation, £1,000, against £500. To tax, including N.D.C., £16,324, against £8,401. Ordinary dividend raised from 12½ to 15 per cent. To general reserve, £10,000 (nil). Carry forward raised from £7,964 to £10,303.

Parkinson and Cowan, Ltd.—Net profit for 1937 £60,820, against £44,641. Preference dividend requires £25,405. Ordinary dividends resumed with a payment of 3 per cent., requiring £15,788. To reserve, £13,085 (nil). Carry forward raised from £14,146 to £20,688.

International Paper and Power.—Net loss for quarter to March 31, 1938, \$332,000, compared with a net income of \$1,747,000 for corresponding quarter of 1937. Tonnage deliveries are down 30 per cent. compared with last year. The preferred dividend due in March was passed. For the whole of 1937 net earnings were \$9,134,000, or \$2.47 per share, compared with \$5,020,000, or 22 cents per share in 1936.

International Telephone and Telegraph Corporation.—Net earnings for 1937, \$20,296,866, against \$13,598,053 for

1936 (after depreciation of \$10,971,499, against \$10,267,083). Net income \$10,236,148, against \$4,009,103. Orders on hand at end of 1937 were over \$63,000,000, against \$40,000,000 at end of 1936.

Smethick Drop Forgings, Ltd.—Profit £79,570, against £69,286. Tax and N.D.C. £32,500. Ordinary dividend raised from 30 to 32½ per cent. To general reserve £13,750 (nil). Last year £2,500 was put aside for pensions. Carry forward raised from £14,249 to £14,741.

Industrial and General Trust, Ltd.—Total income year to March 31, 1938, £406,962, against £365,132. Ordinary dividend raised from 11 to 12 per cent. Written off fittings, etc., £500, as before. To reserve £35,000, against nil, but transfer to dividends equalisation account reduced from £100,000 to £50,000. To staff pension fund nil, against special transfer of £12,400 last year. Carry forward raised from £70,064 to £74,857.

Reardon Smith Line.—Trading balance year to March 31, 1938, £536,039, together with £4,952 interest. Net profit for 1936-37 was £241,432. Dividends totalled 10 per cent., tax free, absorbing £123,200, against 6½ per cent., tax free. To dividend reserve, £100,000. Insurance fund £50,000. General reserve £140,000 (making this fund £250,000). Depreciation written off ships is £125,546, also £72,390 profit on sales of vessels, making £197,936. Carry forward £9,208.

Swedish Match Company.—Net profit, 1937, Kr. 14,800,000, compared with Kr. 12,800,000. To legal reserve, Kr. 5,550,000. Carry-forward raised from Kr. 11,500,000 to Kr. 20,823,000. Total assets, Kr. 545,200,000 (Kr. 578,800,000). The directors state that provided there are no unforeseen international complications during 1938, it is considered probable that the company will be able to resume dividend payments next spring.

Finlay Group Profits.—The Consolidated Tea and Lands Company shows a revenue surplus for the year to November 30, 1937, of £387,108—a rise of £120,825. Dividend 13 per cent., against 10 per cent., on ordinary; £119,927 is carried forward, against £69,431. Amalgamated Tea shows revenue surplus £140,168, against £85,393. Ordinary dividend 7 against 4 per cent. £54,858 carried forward against £39,491. Kanan Devan Hills Produce—Revenue surplus of £256,088, compared with £168,178. Ordinary dividend raised from 12½ to 16 per cent. Carry-forward, £88,371, against £65,421. Anglo-American Direct Tea Trading shows revenue surplus £154,000, against £91,306. Ordinary dividend 10 against 6 per cent. £75,479, against £57,596, is carried forward.

Chloride Electrical Storage.—Profits showed a slight advance from £432,442 to £435,700 in the year to March 31, 1938. Final dividend on "A" and "B" ordinary stock again 5 per cent., but the cash bonus is doubled at 10 per cent. The year's distribution is thus 20 against 15 per cent.

Imperial Continental Gas.—Net profits year to March 31, 1938, £427,686, against £427,038. General expenses, etc., were £34,271 higher

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937				Prices, Year 1938 Jan. 1 to May 18, inclusive				Prices, Year 1938 Jan. 1 to May 18, inclusive				Last two Dividends				Name of Security				Price, May 18, 1938				Change since May 11, 1938				Yield May 18, 1938			
High-Low		High-Low		High-Low		High-Low		High-Low		High-Low		High-Low		High-Low		High-Low		High-Low		High-Low		High-Low		High-Low		High-Low		High-Low			
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(a) Interim dividend.

(b) Yield on 3½% basis.

(c) Yield worked on a 5½% basis.

(d) Final dividend.

(e) Dividends for full year.

(f) Dividends for full year.

(g) Dividends for full year.

(h) Dividends for full year.

(i) Dividends for full year.

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Industry and Trade

Building Plans Again Lower.—Contrary to earlier expectations, activity in the building and contracting trades has so far been better maintained than in many other industries. Indeed, apart from the increase in armament work, the buoyancy of constructional activity largely explains the comparatively small extent of the decline in general business activity since last autumn. In April, for example, the proportion of insured persons unemployed in building, at 12.7 per cent., showed an increase of only 1.3 per cent. over the corresponding month a year ago. In public works contracting the proportion of insured workers unemployed was actually 1.1 per cent. smaller than in April, 1937. While there are no indications of an early slump in constructional activity, the persistent decline in the returns of building plans passed by a large number of local authorities does not augur well for the future. Although these returns are by no means comprehensive, the extent of the decline in the value of plans passed must, sooner or later, be reflected in a decline of activity. The returns for April relating to 143 local authorities revealed a decline of no less than 24.1 per cent. in the value of plans passed, compared with the corresponding month last year. The decline was most marked in the case of factories, workshops, shops and other commercial buildings, but plans passed for dwelling-houses were also appreciably lower.

Report of the Milk Marketing Board.—The annual report of the Milk Marketing Board for the twelve months ended March, 1938, gives some interesting statistics on the position of the milk industry. Sales of milk for liquid consumption increased by 51 million gallons compared with the previous year and totalled 721 million gallons. About 6 million gallons of this increase is due to the inclusion in the Board's returns from October last of the sales of tuberculin tested milk, but even so, liquid sales increased by nearly 8 per cent. during the past year. Total sales of milk through the Board showed a small reduction compared with 1936/37; the higher costs of feeding stuffs and labour, and the improved returns from beef production have checked the expansion in milk output. The result of the increase in liquid sales has been to reduce the surplus available for manufacture; in fact, in November and December, when production is at a seasonal minimum, the excess over liquid requirements was barely 20 per cent. of total supplies, and milk had to be hastily diverted from factories and condenseries to the liquid market. If the expansion in the consumption of liquid milk is to be continued, it is essential that winter production of milk should be further encouraged.

Lancashire Cotton Problems.—The controversy in Lancashire with regard to the proposed Enabling Bill for the cotton industry is becoming more bitter, and both sides are holding public meetings and are engaged in propaganda for their respective opinions. Mr Frank Platt, the managing director of the Lancashire Cotton Corporation, Ltd., at a meeting in Manchester on Tuesday last of representatives of about 250 spinning mills, said that the opposition were misleading the trade in rejecting the

proposed scheme. While all firms must necessarily be included in any final scheme, there had been from the beginning an implicit undertaking that every firm in the industry should have an opportunity of registering its opinion as soon as the principles upon which the Government was prepared to legislate were known. The Opposition Committee, at the beginning of this week, announced that they had obtained the support of 650 firms which included spinners and manufacturers controlling over 9,250,000 spindles and 140,000 looms. On Wednesday the representatives of the Committee had an interview with the President of the Board of Trade. Meanwhile it is becoming increasingly important that something should be done to prevent a further decline in the export trade. During the first four months of this year exports of piece-goods were 25 per cent. lower than a year ago, while shipments of yarn were 22 per cent. below those in the corresponding months of 1937. The spinning industry is running at 50 per cent. of capacity, and 100,000 operatives are unemployed.

Industrial Production Declining.—The downward trend of industrial production since the end of last year, revealed by *The Economist's* index of business activity, has now been confirmed by the official index of industrial production, published in this week's *Board of Trade Journal*. The index for the first quarter of this year shows a decline of 2.9 per cent. from the last quarter of 1937, though the volume of industrial production in January-March was still slightly higher than a year ago. *The Economist* index of business activity also remained above the level of a year ago in January and February but fell below that level in March.

BOARD OF TRADE INDEX OF PRODUCTION
(1930=100)

Group	Year 1936	Year 1937	1937		1938
			March Quarter	Dec. Quarter	
1. Mines and quarries	94.4	99.8	99.4	103.9	104.1
2. Iron and steel	150.1	166.6	158.1	177.3	168.6
3. Non-ferrous metals	143.8	165.3	154.4	166.2	153.3
4. Engineering and shipbuilding	123.3	136.3	136.4	135.3	133.7
5. Building materials and building	157.1	153.2	148.5	148.3	145.5
6. Textiles	126.4	129.6	130.1	125.8	116.7
7. Chemicals, oils, etc.	115.4	124.5	122.3†	125.8	127.2
8. Leather and boots and shoes	120.7	118.9	120.6	115.7	119.5
9. Food, drink and tobacco	114.5	119.9	111.2	123.2	116.0
10. Gas and electricity	147.4	161.2	177.7	189.9	186.0
Total of manufacturing industries (2-10)*	129.4	138.3	136.3	141.7	137.2
Total of all groups (1-10)*	124.6	133.1	131.3	136.6	132.7

* Includes also various industries not specified above. † Revised figure.

Of the ten industrial groups for which separate indices are available, five registered an increase, and five a decrease, in production between the first quarters of 1937 and 1938. Since March, however, the downward trend in industrial activity has become more general and the majority of indices for the June quarter are likely to compare unfavourably with those of the second quarter of last year.

Decline in Overseas Trade.—The latest returns show that the fall in the value of imports, which was interrupted in March, has been resumed; imports in April were 13.1 per cent. lower than in March and 11.2 per cent. lower than in April, 1937. Exports also continued their downward trend; the value of domestic exports was 11.6 and 13.3 per cent. respectively below that of March, 1938, and April, 1937. As a result of the greater absolute decline in imports, the excess of imports over exports was somewhat smaller than a year ago. Some of the fall in the value of imports and exports compared with April, 1937,

must be ascribed to the effect of Easter, which last year fell in March.

(£ thousands)				
	1936	1937	1938	Change between 1937 and 1938
<i>April</i>				
Total imports	66,664	83,004	73,679	- 9,325 -11.2
British exports	53,427	43,027	37,266	- 5,761 -13.3
Re-exports	5,922	7,274	5,010	- 2,264 -31.1
Total exports	39,349	50,301	42,276	- 8,025 -16.0
Excess of imports over exports	27,315	32,703	31,403	- 1,300 -4.0
Transshipments under bond	1,964	3,223	2,656	- 567 -17.6
<i>Four Months ended April</i>				
Total imports	266,517	312,545	318,410	+ 5,865 +10.2
British exports	139,483	164,146	158,136	- 6,010 -3.7
Re-exports	21,780	26,030	20,801	- 5,229 -20.1
Total exports	161,263	190,176	178,936	- 11,239 -6.0
Excess of imports over exports	105,254	122,369	139,474	+ 17,105 +14.0
Transshipments under bond	8,662	12,511	10,889	- 1,622 -12.6

The Economist index of the volume of raw material imports, adjusted for seasonal variations, shows a rise of 3.4 per cent. compared with a year ago and a fall of 1.1 per cent. compared with the previous month, while the index of the volume of exports of manufactures fell by 9.7 per cent. and 1.0 per cent. compared with the same months. Meanwhile, there are no indications of an early reversal in the trend of overseas trade.

Overseas Trade by Commodities.—The accompanying tables show quantitative changes in the imports and exports of important commodities since April, 1936.

RETAINED IMPORTS—MONTH OF APRIL

Items and Measure	1936	1937	1938
Wheat	'000 cwt.	8,337	7,153
Beef and veal	'000 cwt.	1,039	1,141
Mutton and lamb	'000 cwt.	447	554
Sugar (unrefined)	'000 cwt.	3,034	3,174
Iron ore and scrap	'000 tons	633	655
Raw cotton	'000 cwt.	1,229	1,226
Sheep's and lambs' wool	'000 cwt.	741	575
Flax, hemp and jute	tons	21,963	28,061
Crude petroleum	'000 galls.	38,215	44,530
Hides, wet and dry	tons	163	124
Wood pulp	'000 tons	204	116
Rubber	'000 cwt.	122	236
Unwrought copper	tons	28,298	33,210
Pig lead	tons	30,633	30,515
Tin: Ore and concentrates	tons	4,760	4,702
Blocks, ingots, slabs and bars	tons	3,033	1,284
Iron and steel manufactures	'000 tons	121	88
Machinery	tons	10,211	13,151

Compared with last month, the imports of all except six of the commodities given have fallen; compared with April, 1937, only seven items show an increase. Imports of wool, petroleum, wood pulp, copper and tin were higher in April than in March and in April, 1937; the intake of rubber and of mutton and lamb was larger than a year ago but smaller compared with last month. Imports of the other commodities are lower than those in both the two months of comparison.

BRITISH EXPORTS—MONTH OF APRIL

Item and Measure	1936	1937	1938
Iron and steel scrap	'000 tons	2,537	3,242
Iron and ferro-alloys	tons	8,822	30,971
Railway materials	tons	9,810	17,664
Total iron and steel manufactures	tons	18,131	10,576
Textile machinery	tons	177,519	239,461
Total machinery	tons	4,031	6,402
Cotton	tons	30,807	38,576
Cotton piece-goods	sq. yds.	11,936	14,772
Wool tops	'000 lb.	141,194	164,785
Worsted yarns	'000 lb.	4,338	3,787
Woolen tissues	'000 sq. yds.	2,302	2,230
Worsted tissues	'000 sq. yds.	5,174	5,627
Linen piece-goods	'000 sq. yds.	2,372	2,963
Leather boots and shoes	doz. pairs	25,954	30,829
Leather	cwt.	21,179	33,034
Paper and cardboard	cwt.	304,467	353,760
Locomotives and parts	tons	832	1,514
Motor vehicles and chassis	No.	6,245	7,496

Exports continued their downward trend, and only four items—railway materials, machinery, locomotives and motor cars—showed an increase over the figures for April, 1937. Exports of textiles remained appreciably below those of last year and showed a further fall from March of this

year, except for an insignificant rise in exports of worsted tissues.

Declining Activity in Steel.—Despite the steady increase in stocks, the output of the iron and steel industry was well maintained until March. In April, however, there was a sudden decline in production. Moreover, following the rise in the duties on steel at the end of March, imports have been sharply reduced, but exports of iron and steel last month were also lower than in March.

PRODUCTION AND TRADE IN IRON AND STEEL
(In thousands of tons)

Period	Production		Foreign Trade	
	Pig Iron	Steel Ingots and Castings	Total Imports	British Exports
1913—Monthly Average	855.0	638.6	185.9	414.1
1929	632.4	803.0	235.2	364.9
1932	297.8	438.5	132.7	157.4
1936	643.5	982.1	123.6	183.8
1937	708.0	1,080.3	170.0	214.7
March	680.3	1,109.5	94.3	231.6
April	680.7	1,080.4	88.5	239.5
May	696.3	1,047.3	98.1	228.3
June	699.3	1,106.4	174.8	235.4
July	729.3	1,059.2	202.3	232.2
August	714.0	987.7	213.4	201.4
September	726.7	1,163.0	226.2	193.6
October	769.6	1,133.6	220.5	206.9
November	762.3	1,178.3	272.5	198.0
December	783.8	1,103.8	288.3	196.8
1938—January	761.1	1,081.4	308.7	191.2
February	693.3	1,057.6	230.4	156.7
March	714.6	1,115.8	276.8	176.1
April	661.0	938.6	61.5	168.3

The Economist index of domestic iron and steel consumption, which is adjusted for seasonal variations but not for changes in stocks, continued its headlong decline last month. The index for April (1935=100) is 123½, against 143 in March, 173½ in December and 117 in the corresponding month a year ago. It had been hoped that the increase in the import duties on pig iron and steel, by reducing imports, would enable stocks to be reduced to normal dimensions without any appreciable curtailment of domestic output. It is now beginning to appear doubtful, however, whether these hopes will be realised; for there are no indications at the moment of a sustained revival of demand.

Sea Fishing.—The returns relating to fish landed in Great Britain during the current year continue to show an improvement compared with the prices ruling in 1937. For the first four months of 1938 the total landed, at 5.8 million cwt., was slightly smaller than the catch in the same period of last year, which amounted to 5.9 million cwt., but the value increased by 12 per cent. to nearly £5.2 millions. Cod provided more than half of the total weight, and although the landings fell from 2.8 million cwt. in January-April, 1937, to 2.3 million cwt. in the same period in the current year, the total value increased by £300,000 to £1.5 millions.

Recovery in Coffee Prices.—After six months of continuous decline, coffee prices have shown a slight recovery during the past fortnight. The lack of confidence, which brought the price of Santos Superior down from 47s.

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per cwt. last November to 27s. 6d. per cwt. a week or two ago, was primarily due to the expectation of largely increased exports from Brazil after the reduction of the export tax at the end of last year. It has now been learned that the 30 per cent. quota for destruction will be maintained in the coming season, beginning on July 1st, and that the movements of coffee into the Brazilian ports and warehouses will still be controlled. This information steadied the market, and the encouraging increase in world consumption during the past month gave an additional impetus for a rise in prices. Deliveries in April, at 2,560,000 bags (of 60 kg.) were 603,000 bags higher than in April, 1937, and provided a record for the month; total deliveries in the ten months ending in April amounted to 21,092,000 bags, very little less than the corresponding figure for the previous season. Some recovery in prices was therefore to be expected, although it is possible that the decline in world industrial activity may counteract the more hopeful factors in the market.

* * *

Cheaper Wolfram.—The outbreak of war in China, the world's largest supplier of wolfram, led to rumours of a probable shortage of wolfram, and prices rose to 130s. per unit in the autumn of last year. But Chinese exports, as recorded on page 582 of *The Economist* of March 12th, have markedly increased, and prices have fallen steadily from nearly 130s. per unit in the autumn of 1937 to about 40s. per unit at the present time. Even at this level, it is unlikely that the industrial consumption of wolfram will show much recovery; the demand for re-armament purposes continues heavy, but it is understood that China is sending supplies direct to some of the leading European armament firms in exchange for munitions, so that the demand on the open market is limited, and prices are not likely to recover in the near future.

* * *

Agricultural Employment in Scotland.—The exodus of agricultural labourers from the farms has been less marked in Scotland than in England. The table given

on page 382 of last week's *Economist* showed that the numbers employed in agriculture in England and Wales fell by 18 per cent. between 1929 and 1937.

NUMBER OF AGRICULTURAL WORKERS* IN SCOTLAND ON HOLDINGS OF 1 ACRE AND MORE

	June, 1929	June, 1933	June, 1937	Percentage change from June, 1929	
				1933	1937
Males over 21	60,603	59,028	59,300	— 3	— 2
Males under 21	21,471	19,228	19,200	— 10	— 11
Females	19,009	17,807	16,300	— 6	— 14
Total, Regular	101,083	96,063	94,800	— 5	— 6
Males over 21	6,186	6,998	6,900	+ 13	+ 12
Males under 21	3,335	3,789	2,700	+ 13	— 19
Females	7,430	5,615	5,800	— 24	— 22
Total, Casual	16,951	16,402	15,400	— 3	— 9
Total Workers	118,034	112,465	110,200	— 5	— 7

* Excluding the occupier, his wife and domestic servants.

In Scotland the number fell by 7 per cent. between 1929 and 1937, and the greater part of the fall took place before June, 1933, while in England the movement away from agriculture was most marked during the years of recovery. This difference between the two areas is the more striking as Scottish wages, which have not been controlled by Wages Boards, fell more during the depression and rose less during the recovery than English wages. According to the *Scottish Journal of Agriculture*, the estimated wages (cash wages plus cash value of allowances in kind) of married ploughmen, cattlemen and shepherds in June, 1933, were about 7 per cent. lower than in 1929, against a fall of about 2 per cent. in England, while the subsequent rise of 5 per cent. compares unfavourably with the increase of 11 per cent. in England. Probably the persistently higher rate of general unemployment in Scotland has prevented a drift from the land on the same scale as in England, in spite of the greater fall in wages. It is likely that the extension, in July last, of the system of agricultural wages boards to Scotland will stimulate a rise in wages as soon as they begin to function.

INDUSTRIAL REPORTS

THIS week's reports from industrial centres are as unpromising as ever. The volume of new transactions in coal is declining and the trend of prices is downwards. Moreover, output is now below the level of a year ago. The volume of new orders for steel remains small, for stocks are still heavy. In addition, there are indications that some consumers are curtailing their delivery instructions under contract. As a result of the declining demand, the tinplate industry reduced its operations from 43.1 per cent. of capacity during the week ended April 30th to 33.9 per cent. during the first week in May. A year ago the industry was operating at 73.7 per cent. of its capacity. The value of building plans passed in April by 143 local authorities showed a decline of no less than 24.1 per cent. from the corresponding month a year ago. There has been no improvement in the cotton industry, and the yarn market has been upset by rumours that the price agreements may break down under the impact of the depression. There are no indications of an early change of trend.

Coal

Sheffield.—The market in household coal shows a quieter tendency. Price reductions have had little effect, and the warmer weather is reducing sales. Industrial coal is in good request,

although there is some evidence of reduced consumption at works. The seasonal decline in gas coal demand is more pronounced than usual. The increasing use of coke-oven gas has reduced the size of some gas coal contracts. There is a fair demand for blast-furnace coke, but demand for graded sorts for domestic use is smaller.

Dull conditions continue in the export market, which has derived very little benefit from recent price reductions. Forward inquiry is showing a slight improvement. All grades of steam coal are in good supply, but bunker demand is poor.

Newcastle-on-Tyne.—Whilst business continues to be booked with Scandinavian countries under the Trading Agreements, there is little other foreign inquiry and the market in this area displays a dull tone, with supplies of most grades plentiful. Northumberland steam collieries producing prime grades are short of trade and in Durham the position has eased much more quickly than was expected owing to the declining demand from home consumers. An encouraging feature of the coke market is the sale of fairly good quantities to Scandinavian consumers at minimum prices for delivery over next winter.

Glasgow.—The tone of the market remains very dull. Little official price reduction has taken place during the past week, but concessions have in some cases been granted to obtain business. Foreign buyers are still holding off, assisted by ample stocks, free offers of competitive fuel, and the easier prices for Scottish coal. Industrial needs are still fair, but public utility and household consumption has fallen off considerably, so that short-time working has been necessary at the pits. Vessels have been diverted from the Clyde to Welsh ports or to Gdynia for bunker supplies.

Cardiff.—There is little change in the general position of the market. New business is very scarce, and at some pits production has been temporarily suspended. Towards the end of last week the dock position improved appreciably, and shipments in the foreign and coastwise trades at the South Wales ports of the Great Western Railway Company totalled 414,500 tons, compared with 330,400 tons the previous week, and 392,412 tons in the corresponding week last year. Shipments for the current year to May 15th, at 7,285,039 tons, were within 58,000 tons of those in the corresponding period in 1937. Prices of large steam qualities are quite firm, but for some bituminous classes and for

several grades of small and sized coals, quotations are from 3d. to 1s. per ton cheaper. Quotations for coke and coking coals are becoming more stabilised under the contemplated agreement between the coke producers and the iron and steel manufacturers. The patent fuel and the pitwood markets have been featureless.

Iron and Steel

London.—This week's report of the London Iron and Steel Exchange states that dull conditions have continued to rule in the markets, and that the volume of new business has been limited for the most part to hand-to-mouth transactions. The consuming industries are working upon heavy stocks in practically all departments, and until these have been reduced there is small likelihood of any increase in the demand.

In the pig iron department transactions have consisted principally of small parcels for near delivery, and consumers appear to have sufficient material on hand to meet their needs for some time to come. Heavy accumulations of steelmaking iron exist at the steelworks, and the demand from the foundries is restricted by the quantities they already hold.

In the semi-finished steel department of the market business has been quiet, and production has been curtailed to enable the stocks of materials lying at consumers' works to be absorbed.

Inactive conditions characterise the market for finished steel and operations have become somewhat irregular. Generally speaking, the heavy steelworks are likely to remain busy for some time upon the orders in hand; but the lighter branches are experiencing a quieter demand. Export business in most departments has been on a poor scale; but recently the inquiry for overseas markets has shown a tendency to expand.

*

Sheffield.—The volume of business in the iron market is almost unchanged, and there are no indications of improvement. Consumers are curtailing deliveries under contract, and current business relates mainly to small parcels. The reimposition of the 3½ per cent. duty on foreign pig iron is welcomed by producers, but it will take a considerable time to work off the large stocks of material in hand. Demand for foundry iron has weakened further, and there is but little inquiry for forge iron. In hematites activity is confined to special qualities, for which there is a fair market. In finished iron, common and marked bars are in fair request, but crown iron is neglected. Prices are unchanged.

There is an easier appearance about the steel market, but the outlook is regarded with confidence. Good business continues to be done in basic and acid billets. The demand for wire rods is strong, but is being overtaken. Strip, bars and stainless steel sheets are good features.

The heavy steel sections are fully employed, and overtime is being worked in the heavy engineering branches, but quieter conditions are showing themselves in the lighter industries. All the open-hearth furnaces are working to capacity, and demand for the more expensive steels is improving.

Middlesbrough.—The re-imposition of the 3½ per cent. duty on imported pig iron is not having any immediate effect, as imports since March have been small. Consumers of foundry pig iron have large stocks received from the Midlands and the Continent some time ago, and supplies are not being used as rapidly as was anticipated; consequently buyers are not prepared to purchase for the second half of the year, as they expect some reduction in prices. Although the output of hematite pig iron has been considerably reduced there is still a surplus after deliveries have been made against current contracts, for users are not calling for the full supplies due.

The production of semi-finished steel is now ample for requirements, whilst the heavy steel departments continue busy. Works producing shipbuilding material, whilst engaged in fulfilling existing contracts, would like to hear of further orders for new vessels.

Blast-furnace coke is in good supply, whilst heavy steel melting scrap can only be obtained at the official prices; some works are fully covered and are retarding deliveries. Imports of foreign ore continue at last month's level.

*

Glasgow.—Heavy steelmakers in the West of Scotland are still fully occupied. The demand for lighter sections and tubes, however, is not yet showing signs of improvement; consequently it may be impossible to maintain a high rate of production. A good proportion of the local sheet rolling plant is in operation and there is a steady demand for both black and galvanised sheets, much of it for finely finished and specially coated material. Tank makers, sheet metal workers and fabricators are all busy and in many cases have several months' work in hand. It was announced this week that the Greenock Dockyard Company has received an order from the Clan Line Steamers, Limited, for a twin-screw cargo steamer, the engines for which will be supplied by Messrs John G. Kincaid and Company, of Greenock, Messrs Fleming and Ferguson, Limited, of Paisley, have received an order from the Admiralty for another salvage tug of the Brigand Class.

*

Cardiff.—Production in the South Wales branches of the iron and steel industry continues to decline. In the week ended May 7th the output in the tinplate industry was only 33.92 per cent. of capacity under the pooling scheme, compared with 43.13 per cent. the previous week, and 73.73 per cent. in the corresponding period last year. Shipments of tinplates at Swansea last week totalled 4,375 tons, against 6,302 tons a year ago, but owing to the greatly reduced output, stocks in warehouse and

Tinplate Industry Statistics

	Week ended		
	May 8, 1937	Apr. 30, 1938	May 7, 1938
Production—Per cent. of capacity.....	73.73	43.13	33.92
Week ended			
Shipments	May 11, 1937	May 5, 1938	May 12, 1938
	Tons	Tons	Tons
Stocks (warehouse and in vans)	6,302	6,192	4,375
Nineteen Weeks ended			
Shipments	May 11, 1937	May 12, 1938	
	Tons	Tons	
	151,597	102,413	

vans at the docks, at 5,610 tons, show very little change. Prices are nominally unchanged. Consumers' stocks, however, are steadily declining, and inquiry in the market is a little better. Contracts under order represent a total of 2,350,000 boxes for delivery up to the end of the year. The outputs of pig-iron and steel are falling owing to the heavily reduced steel bar requirements of the tinplate and some of the other re-rolling departments.

Textiles

Cotton (Manchester).—Encouraging features have been absent. Spinners and manufacturers have experienced a limited demand, sales being below output. Sentiment in the raw cotton markets has continued bearish, but there has not been any decline in prices. Prices in the Liverpool market have been adversely affected by the hedging of outside growths. It is estimated that the carry-over of all kinds of cotton at the end of July will be about 23 million bales, or about 5 million bales more than the previous record in 1932. Crop advices from America continue generally favourable.

The yarn market has been upset by rumours that the price agreements may break down owing to the depression. Home users and exporters have been more cautious than ever, the week's sales being decidedly small. The cloth market has been inactive, the turnover having consisted of small lots to meet the urgent requirements of customers. Miscellaneous transactions have been put through for India, chiefly in bleaching and printing styles. There are hopes of some modification of the new tariff in Egypt, and, although there is no boycott of Egyptian cotton in Lancashire, many spinners are inclined to use other growths if possible. It is feared that the purchasing power of the West African natives will be affected for a long time as a result of the cocoa dispute. A little more business has been about in heavy materials for the Dominions and in fancies for the Continent. Irregular buying has taken place in home trade fabrics.

*

Jute (Dundee).—The Indian jute mills' failure to settle the working hours problem is a disappointment to the jute trade. Though the owners of 98 per cent. of the looms are ready to sign the agreement, the remaining two per cent. are not, and excessive production continues. Stocks are increasing and, as it will probably be some time before they can be absorbed, the market is likely to remain depressed. There is an attempt in Calcutta to restrict production without reference to the recalcitrant mills, but the majority wish to make the agreement binding on all firms in the industry. Meantime, prices are depressed and occasionally showing further signs of weakness, though the Indian mills are already losing money.

These low prices are naturally affecting other producing centres, and the whole jute industry of the world is in an unhealthy state. Dundee manufacturers have received some encouragement lately through the issue of further orders for sandbags and also for the supply of beet sugar pulp bags for the British Sugar Corporation, but the general trade is very slow. Prices for

(Continued on page 456.)

BRITISH WHOLESALE PRICES

May 11, 1938			May 18, 1938		
CEREALS AND MEAT					
GRAIN, Etc.—					
Wheat—	s. d.	s. d.			
No. 2, N. Man. 496 lb.	45	9	45	0	
Eng. Gaz. av., per cwt.	7	11	8	0	
Live May, per cental	6	7	6	8	
Flour, per 280 lb.—					
Straights, d/d London	33	0	32	0	
Manitoba, ex store	33	9	33	6	
Barley, Eng. Gaz. av.	10	9	10	10	
Oats	8	2	8	3	
Maize, La Plata, landed, 480 lb.	36	0	36	0	
Rice, No. 2 Burma, per cwt.	8	10½	8	9	
MEAT					
Beef, per 8 lb.—					
Lush long sides	4	6	4	4	
Argentine chilled hinds	4	4	4	6	
Mutton, per 8 lb.—					
Lush wethers	4	0	3	8	
N.Z. frozen wethers	2	10	2	10	
Lamb, per 8 lb.—					
N.Z. frozen	4	11	4	10	
Pork, English, per 8 lb.	5	8	5	8	
BACON (per cwt.)—					
English	102	0	100	0	
Danish	104	0	102	0	
Dutch	98	0	96	0	
Irish	94	0	94	0	
HAMS (per cwt.)—					
Canadian	98	0	100	0	
United States	89	0	90	0	
Other	93	0	94	0	
OTHER FOODS					
BUTTER (per cwt.)—					
Australian	131	0	127	0	
New Zealand	133	0	130	0	
Danish	131	0	132	0	
CHEESE (per cwt.)—					
Canadian	77	0	77	0	
New Zealand	70	0	71	6	
English Cheddars	70	0	70	0	
Dutch	52	0	52	0	
COCOA (per cwt.)—					
Accra, I.F.	23	6	23	0	
Trinidad	40	0	38	0	
Grenada	40	0	38	0	
COFFEE (per cwt.)—					
Santos sup. c. & f.	30	0	30	0	
Costa Rica, medium to good	50	0	48	0	
Kenya, medium	46	0	46	0	
EGGS (per 120)—					
English (15-15½ lb.)	12	0	12	0	
Danish (15½ lb.)	11	0	11	0	
FRUIT—					
Oranges, Jaffa	16	3	14	3	
Lemons, Malaga	18	0	17	0	
Apples, Amer. (var.)	18	0	17	0	
Grapes, Almeria	10	6	10	0	
Grapefruit, Jaffa	16	0	14	6	
LARD (per cwt.)—					
Irish, finest bladders	56	0	56	0	
U.S.	48	6	48	6	
PEPPER, per lb.—					
Black Lampong (in Bond)	0	2½	0	2½	
White Muntok	0	3½	0	3½	
POTATOES (per cwt.)—					
King Edward	8	6	8	6	
SUGAR (per cwt.)—					
Centrifugal, 96°, prpd. form, c.f. U.K. Cont.	5	1½	5	1½	
Refined—London—					
Yellow Crystals	18	4½	18	4½	
Cubes	22	7½	22	7½	
Industrial	23	1½	23	1½	
SUGAR (per cwt.)—cont.					
Crushed	20	10½	20	10½	
Granulated	18	9	18	9	
Home Grown	19	7½	19	7½	
TEA (Auction Average) (per lb.)—					
N. India	14	06	14	25	
Ceylon	15	48	15	27	
Java	14	33	12	86	
Sumatra	12	79	11	84	
Africa	14	50	14	51	
Total	14	50	14	51	
TOBACCO (per lb.)—					
Virginia stemmed and unstemmed, common to fine	0	8	0	8	
Rhodesian stemmed and unstemmed	0	9	0	9	
Nyasaland stemmed and unstemmed	0	7	0	7	
East Indian	0	6	0	6	
Stemmed	0	6	0	6	
Unstemmed	1	6	1	6	
TEXTILES					
COTTON (per lb.)—					
Raw, Mid-American	4	74	4	76	
Sakellariadis, F.G.F.	7	57	7	54	
Giza, F.G.F.	6	87	6	94	
Yarns, 32's Twist	10	8	10	8	
40's Twist (Egyptian)	17	4	17	4	
Cloth, 32 in. Printers, 116 yds.	17	5	17	4	
16 x 16, 32's & 50's	23	8	23	6	
36 in. Shirtings, 75 yds.	10	1	10	0	
19 x 19, 32's & 40's	9	2	9	1	
38 in. ditto, 38 yds.	6	0	6	0	
18 x 16, 10 lb.	6	0	6	0	
39 in. ditto, 37½ yds.	6	0	6	0	
16 x 15, 8½ lb.	6	0	6	0	
FLAX (per ton)—					
Livonian ZK	67	0	66	0	
Pernau HD	68	0	67	0	
Slanez Medium, 1st sort	85	0	85	0	
HEMP (per ton)—					
Indian PC	69	0	69	0	
Manilla, May-July "J2"	21	10	21	10	
JUTE (per ton)—					
Native 1st mks., c.f. H.A.R.B.	17	11/3	17	15/0	
May-June	17	11/3	17	12/6	
Daisee 2/3 c.f. Dundee, May-June	16	0	16	0	
SISAL (per ton)—					
African, May-July	17	10	17	5	
SILK (per lb.)—					
Canton	7	3	7	3	
Japan	6	6	6	6	
Italian, raw, fr. Milan	7	3	7	3	
WOOL (per lb.)—					
English, Southdown, greasy	14	13½	14	13½	
Lincoln hog, washed	12	11½	12	11½	
Queensland, scd. super combg.	23	23	23	23	
N.S.W. greasy, super combg.	13½	13½	13½	13½	
N.Z., greasy, half-bred 50-56	13	13	13	13	
Crossbred 40-44	27½	27½	27½	27½	
Merinos 70's average	26½	26½	26½	26½	
64's	16½	16½	16½	16½	
Crossbred 48's	16	16	16	16	
46's	16	16	16	16	
MINERALS					
COAL (per ton)—					
Welsh, best Admiralty	19	6	19	6	
Durham, best gas, f.o.b. Tyne	21	6	20	6	
Sheffield, best house, at pits	22	0	22	0	
IRON AND STEEL (per ton)—					
Pig, Cleveland No. 3, d/d	109	0	109	0	
Bars, Middlesbrough	265	0	265	0	
Steel rails, heavy	202	6	202	6	
Tinplates	21	6	21	6	
NON-FERROUS METALS (per ton)—					
Copper—					
Standard cash	38	17/6	37	11/3	
Three months	39	1/3	37	16/3	
Tin—					
Standard cash	167	10/161	150	0	
Three months	168	5/0	162	10/0	
Lead, soft foreign—					
Cash	14	12/6	14	2/6	
English, pig	16	15/0	16	5/0	
Spelter, G.O.B.—					
Spot	13	1/3	12	15/0	
Aluminium, ingots and bars	100	0/0	100	0/0	
" rolling billets	102	0/0	102	0/0	
Nickel, home and export	185	0/0	185	0/0	
Antimony, Chinese	62	0/0	60	0/0	
Wolfram, Chinese	36	0/0	39	0/0	
Platinum, refined	6	12/6	6	12/6	
Quicksilver	12	10/0	12	10/0	
GOLD, per fine ounce					
1938	139	9	140	0	
SILVER (per ounce)—					
Cash	16	7	1	6	7
MISCELLANEOUS					
CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to ton (free, non-returnable)—					
4-ton loads and upwards	42s.	per ton			
CHEMICALS—					
Acid, citric, per lb., less 5% ...	1	0	1	0	
" Nitric	0	2	0	2	
" Oxalic, net	0	3	0	3	
" Tartaric, English, less 5%	1	1	1	1	
Alcohol, Plain Ethyl	12	14	12	0	
Ammonia, carb.	20	0	20	0	
" Sulphate	7	14/0	7	14/0	
Arsenic, lump	35	0	35	0	
Borax, gran.	13	6	13	6	
" powder	15	0	15	0	
Nitrate of soda	8	0	8	0	
Potash, Chlorate, net	0	4	0	4	
Sulphate	10	0	10	0	
Soda Bicarb.	11	0	11	0	
Crystals	5	0	5	0	
Sulphate of Copper	18	5/0	18	5/0	
COPRA (per ton)—					
S.D. Straits, c.f.f.	12	6/3	12	1/3	
HIDES (per lb.)—					
Wet salted, Australian	0	4½	0	4½	
West Indian	0	2½	0	2½	
Cape	0	4½	0	4½	
Dry and Drysalted Cape	0	7½	0	7½	
Market Hides, Manchester—					
Best heavy ox and heifer	0	5½	0	5½	
Best cow	0	4½	0	4½	
Best calf	0	6½	0	6½	
INDIGO (per lb.)—					
Bengal, gd. red-vio. to fine	5	6	5	6	
LEATHER (per lb.)—					
Sole Bends, 8/14 lb.	1	11	1	11	
Bark Tanned Sole	2	0	2	0	
Shoulders from DS Hides	0	6	0	6	
" Eng. or WS do.	1	3	1	3	
Bellies from DS do.	0	5	0	5	
" Eng. or WS do.	0	8	0	8	
Dressing Hides	1	2	1	2	
Ro. Eng. Calif, 20/35 lb. per doz.	3	6	3	6	
PETROLEUM PRODUCTS (per gall.)—					
Motor Spirit, No. 1, London	1	6½	1	6	
Petroleum, Amer. red. bri. Lond.	0	3½	0	3½	
Fuel oil, in bulk, for contracts ex instal. Thames—					
Furnace	0	3½	0	3½	
Diesel	0	4½	0	4½	
ROSIN (per ton)—					
American	13	10/0	13	15/0	
RUBBER (per lb.)—					
St. ribbed smoked sheet	0	5½	0	5½	
Fine nara Para	0	5½	0	5½	
SHELLAC (per cwt.)—					
IN Orange	39	0	38	6	
TALLOW (per cwt.)—					
London town	18	6	18	6	
TIN (per cwt.)—					
Swedish u/s 3 x 8	22	5/0	22	5/0	
" 2½ x 7	21	15/0	21	15/0	
" 2 x 4	19	5/0	19	5/0	
Canadian Spruce, Dia.	23	5/0	23	5/0	
Pitchpine	11	0/0	11	0/0	
Rio Deals	35	0/0	35	0/0	
Teak	27	0/0	27	0/0	
Honduras Mahogany logs c. ft.	0	12/0	0	12/0	
English Oak Planks	0	6/0	0	6/0	
English Ash Planks	0	7/0	0	7/0	
VEGETABLE OILS (per ton net)—					
Lined, tank	23	17/6	23	12/6	
Rape refined	33	0/0	33	0/0	
Cotton-seed, crude	18	0/0	18	0/0	
Coconut, crude	16	15/0	16	12/6	
Palm	14	5/0	13	15/0	
Oil Cakes, Lined, Eng.	9	15/0	9	15/0	
Oil Seeds, Lined—					
Calcutta, May	11	17/6	11	13/9	
Calcutta	12	10/0	12	10/0	
Turpentine	32	0	32	0	

COMPANY MEETINGS

ANGLO-PALESTINE BANK, LIMITED

COUNTRY'S POLITICAL FUTURE

NEED FOR CLEAR-CUT POLICY

CHAIRMAN'S VIEWS

The ordinary general meeting of The Anglo-Palestine Bank, Limited, was held, on the 16th instant, at the offices of the company, 10-12 Walbrook, London, E.C.

Mr L. Istoric (one of the directors) presided in the absence of the chairman (Mr L. Braudo), who resides in Palestine.

The Joint Secretary (Mr S. Costa) having read the notice convening the meeting, and also the auditors' report,

The Chairman said:—Ladies and gentlemen,—The report and accounts for the past year are in your hands, and I assume that I have your permission to consider them as read. (Agreed.)

You will have perceived that our earnings have not been smaller than those of the previous year, and after all you have heard about the deterioration of Palestine's economic condition in recent years the fact will no doubt afford you some satisfaction.

EFFECTS OF UNCERTAINTY

Unfortunately one cannot deny that there is a considerable measure of truth in the general assumption to which I have just referred—that Palestine has received a heavy setback and has not yet recovered from it. It is not the prevalent lack of public security—serious and hampering though it may be—which mainly prevents recovery; it is the lack of certainty about the country's political future which acts as a brake on all initiative and on all spirit of enterprise on the part of investors, manufacturers, planters, and business men generally.

I referred to the matter last year when the Report of the Royal Commission had not then appeared, and I can only say to-day that the report is now more than nine months old, and only during the last few weeks have the first preparatory steps been taken to take action on it. You will not expect me to discuss here and now the problems arising from the Royal Commission's recommendations; but I may say this: What Palestine needs more than anything else is a clear-cut policy in consonance with the fundamental undertakings which form the *raison d'être* for Great Britain's presence in the country, and the sooner such a policy is now framed and carried through the sooner may one hope to find the country on the road to recovery.

BUSINESS OF THE BANK

The bank, I am happy to say, has not found its business disturbed by the present recession. Deposits, as you will have observed from the directors' report, have gone down, but the main reason lies in the fact that the bank is the main repository for immigrants' funds, and the flow of such funds to Palestine has been greatly reduced in consequence of immigration restrictions, currency restrictions in the immigrants' countries of origin, and the political uncertainty. At the same time investment of immigrants' funds by clients of the bank in debentures of the bank's affiliation, the General Mortgage Bank of Palestine, Limited, continued.

Commerce, industry and agriculture were able, in spite of adverse circumstances, to absorb a fairly large amount of additional credit, and we acquired much additional business which we have every reason to expect will prove remunerative.

BETTER ORANGE SEASON

I spoke to you last year about the bad season which the orange industry, Palestine's main export industry, had then suffered. I am happy to say that, while this year's season was certainly far from brilliant, it was in many respects more satisfactory than last year's. The general price level was rather higher, and the quality of the exported fruit showed a great improvement.

Like last year we have, in view of the present somewhat confused circumstances, given serious consideration to the distribution of available profits. We are proposing, as you have seen from the report, to transfer to the contingency fund a somewhat larger amount than last year, and we are recommending the distribution of a dividend of 10 per cent., less tax.

DIVIDEND OF 10 PER CENT.

I therefore take pleasure in moving:—
"That the report and accounts for the year ended December 31, 1937, as circulated among the shareholders, be approved and adopted, and that the payment of interim and final dividends both on the ordinary and "A" ordinary shares amounting to 10 per cent., less tax, for the year ended December 31, 1937, be and the same is hereby sanctioned."

The report and accounts, together with the dividends and appropriations recommended therein, having been approved and adopted, a vote of thanks to the general manager, the officials, and the staff for their services was passed.

The retiring directors were re-elected and the auditors re-appointed.

The proceedings then terminated with a vote of thanks to the chairman.

THE LIVERPOOL AND LONDON AND GLOBE INSURANCE COMPANY, LIMITED

102ND ANNUAL REPORT

A SUCCESSFUL YEAR

The one hundred and second annual general meeting of The Liverpool and London and Globe Insurance Company, Limited, was held, on the 18th instant, in Liverpool.

Mr A. E. Pattinson, the chairman, said that underwriting profit, £894,866, was one of the best the company had reported. Total premiums had increased by £350,400. Fire, accident and life departments had shown high standards of achievement, but marine for once had been unprofitable.

Total net claim payments since inception of the company now exceeded £200,000,000.

MINIMISING THE FIRE HAZARD

The company had continued its efforts to minimise fire hazards, and its advice had been sought and given in the construction and protection of new buildings. Recent fire losses of unusual severity had emphasised the need for sub-dividing buildings of large areas into units of moderate dimensions. Fires of electrical origin were becoming more numerous. Many older installations fell far short of to-day's standards, and should be periodically examined by competent engineers.

ROAD ACCIDENTS

Motor insurance continued to present many problems, and there had been a consistent upward trend in the average cost of motor claims.

Referring to road accidents, Mr Pattinson suggested that a marked increase in road courtesy was needed. Speed was the dominant factor in a very large proportion of the accidents, and, whilst he did not advocate a fixed limit, he stressed that accidents at speed invariably proved disastrous. He felt a thorough revision of road signs was overdue, and said much remained to be done to bring roads to a standard of safety.

1937 RESULTS

Net Premiums.—Fire, £3,925,852 (against £3,909,518 for 1936); accident and miscellaneous, £4,898,523 (against £4,627,128); marine, £330,080 (against £294,163).

Underwriting Profits were: Fire, £422,244; accident, £491,391; life, £26,000. Marine loss, £44,769. Total, £894,866.

Interest to profit and loss account was £427,627. Net new life sums assured were £2,886,475.

Profit and loss account, after providing for dividend, income tax, and National Defence Contribution, etc., showed a balance carried forward of £682,698.

The report and accounts were adopted, and a final dividend of 13s. 6d. per share was declared, making 27s. per share, less tax, for 1937.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to the Reporting Manager of THE ECONOMIST, 8 Bouverie Street, Fleet Street, London, E.C.4.

HAMBROS BANK LIMITED
EXCELLENT POSITION IN SCANDINAVIA

The twenty-sixth annual meeting of Hambros Bank Limited was held, on the 19th instant, at No. 41 Bishopsgate, London.

Mr R. Olaf Hambro, the chairman, who presided, said it was difficult in these times to dissociate the financial aspect from the political. The greater part of their activities were centred in Norway, Sweden, Denmark and Finland, which countries accounted for well over 50 per cent. of their accounts, and with regard to those countries there was nothing but good to report.

The most important thing that had happened in the rest of Europe was the Anglo-Italian agreement, which was the greatest step forward in re-establishing good international feeling which they had seen for many years, and they looked forward to more active dealings with their friends in Italy as a result. He had told them last year that their old-established connections in that country had already started to make use of their services, and that had continued and extended. They must surely all hope that what had been done in Italy would be extended to other parts of Europe, especially to Germany. The restoration of normal trading between that country and theirs would do more than anything else to hasten the day for which every sane man was hoping, when that useless and wasteful expenditure on arms might cease and the world get back to thinking in terms of plough shares rather than of guns.

With regard to the accounts, the trading profit was again good, and, if he might say so, especially good in a year full of difficulties. Shareholders would notice that on this account there was a note which called attention to the fact that a transfer had been made from the contingency account. He had told them last year that their policy with regard to the German accounts governed by the Credit Agreement was to build up reserves against these debts without allocation, but in view of certain clauses in the new Credit Agreement, whereby it was recognised by the German authorities that certain credits originally granted against the movement of produce were no longer being used for that purpose, it became necessary to treat them differently—although the debtor remained a perfectly good and solvent debtor within his own country. The directors had decided to make that transfer from the contingency fund which, as they would see in the directors' report, brought them to the value at which they could be liquidated in sterling.

The report was unanimously adopted.

RHODESIA RAILWAYS, LIMITED

GROWTH OF TRAFFIC AND REVENUE

The forty-first ordinary general meeting of the Rhodesia Railways, Limited, was held, on the 18th instant, in London.

Mr Arthur E. Hadley, C.B.E., the chairman, said that the Mashonaland Railway Company had been absorbed by this company, and he proposed therefore to survey the whole railway position. The gross revenue for the year ended September 30, 1937, amounted to £4,709,069, compared with the combined gross revenue of £3,637,197 earned by the two companies in the previous year, an increase of nearly 30 per cent. That large expansion in business was due to increased trade activity in all directions in the two Rhodesias, particularly in minerals, the increase in gross receipts of over £1,000,000 being distributed as to £643,404 from mineral traffic and the balance mainly from general goods and passenger traffic.

As a result of the year's operations they had a surplus of gross revenue over working expenditure of £1,932,662, an increase of £815,254, a highly satisfactory result and, he believed, the best in the history of the railways. After meeting various charges there was a profit of £916,772, compared with £117,174 in the previous year. Under the legislation of the Territories which the railways operated no dividend could be paid in respect of the year under review, but, if all went well, they should be able to declare a dividend in respect of the year ended September 30, 1938.

He would like to draw attention to the strength of their liquid resources. At September 30, 1937, in addition to £468,699 in cash, they had quoted investments with a market value of over £5,687,000, of which over £4,120,000 was represented by British Government, corporation and colonial stocks. Therefore, their reserve account of £1,675,657, and also the greater part of their depreciation and renewals account of £4,541,176, were in liquid form.

As regarded the current financial year, during the first five months—October 1, 1937, to February 28, 1938—the approximate working results were:—Gross receipts, £2,101,534, an increase of £401,559 over those of the corresponding period of the previous year; working expenses, £1,159,663, an increase of £132,964; surplus of gross revenue over working expenditure, £941,871, an increase of £268,595.

The report was unanimously adopted.

LONDON AND MANCHESTER ASSURANCE COMPANY, LIMITED

FURTHER EXPANSION

POPULARITY OF INDUSTRIAL ASSURANCE

The sixty-ninth annual general meeting of the London and Manchester Assurance Company, Limited, was held, on the 18th instant, at the Chief Office, Finsbury Square, London, Mr Walter H. Brown (the chairman) presiding.

The Chairman, in moving the adoption of the report and accounts, said:—Before dealing with our accounts, I wish to emphasise the magnitude to which industrial assurance has grown since 1869, when this company was established. I cannot give the total for all offices in 1869, but at the present day there is a total of over 90,000,000 policies in force in the British Isles. Millions of persons have started with a penny-a-week policy on their lives, and in course of time, additional policies have been effected largely because they have come to appreciate industrial assurance more and more and have observed its beneficial results. From the social standpoint the success of industrial assurance, built up on the voluntary response of the people, is of marked significance. It reflects the sturdy independence of the British wage-earner, and his desire to take a long view of his responsibilities. We may claim with pride that the natural thriftiness of the wage-earning classes has been developed largely under the educational influence of the industrial assurance agents; and that the success of industrial assurance policies, etc., combined with the protection given by the tion of the premiums week by week at the homes of the policyholders, is closely adapted to the circumstances of those to whom industrial assurance policies are offered.

INDUSTRIAL BRANCH

In our industrial branch we have made a substantial premium increase of £46,734, bringing the total premium income up to £1,850,265. Our mortality experience has been moderate, the amount paid out being about £12,000 less than in the previous year. The claims arising by survivorship of the endowment periods happen to have been lighter than in any of the previous four years. Surrenders are again low in amount; and the expense ratio to premium income continues to fall. Some day perhaps actuaries may agree on a more scientific way of measuring expenses. A few months ago the subject was discussed at a meeting of the Institute of Actuaries where the authors of the paper under discussion said "the most popular and, at the same time, the most misleading method of comparing expenses is the ratio as a percentage of the total premium income." In my opinion, a movement towards greater economy in an office may be obscured by considering the expenses merely as a ratio of the premium income.

The net yield on the industrial life fund was £4 6s. 9d. per cent., which is a slight increase on the previous year; and, I think it will be agreed, this indicates meritorious management of the funds entrusted to the directors.

The current sums assured under our industrial policies exceed thirty-four-and-a-half million pounds.

Although none of the policies issued in this branch has any contractual right to participate in any of the profits of the company, we have provided for the repetition of our past performance in allocating the same rates of bonuses. The rates are described in the directors' report.

I may mention that there is now no such thing in this office as forfeiture of benefits paid for. If, owing to unemployment or other cause, an industrial policyholder discontinues payment of premiums after two years, he is granted, after an extended period of free and full insurance cover, an automatically created paid-up policy of a value calculated in accordance with certain rules laid down by Act of Parliament. On March 24th last this company had in force over a quarter of a million of these free policies.

ORDINARY BRANCH

The annual premiums received in this branch show an increase of £49,527 over the corresponding figure of the previous year. This increase is comparable with £54,204 a year ago. As regards our single premium acceptances, these decreased compared with the previous year. The effect of this has been that the aggregate premium increase for the year now under review works out at £20,000, as shown in the accounts. Consideration money for annuities is not much changed. Death claims show an increase appropriate to the increase in business, and it happens to have been a very heavy year for maturities by survivorship. The ratio of expenses to office premiums (adjusting as usual for single premiums) again shows a reduction of about one-half of 1 per cent. The net yield on the

fund was £4 6s. 2d. per cent., which I consider can be regarded as an excellent result, being only 3d. less than a year ago. The bonus has been easily maintained at £2 per cent.

I would add that a considerable amount of reorganising and consolidating work in this branch has been carried out during the last few months, in spite of which it will be noticed that new sums assured again exceeded £4,000,000.

In the Fire and General branch, the premium income, £90,620, shows a satisfactory increase of £11,370; and this branch is beginning to contribute to the strength of the company's activities.

ASSETS

The assets now exceed nineteen million pounds, having increased during the year by over one-and-a-quarter million pounds, which is a record. As I have mentioned before, the security for the assurance funds is a prime consideration and, as usual, our assets have been cautiously valued.

Of Stock Exchange securities no less than 82 per cent. is invested in the United Kingdom, and a further 13 per cent. in the rest of the Empire, thus leaving only 5 per cent. in foreign countries.

As regards the distribution of assets, the principal variations from the previous year are: United Kingdom mortgages and loans on rates have increased from 10.1 to 12.3 per cent. British Government securities have fallen from 25.5 to 24.5 per cent. United Kingdom and municipal securities have fallen from 11.6 to 10.5 per cent. Indian and Colonial Government securities have fallen from 7.8 to 6.1 per cent. Debenture securities have increased from 14.5 to 15.4 per cent. Ordinary stocks and shares have increased from 11.0 to 11.7 per cent.

Two years ago I gave it as my opinion that the future of the company could be looked forward to with the utmost confidence, and that expression of opinion I now endorse without the slightest hesitation.

In conclusion the Chairman announced his retirement from the chair after over 50 years' service.

The report and accounts were adopted and the Chairman was presented by the outdoor and indoor staffs with an album containing the signatures of the whole of the company's staff, and afterwards, at a private luncheon, he was presented with a silver salver and a diamond clip for Mrs Brown, on behalf of the directors, the actuary, the solicitors, and the surveyors of the company.

BRITISH SHAREHOLDERS TRUST, LIMITED

INVESTMENTS WELL SPREAD

The sixteenth ordinary general meeting of the British Shareholders Trust, Limited, was held, on the 18th instant, in London, Sir Follett Holt, K.B.E. (the chairman), presiding.

The Chairman, in the course of his speech, said:—The accounts will, I hope, be considered to show a satisfactory result of a year which from the point of view of finance and investments has been one of difficulties. Japan, Spain and Germany have continued to disturb either the peace or the peaceful thoughts and wishes of the rest of the world, and consequently investors, with the added factor of increased taxation, have been called upon to face a fall in the market values of their securities. The lack of confidence that followed caused the severe restriction of new capital issues, and the march of enterprise has been arrested at least for the time being.

These were the conditions which our company, as an issuing house and a large holder of investments, had to meet in the past year, and I think they were met in all the circumstances not unsatisfactorily, for, as you will have seen in the accounts, the result was a net profit of £52,510. Our investments, which number 290, remain well spread and are in the main in companies operating in the United Kingdom or under British control. Since our books were closed there has been some improvement in quotations, which we hope will continue, and, if you approve the proposed allocation of revenue, the value of our assets will exceed the capital of the trust by at least £172,787, the figure given in the report.

The company is, therefore, in a very sound position; it is free from any forward commitments, and has ample funds for the business which it conducts. Now what we look forward to and expect is the gradual return to a feeling of confidence in the public mind, and to the resumption of the spirit of enterprise.

While maintaining our dividend for the year at 7½ per cent., we propose, in view of the stagnation at present ruling in financial affairs, to ask you to agree to limit the bonus to 1 per cent., making the total payment for the year 8½ per cent., less tax. This will enable us to place £5,000 to reserve and to increase the carry-forward by about £1,700.

The report and accounts were unanimously adopted.

INCORPORATED ACCOUNTANTS

STEADY GROWTH OF MEMBERSHIP

MR WALTER HOLMAN'S ADDRESS

The annual general meeting of the Society of Incorporated Accountants and Auditors was held, on the 17th instant, at Incorporated Accountants' Hall, Victoria Embankment, London, W.C.

Mr Walter Holman, F.S.A.A., the president, in the course of his speech, said:—In view of the severity of the examination tests imposed by the society, evidence of which is contained in the summary of past results given in the report, the steady growth in membership is satisfactory. We now have 7,216 members, of whom 1,507 are Fellows, and the fact that there is again an upward tendency in the registrations of new articulated clerks is encouraging for the future of the society and indicates the continued popularity of accountancy as a career.

The need for revision of company law is being increasingly recognised and the Society's committee on this matter is collecting information in order that we may be prepared to give evidence when the time arrives. The co-operation of all members is desired, and the committee will welcome communications on the subject.

PROFESSIONAL ETIQUETTE

During the past year the Institute of Chartered Accountants had under consideration the question of the relations of its members to one another and to other professional accountants, with particular reference to the procedure to be adopted in cases of changes of company auditors, and as a result its council passed the following resolution:—

"Where a change of auditors of a company is proposed it shall be the duty of any member of the Institute before accepting nomination for election to communicate with the existing auditors with a view to ascertaining the circumstances in which a change of auditor is proposed."

An invitation was extended to our council to associate itself with this action and to co-operate in obtaining from all our members compliance with the terms of this resolution.

The council of the society is in complete accord with the spirit of that resolution which in its view represents the procedure generally adopted by members of the society, and I cannot too strongly stress the desire of the council that in this, as in every other direction, our members shall observe the usual courtesy of the profession, not only between themselves but also between themselves and other members of the profession.

Section 132 of the Companies Act, 1929, sets out the procedure to be adopted when a change of auditors is intended. No action is legally called for either by the retiring auditor or the auditor nominated to replace him, but in actual practice both of them are likely to know of the change contemplated and courtesy as well as etiquette demands such action as is laid down in the institute resolution.

My council is of opinion that it would be detrimental to the profession if the obligations of courtesy and etiquette were so closely crystallised and defined as to appear to interfere with the statutory right of the appointment of the auditor by members. In the light of all these considerations I have been asked by my colleagues to make our views known to the members in my presidential speech, and in this way to further the purpose which we share with the institute.

NATIONAL FINANCE

Any review of the past year, either from a professional or a national standpoint, would be incomplete without reference to the subject of taxation. The imposition of the National Defence Contribution, the recent increase in the standard rate of income tax, and the proposals for dealing with tax evasion have all served to focus attention on the growing expenditure of the country in many directions.

As professional accountants, our training and our whole experience teach us the necessity for economy in administration and the adoption of conservative methods of finance, and we know that the time when receipts are expanding is particularly the time when expenditure must be rigidly scrutinised to ensure that funds available shall be administered with the utmost economy and efficiency. These same principles are no less applicable to public affairs than to industry. The fact that increasing expenditure has so far been accompanied by expanding revenue may reasonably be attributed in the main to the application of sound accountancy principles to industry, and it must not be forgotten that industry is the sole source of revenue. But it would be dangerous to assume that such expansion of revenue can go on indefinitely, because taxation at its present level depletes the profits available for capital replacement. The report was adopted.

SMITH'S POTATO CRISPS (1929) LIMITED

RECORD TRADING RESULTS

DISTRIBUTION OF 32½ PER CENT.

SIR HERBERT E. MORGAN ON THE GROWTH OF BUSINESS

The ninth ordinary general meeting of Smith's Potato Crisps (1929), Limited, was held, on the 18th instant, at the Holborn Restaurant, London.

Sir Herbert E. Morgan, K.B.E. (the chairman), in the course of his speech, said:—At the last annual meeting I told you that we had made a flying start for the coming 12 months. To-day the results of our trading for that period are before you. I am naturally proud to preside for the ninth successive year at this meeting of shareholders and to be able to tell you that we have experienced the best period of trading in our history. As you will see from the accounts, our profit is just over £164,000, as against £130,627 last year.

This very satisfactory position is due to increased turnover. Every year in the history of the company one has been able to report that the business is developing and sales are expanding, but in the year under review that expansion was greater than in any previous time. This is not traceable to any one factor other than the Coronation, but to increased demands for our products from every part of the country. An ever-growing multitude are buying our goods, and the numbers of wholesale and retail distributors handling them are always increasing.

HIGH QUALITY OF PRODUCTS

I believe this demand to be the result of the supreme quality of the article we supply. Smith's Potato Crisps are really a triumph of good cooking. The potatoes from which they are made are of the finest quality, and a large quantity of them are grown on our own farms for our specific purposes. The pure oil in which they are cooked is of supreme quality, and these factors, added to the skill and experience of our staff, result in our wonderful product.

It should be emphasised that our potato crisps have great nutritive qualities. The fact that they are cooked in pure vegetable oil by our particular method largely adds to their value as a food. A distinguished authority has said that potatoes are "murdered" in their cooking. We claim by our process to put additional life into them. May I say in passing that the potato is not the only wonderful national product grown in Britain that is butchered.

Of course, the very low price we charge for what is a meal doubtless adds to our popularity. Our commodity is low-priced, bringing it within the reach of the slimmest household budget, but that has not prevented us from supplying many of the most distinguished families in the country. We can claim for our crisps, with some 200,000 retailers interested in their sale, they are one of the most widely distributed food products in the country. "You meet them everywhere."

The pressure on our factories last year owing to the demand was so great that at one time we were quite unable to meet it. We have no reason to believe that the increase in our trade is of a temporary character, and therefore decided to add to our capacity by erecting a new factory at Lincoln and doubling the size of our factory at Stockport. Our new factory at Lincoln is only seven miles from our agricultural estates there, and it will be readily understood that a saving will be effected at this particular spot on the carriage of potatoes, which is a considerable item.

It is one of our proud claims that we never lose a customer, either consumer or distributor; but we are still of the opinion that there are many households that have yet to learn the advantages of our product.

EXPENDITURE ON FACTORY EXTENSIONS

I now come to the accounts. During the year a sum in the neighbourhood of £50,000 has been expended on capital account in respect of the erection and extension of the factories and addition to equipment. It has always been the policy of this company to pay for its extensions out of revenue. You will see from the balance-sheet that we have taken this large amount in our stride this year, and, in spite of it, our cash and liquid investments stand at the end of the year higher, at the total sum of £148,724. This is as against a total at the end of last year of £126,517—£22,000 to the good. I am sure you will agree that this is a sound policy. It answers the rumours in the financial Press just prior to the publication of our report, which

were that we contemplated plans for re-financing in order to pay for our extensions.

As a result of our position I am glad that your directors are able to recommend the payment of a special 5 per cent. Coronation Year bonus, in addition to the same final dividend of 20 per cent. as last year, making a total distribution of 32½ per cent.

Our Cornflakes business has ceased to operate as a separate entity, though we are still maintaining supplies to meet the demand already created.

You will be interested to learn that our wonderful farming estate at Nocton is proving of material assistance to the company. Like the majority of agricultural enterprises, it is subject to many fluctuating conditions, but we are quite satisfied its acquisition has proved of real benefit to the parent company.

I am sure shareholders will be interested to have accurate information with regard to the potato crop for this year. On our own farms at Nocton they have not suffered from the recent cold and dry weather, and latest reports from the estates manager are to the effect that they are showing up well. The possibility of a general shortage of potatoes due to the late frosts has been very much discussed. This may cause a delay in the early lifting in a few districts. I am pleased, however, to be able to assure you from the knowledge I have obtained through the growers with whom we are associated, that given favourable conditions from now onwards, there is no reason to fear that we shall not obtain adequate supplies for all our requirements.

THE POTATO MARKETING BOARD

Agriculture is still one of the most important industries of the country and the very foundation of its existence. We know that the Government is making a constant effort to improve the lot of the farmer, and with that we are in fullest sympathy. I believe, however, improvement in the industry must come through the adoption of more highly mechanised and scientific effort and not through the many attempts that are being made by marketing boards to tamper with the natural laws of supply and demand.

Speaking on behalf of our company, which is one of the largest growers of potatoes in the country, and also the greatest individual consumer, we view with concern the many restrictions that are now being enforced by the Potato Marketing Board on the British grower of potatoes. The acreage they can cultivate is restricted, as well as the riddles controlling sizes. These restrictions are accompanied by the compulsory filling in of innumerable forms which would seem to be the very life-blood of the bureaucrat. One may well ask if we are gradually losing our freedom and binding ourselves in chains.

FRIENDLY RELATIONS WITH LICENSED TRADE

It is always with great pleasure I refer to our friendly relations with the licensed trade and the whole body of wholesale and retail distributors who handle our goods. It may interest you to know that I and my colleagues have presided or attended no less than 16 annual gatherings of licensed victuallers' associations in the past year. We are delighted to be able to give them a full measure of our support because we believe the licence holders of this country to be a fine body of men and women and a great national asset. There is a steady and marked improvement in the personnel, in the premises and the conduct of the trade.

I should like on your behalf to extend our thanks to the management and the whole of the staff for the efficient and loyal service they are rendering to the company. They are a happy and contented band, proud of the product we make and proud of the business, and, may I add, we are proud of them. In this connection you will be glad to learn that from the inception of this business we have always given our staff their holidays with pay.

Our order book for the coming year is well filled—we are still breaking records. Our increased facilities will enable us, I hope, to give again next year a satisfactory account of our stewardship.

The Chairman concluded by moving the adoption of the report and accounts.

Mr. Frank Smith (one of the managing directors) seconded the resolution and it was carried unanimously.

BRITISH MATCH CORPORATION, LIMITED

SATISFACTORY YEAR

The eleventh ordinary general meeting of British Match Corporation, Limited, was held, on the 18th instant, in London, Mr Clarence E. Bartholomew, O.B.E. (chairman and managing director), presiding.

The Chairman, in the course of his speech, said:—Before dealing with the accounts, I must refer to the loss which we have sustained during the year by the death of Mr Andrew Williamson—a man of great personal charm and of exceptional business experience, which was always cheerfully placed at our disposal. He was one of those whose personal modesty almost concealed his great ability and the influence which he exerted in a wide sphere.

We have elected Sir Ralph Glyn to fill the vacancy. We have gained in him a colleague who is unusually versed in affairs.

Although the year's revenue does not constitute a record, we have had on the whole a satisfactory year. I must qualify this phrase because of the position in Brazil. Our friends in that wonderful country have again worked well and successfully, but since the sudden constitutional changes of November last no dividends can be remitted. We can only hope that arrangements will be made by the Brazilian Government in the near future to enable those who have invested capital in Brazil to receive the very modest profits which the depreciated exchange allows them. Only last year I spoke of the improvement in Brazilian finances as having lessened our anxieties. These have now been increased once more, and—as a sincere friend of a land which ought to be rewarding those who have staked their money there in confidence and good faith—I trust that it will soon be found possible to restore that credit without which even naturally rich and prosperous countries cannot thrive.

Otherwise, the year has been free from serious disturbances in our trade.

Our returns from the home trade and from the British Dominions and the Argentine are almost exactly the same as last year, but I must remind you that we have had to suffer the National Defence Contribution as well as the extra 3d. on the income tax. These amounts paid by our subsidiary companies and ourselves total nearly £50,000, and, while we may presumably enjoy increased national security, we have no possible opportunity of earning extra profits.

The N.D.C. is still an unsatisfactory tax. In effect, it takes ordinary share capital only in such companies as ours, and it is, therefore, a tax on enterprise and initiative.

With regard to this year's further increase in taxation, I will only express my fear that even Great Britain may be approaching the point where the high level of taxation will weaken our national finances, as it is already reducing our purchasing power.

THE RED LIGHT WARNING

The decline in the yield from stamp duties must be considered as a red light. Artificially cheap money does not, apparently, create much new business.

Only once before in our history have we had to bear such heavy taxation. At that time—1917-22—money was dear, and profits were easily made, the taxpayer could earn 6 per cent. or more on safe investments, and 3 per cent. or more on his deposits with the bank. Now his limits are about 4 per cent. and 1 per cent. respectively, and when he dies the State takes a heavy capital levy on his savings and spends it on current outlays.

I am not a financial expert, but I cannot help thinking that we are spending our capital and crippling our earning capacity.

I am not concerned, as your chairman, with politics, and I am as eager as anyone that our defences shall be so strong that no one shall dare to attack our Homeland, and that our voice in favour of peace shall be heard with respect throughout the world, but I do wonder whether efficient steps are being—or, indeed, can be—taken to ensure that some of these many millions of expenditure are not being wasted. Can we feel confident that all the money which we pay is being used to the best advantage?

We have been warned in plain language to expect heavier burdens next year and in the year after, and with such a prospect your board can scarcely hold out hopes of increasing profits. We shall, indeed, account ourselves fortunate if we can keep up our present revenues, in view of the growing demands of taxation, not only here but in other countries as well.

In conclusion, I should wish to express once again my best thanks to my colleagues on the board and those of our subsidiary and associated companies for their constant help, and to all the staff and workpeople for their unflinching loyalty and happy work.

The report and accounts were unanimously adopted, and a dividend of 5 per cent., less income tax, on the ordinary shares was approved.

THE MINING TRUST, LIMITED

PROGRESS AT MOUNT ISA

The ninth ordinary general meeting of the Mining Trust, Limited, was held, on the 17th instant, at Winchester House, Old Broad Street, London.

Earl Castle Stewart, M.C., the chairman, who presided, in the course of his speech, said: Income for the year amounted to £120,258 3s. 6d., and details of this and of the charges against it are plainly shown in the income and expenditure account.

The net amount written off investments is £359,543 12s. 4d., but this reduction will enable the company to claim a refund of income tax deducted at source during the current year.

For the first time Mount Isa has been able to make a small profit after paying all debenture and loan interest, and writing off certain sums against obsolete plant. The recoveries in the mill for the year ended June 30, 1937, were 77.6 per cent. of the lead and 73.9 per cent. of the silver. Recoveries for the months of December, January, February and March improved to 85.8 per cent. of the lead and 81.9 per cent. of the silver.

With regard to the award of the Industrial Court mentioned in the chairman's speech at the annual meeting of Mount Isa Mines, Limited, we have since heard that the lead bonus will commence at £21 sterling price for lead instead of £16 sterling.

There is nothing that I can usefully add to the report of the proceedings of the eighth annual general meeting of New Guinea Goldfields, Limited, which you will have received with these accounts. The Wau Alluvials, to which I referred last year, and which have been examined by Mr Lang, are likely to bring additional revenue to the company in course of time, but before they can be exploited it will be necessary to ensure an adequate water supply. This problem is being examined at the moment.

BIG BELL MINE

With regard to our interest in Big Bell Mine in Western Australia, the authorised capital of this company is £400,000 (Aust.), and there were loans outstanding at December 31st last amounting to £346,931 (Aust.). The plant commenced operations in October last, and since then have made operating profits up to the end of March of £143,012.

The company's loans are a first charge upon profits, and therefore the Mining Trust has already received some £5,000 by way of return on its loan to the company. The average monthly profits earned will indicate to you that our share holding, although it is unfortunately a very small one, is certainly worth several times the amount which was paid for it.

With regard to our share holding in Saudi Arabian Mining Syndicate, Limited, we have purchased additional shares during the year as opportunity offered. The nature of the plant has been decided upon and shipment has already commenced. The intention is to treat 300 tons of ore a day, or roughly 100,000 tons a year. Your directors believe that our investment in this property, amounting, when all calls now due have been paid, to £115,453, will be very profitable.

BRITANNIA LEAD COMPANY

The Britannia Lead Company has again operated successfully throughout the year. The total amount of Mount Isa Lead bullion charged was 36,536 tons, from which 35,885 tons of refined lead was produced. Production of silver for the year was 2,981,977 oz. As by-products there were sold 377 tons of zinc chloride and 1,357 tons of antimonial lead. The silver content of the bullion charged was 83.5 oz. per ton, as compared with 81.1 oz. for the previous year. The Britannia Lead Company paid to Mining Trust £14,036 in fees and commissions and now carried forward a total profit since operations commenced of £33,140.

In conclusion, whilst our large holding in Mount Isa shares has shown a considerable drop in value in conformity with a general fall in share prices and in the prices of lead, zinc and silver, the increase of cash at bank and in hand, amounting to £82,078, the commencement of profitable operations at the Big Bell Mine and the acquisition of additional shares in Saudi Arabian Mining Syndicate, Limited, have all added to the strength of the resources of Mining Trust, Limited. Whilst retaining always a strong cash position, your directors are constantly examining opportunities for the acquisition of new mining properties. It must of necessity be some considerable time before such a policy can bear fruit in the shape of dividends, but your directors believe that with the investments recently made in Big Bell Mines and Saudi Arabian Mining Syndicate a good start has been made towards improving both the immediate and future prospects of the company.

The report and accounts were unanimously adopted.

LUNUVA (CEYLON) TEA AND RUBBER ESTATES, LIMITED

NET PROFIT HIGHEST SINCE 1929

MR H. J. WELCH'S REVIEW

The thirty-first ordinary general meeting of the Lunuva (Ceylon) Tea and Rubber Estates, Limited, was held, on Wednesday, May 18, 1938, in the Council Chamber of the Rubber Growers' Association (Incorporated), 19 Fenchurch Street, London, E.C., Mr H. J. Welch (chairman of the company) presiding.

Mr J. E. Ritchie, representing the agents and secretaries (Messrs Harrisons and Crosfield, Limited), having read the report of the auditors,

The chairman said:—Ladies and Gentlemen, two of our colleagues on the board are unable to be present to-day. Unfortunately, Mr John Mackie is absent through ill-health, and I am sure you would wish to join us in sending him our best wishes for his speedy recovery. Our new director, Mr C. C. Stephen, is now on his way home from Ceylon, where he has visited all the company's properties and made reports upon them.

IMPROVED RESULTS

When addressing you last year, I said I was hopeful that the 1937 results would be significantly better than those for 1936. This proved to be the case, and the credit balance for 1937 amounted to £123,086, as against £72,571 for 1936. The net profit realised was the highest since the year 1929. All three of the company's products proved more profitable in 1937 than in 1936; the comparative profits per acre being: for tea, £13 10s. 3d., as against £8 0s. 8d. for 1936; for rubber, £4 9s., as against £2 18s. 9d.; for copra, £3 10s. 7d., as against £2 6s. 2d. The rubber figures include the proceeds of the sale of export rights, and have had debited against them the cost of upkeeping the untapped areas. It is pleasing to be able to report that, excluding the increase in local income tax, all three products were produced in 1937 at a lower cost than in 1936.

As the comparative items for 1936 are set out in the accounts before you, I do not propose to review them in detail, except to draw attention to the facts that the loan account has now disappeared, sundry creditors have been increased by about £20,000 (principally owing to larger reserves for taxation), and once again the book value of the whole of the buildings, machinery, etc., account has been reduced to the sum of £1. Sundry debtors and payments in advance have increased from about £4,000 to £47,387, and this is accounted for by about £11,500 paid in advance for income tax to secure the discount, and a sum of about £33,000 outstanding in respect of sales of tea, which amount has since been collected.

Although, as already mentioned, estate costs were reduced in 1937, this was not done at the expense of the properties; the policy of taking all reasonable measures to maintain and improve their capital value was continued. Our problem, so far as our main product—tea—is concerned, is not that of producing the permitted exportable crop, but of finding the most satisfactory method of keeping the harvest down to permissible limits. Owing to restriction, the yield per acre was kept very low. The crop was taken from the largest planted acreage in bearing this company has ever possessed, and the total crop itself was a record for the company. In the case of rubber, it was more profitable to sell a proportion of our export rights than to produce the equivalent quantity of rubber, and that policy has been again followed this year.

NET COST PER PLANTED ACRE

The net cost per planted acre on December 31, 1937, calculated on the issued capital, was £53 13s. 6d. But we have a surplus of liquid assets over liabilities, after deducting the dividend and other appropriations mentioned in the report, of £10 11s. 10d. per planted acre. The net book cost per planted acre is therefore £43 1s. 8d., as against £47 12s. 2d. last year. Having regard to our valuable tea estates, £43 1s. 8d. is a very moderate figure, and one which we consider below the real value of the estates and their equipment.

Once again it is my pleasure to record the appreciation of myself and my colleagues of the services rendered by the estates staffs, by

our visiting agents, and by Messrs Harrisons and Crosfield, Limited, in London and Ceylon.

PROFITS, RESERVES AND DIVIDEND

The net result of the company's operations in 1937 was a credit balance of £123,085, or just over 15 per cent. on the issued capital. I would draw your attention to the fact that, before arriving at that sum, £27,600 had been provided for Ceylon taxation (the corresponding figure for 1936 having been only £7,650), £5,500 for National Defence Contribution, and £23,724 had been written off buildings, machinery, etc., account. After adding to the credit balance mentioned the carry-forward from 1936, and deducting the interim dividend paid in November, the sum of £169,464 remains. The directors' proposals for dealing with this amount are set out in the report, and I will now deal with them seriatim.

The transfer to taxation reserve requires no comment, but I must explain that as a result of the increase in British income tax the appropriation of £17,500 is approximately £2,000 less than the amount which will now be required to meet assessments this year, calculated upon last year's profits. This deficiency can be adjusted next year.

GENERAL RESERVE

In my speech to you in 1935, in reference to the transfer from the reserve account of the amount of £223,025 for writing down buildings, etc., I said: "In good years we propose to ask you to transfer substantial amounts to reserve. In years producing less satisfactory results, such as 1934, smaller amounts, and in bad years none at all." Since 1933 the profit and loss account has been relieved of any charge for depreciation, and although profits have had to bear the cost of new buildings, etc., for the past three years the amount so charged is considerably below what depreciation charges would have amounted to, in accordance with the old practice, had the reserve account not been used to write off the book value of buildings, etc. The proposed appropriation of £14,875 to general reserve is therefore well justified. It will raise the reserve account to a total of £105,000.

During 1938 some 83 acres of old rubber will be completely replanted on up-to-date lines with high yielding material. This area will have to be upkept and cultivated until it again becomes revenue-producing, and with this, and possible further new plantings in view, it is proposed to transfer £2,572 to rubber replanting reserve account, bringing that reserve up to £5,000.

Out of the 1936 profits a sum of £1,500 was voted to the Employees' Deposit and Retirement Fund. As I explained to you then, this fund suffered during the lean years. This year we propose to vote a special grant of £2,000 to the fund, and in addition we have created a "staff general reserve" of £1,000 for any special purposes relating to the staff for which it may be needed.

THE DIVIDEND

The final dividend recommended is 8 per cent., making 12 per cent. for the year. After giving due consideration to all the relevant facts, the board is satisfied that the allocation of profits proposed is that best calculated to serve the company's permanent interests. The report was issued before British income tax was raised to 5s. 6d. in the £. As a result of that increase we must deduct tax from the final dividend at 3s. 5d. in the £, and not at 2s. 11d. as stated in the report. Income tax was deducted from the interim dividend at 2s. 11d. The average rate of tax deduction over the total distribution of 12 per cent. is thus 3s. 3d., which means that shareholders receive the same net amount from the 12 per cent. as they would have received had the dividend been 13.86 per cent., subject to tax deduction at the full rate of 5s. 6d. in the £.

As a result of the increased income tax, the net amount required for the final dividend is £54,069 and the balance carried forward is thus increased to £77,632, and not to £76,001 as shown in the report.

PROSPECTS FOR 1938

At the annual meeting of members of the Rubber Plantations Investment Trust, Limited, on Monday last, I reviewed at length the position of the tea and rubber producing industries, and my address was published in full in *The Times* of yesterday. I would refer any of you who are interested to my remarks on that occasion.

As to this company's prospects for the current year, we have sold to date 1,316,220 lb. of tea at a price of 1s. 2.02d. per lb. net, equivalent to 1s. 3.89d. per lb. London landed terms. These figures compare with 1s. 2.35d. and 1s. 4.16d. for the whole of last year. The amount of tea we shall be permitted to export is not yet known, but we anticipate it will exceed that of last year by about 300,000 lb.

With regard to rubber, we have sold export rights covering 300,000 lb. for 4.91d. per lb. net, realising a sum of £6,137, and we are again leaving untapped several of our estates. If the present exportable percentage of 60 per cent. is maintained throughout the remainder of this year, we estimate we shall probably be allowed export rights for about 1,188,500 lb. In addition to the sale of export rights just mentioned we have sold forward for delivery during 1938 134,000 lb. of rubber at 9.70d. net, equivalent to 10.62d. London landed terms. Of this, 11,200 lb. of the 1937 crop was used to implement the contract, and the profit thereon is included in the accounts to-day. The profit on the balance of 123,200 lb. will come into this year's accounts. The estimated crop of copra to be produced is at present about 150 tons less than last year.

The estimated estate costs of all our products are higher than the actual costs worked to in 1937, but the 1937 estimates were also higher than the actual figures, so that we hope economies may be made also on the estimates for this year. We anticipate our capital expenditure will amount to £4,000.

IMPORTANCE OF TEA MARKETS

Therefore, notwithstanding our satisfactory forward sales of rubber and of export rights, at present it seems that our profit from rubber and from coconuts will be reduced. But by far the preponderating source of our profit is from tea. Last year it accounted for over 82½ per cent. of our profits, rubber for under 15 per cent. and coconuts under 2½ per cent. The ultimate profit for the year will therefore depend principally upon the course of the tea market, which seems set fair at present; and the facts known to me give me reason to hope that the net amount available for distribution as dividends next year may not be substantially less than that available to-day.

I now beg to move: "That the statement of accounts for the year ended December 31, 1937, and the directors' report and the appropriations therein mentioned be approved and adopted, and that a final dividend for that year of 8 per cent., less income tax at the rate of 3s. 5d. in the £, on the issued capital of the company be paid on May 20, 1938."

Mr H. W. Horner (vice-chairman) seconded the resolution and it was carried unanimously.

The retiring directors, Mr G. Nicol Thomson and Mr C. C. Stephen, were re-elected; and Messrs Turquand, Youngs, McAuliffe and Company were appointed auditors.

TRIBUTE TO EASTERN STAFF

Mr John Bunting said: Ladies and gentlemen, I have recently returned from Ceylon and while there I had the pleasure of seeing many of your staff on the estates at their work, and I feel it a privilege that you allow me to move a vote of thanks to them. They have been mainly responsible for the excellent results you have been able to put before this meeting of shareholders to-day. In going through the estates I was able to visit, one could not help being struck by the extraordinary efficiency of the upkeep on the Lunuva Estates, being equal to anything there is in Ceylon. You can see to-day the result of the work of the directors in making provision for reserves and in looking after the staff. I know personally every man who is in your service in Ceylon and I can honestly and truly say that I have never in the long years of my experience met a more devoted or loyal band than you have in your service in Ceylon.

I think we are all very much indebted to everyone working for this company, both in London and more particularly in the East. I see Mr Clubb there sitting by your side and I want to say to him to-day how deeply grateful I am to him and to everyone for making my trip a real trip of pleasure and one which I will never forget. I should like to move that the best thanks of the shareholders be conveyed to the staff, the visiting agents and Harrisons and Crosfield, Limited, both in London and Colombo, for their work during the past year.

The vote was duly seconded and unanimously accorded.

The special resolution amending Article 91 was proposed by the chairman, seconded by Mr Horner, put and duly carried. The proceedings then terminated.

RUBBER PLANTATIONS INVESTMENT TRUST, LIMITED

BIGGER INCOME AND DIVIDEND

MR H. J. WELCH'S ADDRESS

The twenty-ninth ordinary general meeting of the Rubber Plantations Investment Trust, Limited, was held, on the 16th instant, in London.

Mr H. J. Welch (the chairman) said it was a pleasure again to report a considerable improvement in earnings and to propose an increased dividend. The gross income from investments was £189,136, or more than double that of the previous year, and the net profit from sale of tea was £76,801, or more than 50 per cent. above that of 1936. The year's net balance of £195,978 was the highest earned since 1928. A final dividend of 6 per cent. was proposed, making 10 per cent. for the year, which would enable £97,095 to be carried forward against £89,614 brought in.

OUTLOOK FOR 1938

As to the prospects for 1938, the Trust would in future depend entirely on investment income, including dividends from Sumatra Tea Estates (the entire share capital of which they owned and which had acquired their four tea estates). Up to Friday last interest and dividend received or declared upon the Trust's holdings exceeded those received and declared up to the same date last year by over 27 per cent. Profits of rubber companies last year were in many cases double or more than double those of the previous year and this was now being reflected in increased dividends. The outlook for their tea investments might not be quite so good as last year, but he thought the Trust's shareholders could look forward to results for the year with a reserved optimism.

With regard to the tea industry, under regulation the abnormally heavy stocks had been reduced, but were now adequate, and consumers could not complain that the International Tea Committee had failed to provide sufficient supplies at a reasonable price. He again emphasised the harmful effect on British Empire teas of the preferential duty applicable to them in this country. Teas displaced from the London market had in turn displaced Indian and Ceylon teas in outside markets, and he was convinced that it would be in the best interests of Empire producers if the preference were removed. The recent additional duty of 2d. would tend to accentuate the demand for commoner teas and diminish the demand for medium and better qualities. Most producers, however, should be able to realise a modest profit during the next few years under regulation.

RUBBER PROSPECTS

The outstanding events of the rubber-producing industry during 1937 had been (1) the satisfactory increase in the total world absorption, (2) the unsatisfactory steady addition each month from the end of June to stocks outside the regulating countries, (3) the continuous fall in the monthly average London price obtained from March to December, and (4) the raising of the exportable percentage under regulation from 75 per cent. in the first quarter to 80 per cent. for the second and 90 per cent. for the third and fourth quarters.

Events had proved that the decisions to raise the exportable percentage to 90 per cent. for the second half of 1937 and maintain it at that figure were too optimistic. The change from 90 per cent. to 60 per cent. to-day created great difficulties for the producer, and the fall in price from 1s. 1½d. to less than 5½d. in twelve months was not good for the producer, the market, the manufacturer or anyone connected with the industry. If it was possible it was obvious that the permissible exports should be adjusted less drastically and more rapidly to changing conditions. Under the new scheme producers would be permitted to carry heavier stocks and they might be utilised to steady the rate of production and to secure a ready response to changes in the percentage of permissible exports. Such holding of stock would be far preferable to a buffer pool and it would be a good thing if permission to hold larger stocks this year were immediately given.

On a long view there was much to encourage shareholders in rubber companies. The industry certainly had no cause to complain of last year's results, and if recent events were placed in their proper perspective, and providing the regulation scheme was continued and effectively administered, the present unsatisfactory conditions should prove to be only a temporary setback. They were, he thought, justified in believing that a reasonable amount of prosperity was in store for the rubber producing industry for some years ahead.

The report was adopted.

KEPONG (MALAY) RUBBER ESTATES, LIMITED

IMPROVED RESULTS

The thirty-third annual general meeting of Kepong (Malay) Rubber Estates, Ltd., was held, on the 18th instant, in London.

Sir Francis Voules, C.B.E. (chairman and managing director) in the course of his speech, said:—We produced during 1937 a crop of 9,333,784 lb. as compared with 6,397,552 lb. in 1936. Our release of exports was for 1937 83½ per cent. as compared with 62½ per cent. for the previous year. We had also the benefit of the crops from the two estates we purchased during the year. The average price realised for the rubber sold was 8.50d. per lb. London landed terms, or slightly better than the previous year's average.

We were fortunate in purchasing on favourable terms two further estates during the year, both of which adjoined existing properties. As a result of these acquisitions the acreages of the Voules and Fraser Estates have been brought up to over 7,000 acres each, and the total planted acreage of the company increased to 26,867½ acres against a capitalisation of £27 10s. per planted acre.

The year's profit of £123,311 compares with £81,011 for 1936. We have transferred £10,000 to reserve account and recommend a final dividend of 7½ per cent. less tax, making our total return for the year 13½ per cent. as against 11½ per cent. in 1936.

The present unsatisfactory price of rubber has been brought about mainly by the decline in the American consumption. The consumption figures for the month of April were only 28,000 tons, as against a figure of 51,800 tons for the preceding year. Suggestions have been made as to the advisability of establishing a buffer pool. From a purely financial point of view I have little doubt that a purchase of rubber by a strong group would ultimately prove a profitable one, but from the point of view of the well-being of the rubber industry I am sceptical as to the value of the suggested remedy. There is a striking example of its failure in the case of Brazilian coffee. I think myself that the suggestion put forward by Mr Welch of allowing producers to carry heavier stocks, all under the control of the International Committee, is the obvious way of meeting some of the difficulties that have arisen in the past without the manifold disadvantages of the suggested buffer pool.

The report was unanimously adopted.

SUNGEI BATU (MALAYA) RUBBER ESTATES, LIMITED

NET EARNINGS AGAIN DOUBLED

The twenty-fifth annual general meeting of this company was held, on the 17th instant, in London.

Mr E. D. Hevan (the chairman), in the course of his speech, said:—We have experienced a very satisfactory year. The net profit for 1937 amounted to £16,896, as against £8,542 in 1936 and £4,077 in 1935. This doubling of profits each year during the past three years might lead one almost to hope for similar progress this year, but the general improvement in the rubber position which we experienced during the years mentioned has, I am afraid, for the time being at any rate, come to an end. We are now working on a greatly reduced quota to that which we enjoyed last year, and the very low price now obtainable for rubber makes the prospect for the current year far from encouraging. I would remind you, however, of the sale I mentioned when I last addressed you, of five tons per month over 1938 at 1s. 0½d. per lb. landed tonnage London, which will help to average up the low price now prevailing.

You will see from the report how, subject to your approval, we propose to deal with the balance available. We suggest a final dividend of 8 per cent., making, with the interim of 5 per cent. already distributed, 13 per cent. for the year, a transfer of £6,000 to reserve and £955 to income-tax reserve, leaving £9,612 to be carried forward into the 1938 accounts.

The 220 acres replanted are making good progress. Our programme is to replant a further 110 acres in 1938. Under the proposed new conditions for the renewal of the International Agreement, it is recommended that estates be allowed to open up in 1939-40 new areas to the extent of 5 per cent. of their total planted acreage. We shall, of course, avail ourselves of this opportunity if permitted to do so.

I do not intend to say anything about the future, as the position is too obscure to form an opinion of any value. Until world conditions show a substantial improvement and the consumption of rubber—particularly in the United States—recovers to a much more reasonable figure, the prospects will, I am afraid, continue to be as unsatisfactory as they are at the present time.

The report and accounts were unanimously adopted.

SOUTH-EASTERN GAS CORPORATION LIMITED

INCREASED GAS SALES

The sixth ordinary general meeting of the South-Eastern Gas Corporation, Limited, was held, on the 18th instant, at the offices of the company, 84 Horseferry Road, London.

Sir David Milne-Watson, Bart., LL.D., D.L., the chairman, presided, and, in moving the adoption of the report and accounts, said that since the last meeting the corporation had obtained control of two more companies by acquiring nearly all the issued share capital of the North Middlesex Gas Company and of the Windsor Royal Gas Light Company. With those additions their associated companies supplied nearly 300,000 consumers with an annual output of gas exceeding 7,500 million cubic feet. There were only five gas undertakings in the country larger than that group. On the whole they could be well pleased with the results of 1937, an average increase of 2.8 per cent. having been secured in the total gas sales.

On revenue account they had received £164,000 from dividends and interest—an increase of £40,000—and after payment of the preference dividends and an ordinary interim dividend the board now recommended a final dividend of 3 per cent., making 6 per cent. for the year.

Many of the industries using coal on a large scale felt apprehension at the prospect of continued increases in coal prices. No one grudged a fair reward to both capital and labour in the coal industry, but there was reason to fear that the very proper concern which the community felt for the miners' welfare was being exploited to win public support for the maintenance of price levels unjustified by anything except the power to charge such prices which the new selling schemes had conferred upon the coal industry.

There was no doubt that if the maximum degree of efficiency and economy was to be attained the same applied to the gas industry as to the electric industry, and larger units must be formed.

Their companies had again been joined in group campaigns for the marketing of gas fires, water heaters and refrigerators, and one of the features of the past year had been the excellent way in which the sales of all appliances had been maintained—a number of companies having reached record figures.

The report and accounts were unanimously adopted.

BRITISH-BORNEO PETROLEUM SYNDICATE, LIMITED

TOTAL DISTRIBUTION OF 12½ PER CENT.

The twenty-fourth ordinary general meeting of the British-Borneo Petroleum Syndicate, Limited, was held, on the 19th instant, at the Chartered Insurance Institute, 20 Aldermanbury, London.

Mr Walter MacLachlan, chairman and managing director, who presided, said that the total revenue for the year amounted to £52,697, consisting of dividends and interest from investments and loans, royalty upon the production of oil from Brunei, and the net profit derived from the sale of investments. The revenue from investments and the Royalty interests showed a satisfactory increase, but this had been more than offset by a substantial falling off in the profits derived from the sale of securities. The net profit for the year was £48,462, and, after applying £43,875 in reduction of the book value of investments, the directors recommended a final dividend of 5 per cent. and a bonus of 2½ per cent., both less tax, making a total distribution of 12½ per cent. for the year.

The abnormal market conditions of the past year had made it exceptionally difficult to earn any material profits from sales of or dealings in shares, in consequence of which the profit from this part of the business was substantially reduced. Market prices of British and other securities, which almost without exception had fallen continuously throughout the year, were approximately at their lowest point at the date of the balance sheet, namely, March 31st, mainly as a result of the severe tension which then existed in the international political situation. The directors were satisfied with the way in which the company's funds were invested, and in no case was any investment realised during the year at a loss. It was a matter for congratulation that they had passed through the common experience of the past year with so little detriment to their financial position.

Oil interests and investments appeared in the balance sheet at £258,640. The operations of Apex (Trinidad) Oilfields, Limited, in which the company held a substantial interest, continued to be successful, and resulted in a record production of 550,000 tons of oil for the year ended September 30, 1937. Dividends amounting to

45 per cent. had been paid for the year. The British Malayan Petroleum Company also had a record production from the Seria Oilfield, in Brunei, and the company continued to derive substantial revenue from the royalty thereon. The company also held investments in securities and shares of British industrial companies, home railway stocks, shares and debentures of mining finance companies and mining companies, and other interests of a similar nature. The market value of these investments at March 31st was in excess of

the amount at which they were included in the balance sheet. The directors were quite satisfied with the general investments, and were confident as to their prospects. They had continued their policy to maintain substantial resources in liquid form, and would therefore be well prepared to take advantage of the recovery in business conditions which should follow the success which they trusted would attend the efforts now being made to restore international confidence. The report and accounts were unanimously adopted.

(Continued from page 445.)

both cloth and yarns are being well maintained and not less than 1s. 10d. is accepted for common 8-lb. cops and 1s. 11d. for 8-lb. spools, while 10 oz. 40 in. hessians are quite steady at 2½d. and 8 oz. at 1½d. There are still large quantities of Calcutta goods entering this country; imports amounted to 72,417,000 square yards of cloth and 256,042 cwts. of jute sacks and bags during the first four months of this year, compared with 63,329,000 square yards and 386,693 cwts. in the same period of last year.

THE COMMODITY MARKETS

A WEEK ago we suggested that the slight rise in prices then noticeable was likely to prove short-lived, for it was not accompanied by any significant increase in purchases by consumers. Quotations for many primary products resumed their downward trend this week, and there are no indications of an early change of trend.

Among sensitive commodities, copper, lead, spelter, and tin were all marked down during the past week. Rubber and linseed oil were also cheaper. Raw cotton, wheat and raw sugar were scarcely changed in price, and tea was slightly firmer.

The general trend of the prices of primary products in the United States was also downwards. Thus, Moody's index of the prices of staple commodities (December 31, 1931 = 100) declined from 137.0 to 136.5 during the week ended last Wednesday. A month ago the index stood at 142.3 and a year ago at 209.3.

Metals

Copper.—Stocks in the United States increased last month by 12,880 short tons to 355,660 tons; consumption shows a further decline, largely seasonal, on both sides of the Atlantic. The cash price fell by £1 6s. 3d. per ton during the week to close at £37 11s. 3d. per ton, the lowest price recorded this year. The absence of any agreement over the American exports has an unfavourable influence on the market.

Tin.—The absence of definite information on the subject of the buffer pool has restricted demand; prices showed a sharp fall of £5 15s. per ton during the week and closed at £161 15s. per ton. A renewed fall is not improbable if progress towards a settlement of the pool proposals continues unsatisfactory.

Lead and Spelter.—Production of both metals is still in excess of demand and prices again fell. Lead closed

at £14 3s. 6d. per ton, a net loss of 10s. per ton, and spelter fell by 7s. 6d. per ton, to close the week at £12 12s. 6d. per ton. Demand may improve if the pace of re-armament is accelerated.

Grains

The wheat market remains dull and prices showed a further decline; No. 2 Manitoba was quoted at 45s., against 45s. 9d. per quarter at the close of last week. Demand for maize and feeding barley is satisfactory and prices are unchanged.

Other Foods

Provisions and Meat.—Demand has been easier for bacon and butter and prices are lower than last week. Danish sides are quoted at 102s. per cwt., with English and Irish priced at 100s. per cwt. Australian and New Zealand butter prices have fallen by 3s. to 4s. per cwt.; the price of Danish is unchanged at 131s. per cwt. Prices of meat show little change.

Colonial Produce.—Demand for tea continues good and prices advanced during the week. The markets for cocoa, coffee and sugar have been quiet; cocoa prices show a slight fall, but prices elsewhere are unchanged.

Fruit.—The Fruitgrower reports a firm demand for all kinds of fruit, and with light imports, prices are good. Oranges are still scarce and dear and larger imports of apples were easily sold. The frost on the night of May 7th-8th was rather sporadic; the Cambridgeshire small fruit crop is reported to be destroyed and there was localised damage to plum and pear trees in other districts.

Vegetables.—Increasing supplies of tomatoes and asparagus have lowered prices, but demand remains good. The revision of the riddle regulations by the Potato Marketing Board has increased supplies of old potatoes which are easily absorbed, together with the offerings of "seconds."

Milk.—The table given here is compiled from statistics issued by the Milk Marketing Board—

	Apr., 1937	Feb., 1938	Mar., 1938	Apr., 1938
Prices (per gall.)				
Liquid	d. 16	d. 18	d. 17	d. 16
Av. manufacturing	5.293	7.586	7.224	6.563
Av. pool	12.32	15.16	13.75	12.46
Contract sales (mill. galls.)				
Liquid	47.8	48.10	52.63	50.9
Manufacturing	25.0	14.46	21.59	30.9
Total contract	72.8	62.56	74.22	81.8
Used by farmhouse cheesemakers	1.3	0.61	0.88	1.6

Miscellaneous Commodities

Oilseeds and Oils.—Demand has been restricted and prices have again tended to fall. Crushers are believed to be well supplied with forward contracts for linseed and little business has been done in this market. Favourable conditions are reported for the growth of the American crop and the total yield from the Argentine is now given at 1.5 million tons. Linseed oil has lost 35s. per ton during the month, yet even at present levels there is little demand. Refined cotton oil ex Hull is quoted at £20 per ton. The sales of oilcakes have been reduced by the appearance of rain.

Rubber.—Rubber consumption in America is estimated at 27,984 tons for April last, which compares unfavourably with the 30,487 tons in March and 51,797 tons in April of last year. World stocks at the end of April are given as 566,572 tons, an increase of 6,198 tons on the month and of 160,164 tons compared with a year ago. With this information depressing the market, prices fell by ½d. per lb. during the week.

Furs.—At the London spring auctions, which closed this week, only half the supplies were sold, and prices were generally below those paid in the winter sales. The outlook for the summer sales is regarded as unpromising. The prices at the Hudson's Bay Company's sales are given below:—

	Spring Sale 1937	Spring Sale 1938	Winter Sale 1938	Spring Sale 1938
	s. d.	s. d.	s. d.	s. d.
Beaver Mackenzie Rv. ex ex large (unsold)			88 0	81 0
Ermine York Fort, ex ex large	7 6	4 4	5 0	4 11
Scandinavian, do.	7 2	5 3		3 5
Fisher York Fort, 1+2 f 200	0 107	6 100	0	0
Dark	0 300	0 200	0	180 0
Fox Bastard York Fort, 1+2 Dark	76 0	77 0	51 0	49 0
Blue, Arctic Dark	*	100 0	165 0	
Cross, York Fort, f 175	0 120	0 230	0	0
Med. 1	190 0	210 0	155 0	
Red, do. do.	87 0	75 0	64 0	72 0
Lapland, 1+2 Pale	32 0	28 0	32 0	
White, West Arctic 1 No. 1	210 0	*	130 0	163 0
Lynx York Fort, 1 ex large	225 0	202 0	195 0	200 0
Marten Mackenzie Rv. 1 Pale	156 0	112 0	94 0	
Mink York Fort, etc., ex large 1+2 Dark	101 0	57 0	55 0	
Musquash Black, U.S.A.	8 8	5 4	5 7	
Otter Canada, etc., 1+2 ex Dark	156 0	104 0	136 0	
Skunk York Fort, 1	8 4	6 6	6 0	
Squirrel Lapland	*	6 9	9	
Wolf York Fort, ex large 1	50 0	42 5	41 0	56 0
	64 0	58 0	56 0	

* Not offered.

CURRENT STATISTICS

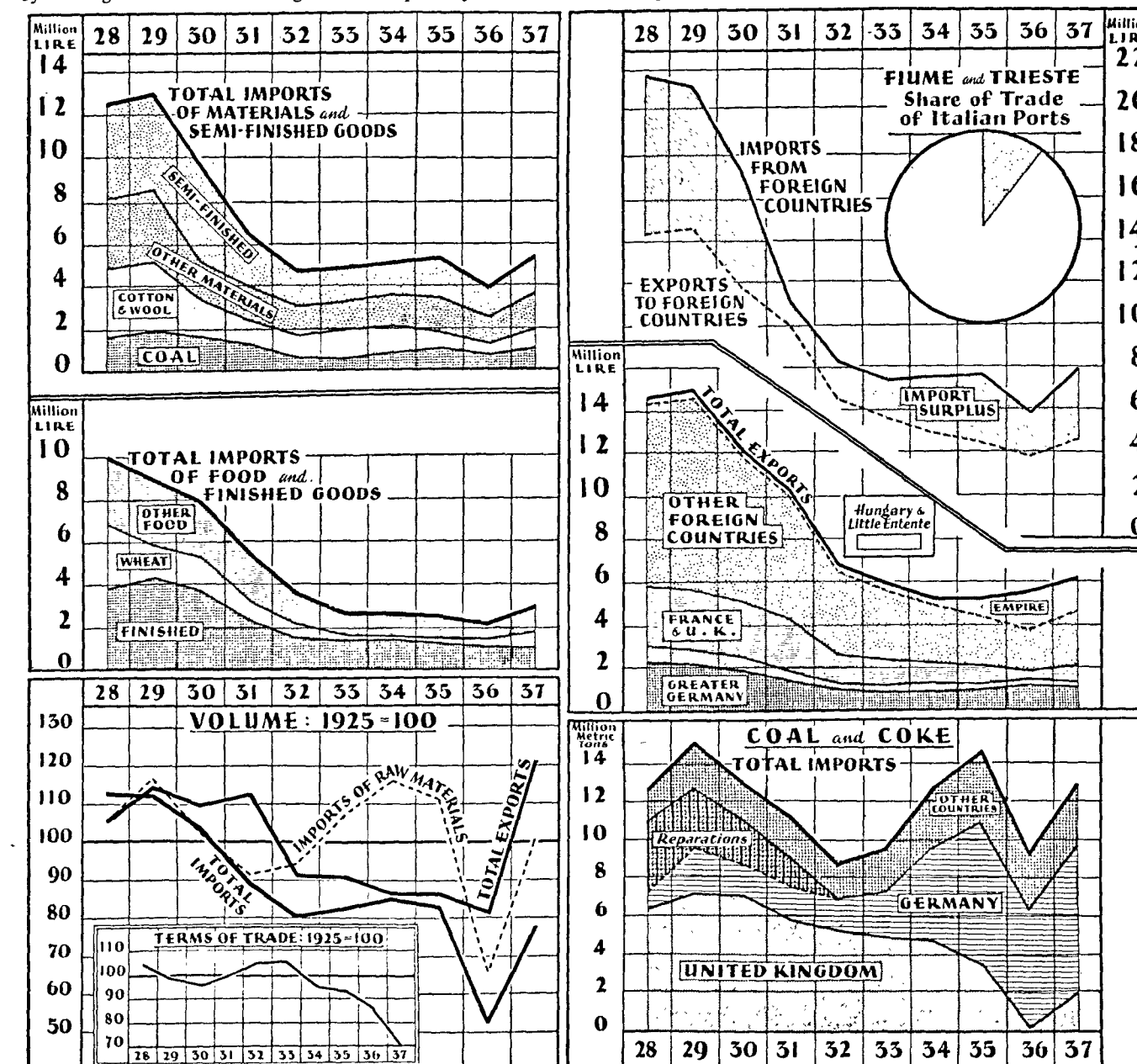
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

Italy's Foreign Trade

In view of the recent Anglo-Italian Agreement and the increased trade, which may be expected between the two countries, we present the following charts. It should be borne in mind that as annual figures have been used, they do not show the full extent of the drop in the sanctions period, as both 1935 and 1936 contained months in which sanctions were not in operation. The figures of value for 1937 have been converted into pre-devaluation lire for purposes of comparison with earlier years. The diagram showing the trade of Fiume and Trieste refers to the first quarter of this year and is based on tonnage of merchandise embarked and disembarked. The term Greater Germany relates to Austria and Germany combined. In the lower panel on the left-hand side the official index numbers of volume have been used by dividing the index of the average value of exports by the index of the average value of imports.



Finance

GOVERNMENT RETURNS

For the week ended May 14, 1938, total ordinary revenue was £8,833,000, against ordinary expenditure of £10,214,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £39,470,000, against a deficit of £23,719,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1, 1937	April 1, 1938	Week ended May 14, 1937	Week ended May 14, 1938
ORDINARY REVENUE	11,560	10,364	4	6
Income Tax	3,330	4,270	190	560
Sur-tax	11,770	8,290	1,390	1,460
Estate, etc., duties	3,660	1,590	...	300
Stamps	70	760	...	120
N.D.C.	...	...	...	...
Other inland Rev.	...	...	...	...
Total I. Revenue	28,399	25,344	1,584	2,446
Customs	27,643	25,538	3,452	4,064
Excise	11,400	11,000	1,000	1,000
Total Customs and Excise	39,043	36,538	4,452	5,064
Motor duties	4,151	4,139	323	219
P.O. (net receipt)	6,430	4,800	1,350	1,100
Crown Lands	160	150	...	...
Receipts from Sun.	271	275	...	...
Loans	741	743	154	4
Misc. receipts	...	...	...	...
Total Ordinary Rev.	79,195	72,009	7,863	8,833
SELF-BAL. REVENUE	...	...	...	...
Post Office and Broadcasting	5,420	7,100	900	900
Total	84,615	79,109	8,763	9,733

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1, 1937	April 1, 1938	Week ended May 14, 1937	Week ended May 14, 1938
ORDINARY EXPENDITURE	38,407	38,518	397	508
Int. & Man. of Nat. Debt	497	514	...	...
Payments to N. Ireland	334	293	53	6
Other Con. Fund Services	39,238	39,325	450	514
Total	63,676	72,154	9,500	9,700
Supply Services†	102,914	111,479	9,950	10,214
Total Ord. Expend.	162,590	183,633	19,450	20,000
SELF-BALANCING EXPENDITURE	...	...	...	...
Post Office and Broadcasting	5,420	7,100	900	900
Total	108,334	118,579	10,850	11,114

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting.

After reducing Exchequer balances by £10,738 to £2,628,943, the other operations for the week (as shown below) raised the gross National Debt by £1,370,000 to about £8,186 millions.

WEEK'S CHANGES IN DEBT (£ thousands)

NET INCREASES IN DEBT		NET REPAYMENTS, ETC.	
Treasury Bills	6,560	Bk. of Eng. Adv.	8,000
Pub. Debt Adv.	3,290	Net Savings Certs.	150
		P.O. & Tel. (Mon.)	300
		Acts	300
		N. Atlantic Shipping	30
	9,850		8,480

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to May 14, 1938, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	111,479	Ordinary Rev.	72,009
Inc. in balances	265	Gross Borr.	40,280
		Less	
		New S.F.	545
		Net borrowing	39,735
	111,744		111,744

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of Eng.		
1937						
Mar. 31	674.6*	23.5	...	...	698.1	...
May 15	530.0	144.5	27.7	...	702.2	172.2
Dec. 31	889.7*	39.4	...	...	929.1	...
1938						
Feb. 5	572.0	281.7	33.6	...	887.3	315.3
" 12	542.0	276.9	31.9	...	850.8	308.8
" 19	542.0	275.5	31.3	...	848.8	306.8
" 26	532.0	273.1	39.2	...	844.3	312.3
Mar. 5	522.0	282.4	39.8	...	844.2	322.2
" 12	517.0	283.8	38.9	...	839.8	322.7
" 19	512.0	288.5	35.6	...	836.1	324.1
" 31	528.7*	13.1	...	...	841.8	...
Apr. 9	512.0	304.9	30.6	...	852.5	335.5
" 16	522.0	306.8	28.6	...	858.9	335.4
" 23	532.0	296.1	27.2	...	855.3	323.3
" 30	545.0	288.6	36.5	...	870.2	325.1
May 7	560.0	281.6	35.9	...	885.4	317.5
" 14	570.0	278.1	39.2	...	887.3	317.3

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
May 14	35.0	72.4	35.0	s. d. 2. 24	54
Dec. 31	50.0	80.5	50.0	10 11.59	47
1938					
Feb. 4	30.0	88.4	30.0	10 0.98	18
" 11	30.0	87.7	30.0	10 0.89	18
" 18	30.0	86.6	35.0	10 1.04	23
" 25	40.0	92.0	40.0	10 1.39	33
Mar. 4	45.0	97.8	45.0	10 0.94	30
" 11	45.0	92.1	45.0	10 1.35	36
" 18	50.0	82.3	50.0	10 1.54	54
" 25	50.0	84.6	50.0	9 11.31	55
Apr. 1	50.0	77.0	50.0	10 3.24	71
" 8	50.0	85.2	50.0	10 2.65	56
" 15	45.0	85.6	45.0	10 2.82	41
" 22	45.0	86.6	45.0	10 2.95	41
" 29	45.0	80.3	45.0	10 2.95	60
May 6	45.0	87.8	40.0	10 0.69	59
" 13	30.0	73.5	30.0	10 1.12	29

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On May 13th, applications at £99 17s. 5d. per cent. for bills to be paid for on any day except Saturday of the following week were accepted as to about 29 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Saturday at £99 17s. 6d. per cent. and above were allotted in full. £35.0 millions of Treasury bills are being offered on May 20th.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number		Purchase Price	
17 weeks to—					
May 1, 1937†	...	11,823,748	...	8,867,810	...
Apr. 30, 1938	...	11,487,673	...	8,615,754	...
Week to—	...	645,765	...	484,324	...
May 1, 1937	...	481,036	...	360,777	...
Apr. 30, 1938	...	642,572	...	481,929	...

† After adjustments to March 27th. N.B.—Net Exchequer receipts, week to April 30, 1938: Dr. £250,000. * Five days only.

BANK OF ENGLAND RETURNS

MAY 18, 1938

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:	£	Govt. Debt:	£
In circult.	478,591,756	Other Govt.	11,015,100
In Bngk. De-	...	Securities	188,230,775
partment	47,816,481	Other Secs.	743,968
		Silver Coin	10,157
		Amt. of Fid.	200,000,000
		Issue	326,408,237
		Gold Coin & Bullion	526,408,237

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. Capital	£453,000	Govt. Secs.	98,346,164
Rest	3,200,395	Other Secs.	7,754,546
Public Depts.*	28,501,656	Securities	20,749,909
Other Depts.*	...	Notes	28,504,455
Bankers	83,175,094	Gold & Silv.	47,816,481
Other	35,969,054	Coin	732,099
	129,144,148		175,399,199

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

THE WEEK'S CHANGES (£ thousands)

Both Departments		Compared with	
		May 18, 1938	Last Week
COMBINED LIABILITIES			
Note circulation	478,592	- 3,598	- 2,841
Deposits: Public	28,502	- 8,094	- 9,308
Bankers	83,175	+ 5,231	- 4,256
Others	35,969	+ 511	- 1,611
Total outside liabilities	636,238	- 5,950	- 6,000
Capital and rest	17,753	- 16	- 21
COMBINED ASSETS			
Govt. debt and securities	297,592	- 7,890	- 302
Discounts and advances	7,755	+ 153	+ 1,184
Other securities	21,494	+ 1,834	+ 5,293
Silver coin in issue dept.	10	+ 1	- 1
Gold coin and bullion	327,141	- 32	+ 4,992
RESERVES			
Res. of notes & coin in banking department	48,549	+ 3,566	+ 7,833
Proportion of reserve to outside liabilities—			
(a) Bank, dept. only ("proportion")	30.8%	+ 2.1%	+ 4.4%
(b) Gold stocks to deposits and notes ("reserve ratio")	51.4%	+ 0.5%	+ 0.7%

COMPARATIVE ANALYSIS (£ millions)

	1937		1938	
	May 19	Apr. 27	May 4	May 11
Issue Dept.: Notes in circ.	481.4	489.3	490.5	482.2
Notes in bank- ing dept.	39.8	37.1	35.9	44.2
Govt. debt and securities	194.6	199.6	199.8	199.2
Other sec.	5.4	0.4	0.2	0.0
Gold	321.3	326.4	326.4	326.4
Deposits: Public	19.2	10.9	10.7	36.6
Bankers	97.4	113.3	117.4	87.9
Others	37.6	36.5	36.0	35.5
Total	154.2	160.7	164.1	160.0
Bkg. Dept. Secs.: Government	103.3	114.0	117.8	105.7
Discounts, etc.	6.6	7.1	8.2	7.6
Other	21.4	19.4	19.3	19.4
Total	131.3	140.5	145.3	132.7
Banking dept. reserve	40.7	38.0	36.7	45.0
"Proportion"	26.4	23.6	22.3	28.7
Reserve ratio†	50.7	50.4	50.0	50.9

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in issue department, £10,157, capital, £14,533,000; rest, £3,200,395.

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Roumania appeared in The Economist of April 23rd; Danzig and Lithuania of April 30th; Argentina, Egypt and Yugoslavia of May 7th; Bank of International Settlements, Federal Reserve Reporting Members, Canada, Czechoslovakia, Denmark, Hungary, India, Japan and South Africa of May 14th.

U.S. FEDERAL RESERVE BANKS

(£ millions)		(£ millions)	
12 U.S.F.R. BANKS	May 20, 1937	Apr. 21, 1938	May 12, 1938
RESOURCES			
Gold certifs. on hand	1937	1938	1938
and due from Treas.	8,839	10,642	10,640
Total reserves	9,140	11,104	11,063
Total cash reserves	289	453	427
Total bills discounted	15	10	8
Bills bt. in open mkt.	20	10	9
Total bills on hand	23	17	16
Industrial advances	2,526	2,564	2,564
Total U.S. Govt. sec.	2,569	2,591	2,589
Total bills and sec.	12,524	14,383	14,362
LIABILITIES			
F.R. notes in actual circulation	4,184	4,121	4,133
Aggregate of excess mfr. bank res. over reqts.	910	2,490	2,480
Deposits—Member bank reserve account	6,918	7,547	7,560
Govt. deposits	117	1,428	1,361
Total deposits	7,035	8,975	8,921
Cap. paid in and surplus	306	309	309
Total liabilities	12,524	14,383	14,305
Ratio of total res. to deposit and F.R. note liab. combined	79.7%	82.6%	82.5%
U.S.F.R. BANKS AND TREASURY COMBINED			
RESOURCES			
Monetary gold stock	11,907	12,841	12,880
Treasury and Nat. Bk. currency	2,547	2,688	2,695
LIABILITIES			
Money in circulation	6,399	6,361	6,396
Treasury cash and deposits with F.R. Bks.	3,196	3,592	3,576

NEW YORK FEDERAL RESERVE BANK—Million \$'s

(£ millions)		(£ millions)	
Total gold reserves	34,326	46,624	46,625
Total bills discounted	7.3	2.6	2.7
Bills bt. in open mkt.	2.0	0.2	0.2
Total U.S. Govt. sec.	725.0	745.8	745.8
Total bills and sec.	740.2	753.3	752.2
Deposits—Member bank reserve account	3,000	3,509	3,483
Total res. to dep. and Fed. Res. note liab. combined	84.1%	87.6%	87.5%

BANK OF FRANCE—Million francs

	May 14, 1937	Apr. 14, 1938	May 15, 1938	May 12, 1938
ASSETS	1937	1938	1938	1938
Gold*	57,359	55,807	55,807	55,807
Advances on gold coin	9,158	11,215	11,090	10,347
Bills:				
Bought abroad	1,083	790	774	770
Advances on securities	3,880	3,732	3,878	3,636
Thirty-day to State without interest:	607	878	1,414	4
Loans to State without interest: (a) general	3,200	3,200	3,200	3,200
(b) provisional	19,991	140,134	140,134	140,134
Negotiable bonds,				
Sinking Fund Dept.	5,642	5,574	5,575	5,575
Other assets	3,910	3,981	4,372	4,141
LIABILITIES				
Notes in circulation	85,967	98,063	98,960	99,878
Deposits: Public	3,110	2,210	2,280	3,630
Private	14,157	21,521	21,233	17,717
Other liabilities	2,696	3,518	3,789	3,636
Gold reserve to sight liabilities	55-5	45-8	45-5	46-3

Week ended May 12, 1938

Imports		Exports
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Imports		Exports
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Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
Gold	£	£	Gold	£	£
British S. Africa	1,910,406	98,460	Canada.....	8,400	14,325
British India	48,132	...	Finland.....	22,919	...
Australia	73,198	...	Netherlands	...	532,343
Canada.....	...	171,500	France	...	44,044
Soviet Union	2,268,132	...	Switzerland.....	253,380	29,180
Belgium	1,337,492	...	Yugoslavia	50,077	...
Switzerland.....	33,447	153,436	Morocco	...	1,730
Total*	5,789,550	496,742	Total*	335,566	623,311
Silver	...	...	Silver	...	...
Eire	...	4,000	Palestine.....	...	8,612
British India	...	367	Aden & Depend. ..	...	28,335
Australia	14,882	212	Germany	11,755	...
Netherlands	...	372	Belgium	40,950	...
Belgium	2,400	15,248	France	5,257	4,319
France	2,715	346	Arabia Muscat	...	...
Iraq	...	1,212	United States	56,645	860,000
Total*	20,493	22,957	Total*	133,008	906,418

* Including other countries.

III.—THIRD (CURRENT) INDEX, BEGINNING JANUARY, 1924

Basis, 1927=100	Cereals and Meat	Other Foods	Textiles	Minerals	Miscel- laneous	Complete Index		Basis, 1927=100	Cereals and Meat	Other Foods	Textiles	Minerals	Miscel- laneous	Complete Index	
						1927= 100	1913= 100							1927= 100	1913= 100

Basis, 1927 = 100	Cereals and Meat	Other Foods	Textiles	Minerals	Miscel- laneous	Complete Index	
						1927 = 100	1913 = 100
1929—							
January	96.7	89.4	101.3	94.8	91.2	94.7	136.1
February	101.2	88.5	99.9	96.4	91.4	95.6	137.3
March	100.9	87.3	100.8	99.7	91.4	96.1	138.1
April	99.1	86.5	96.7	96.7	90.0	94.0	135.0
May	92.6	84.3	94.9	95.7	91.5	91.5	131.5
June	95.1	84.1	92.7	96.3	89.3	91.7	131.7
July	103.5	84.7	91.6	96.1	91.0	93.7	134.6
August	101.3	86.2	91.7	96.3	91.0	93.6	134.5
September ..	95.8	86.6	87.7	96.2	91.5	91.8	131.9
October	94.6	85.3	84.9	92.4	90.7	90.2	129.2
November ..	90.6	84.0	83.6	92.4	89.8	88.3	126.9
December ..	92.3	83.6	82.6	92.4	89.2	88.3	126.9
1930—							
January	89.2	83.1	76.7	92.6	88.0	86.1	123.7
February	85.4	83.0	74.7	90.5	87.0	84.2	121.0
March	84.7	82.7	73.0	89.8	85.5	83.1	119.4
April	84.9	80.8	72.9	85.6	83.2	81.6	117.0
May	82.0	77.0	71.1	84.3	84.4	80.6	115.8
June	82.2	78.8	66.5	82.8	84.1	81.3	116.2
July	84.2	76.3	63.6	82.1	81.5	77.6	111.5
August	82.5	75.2	61.7	81.5	79.7	76.1	109.3
September ..	79.5	44.5	56.9	79.5	76.7	73.2	105.2
October	76.8	73.7	55.8	79.1	77.7	72.4	104.6
November ..	73.2	70.2	55.1	79.0	77.8	70.9	101.9
December ..	70.0	71.0	51.4	78.0	75.2	68.7	98.7
1931—							
January	67.4	69.5	49.2	75.3	72.6	66.3	91.3
February	66.4	68.0	50.6	76.9	72.7	66.5	91.6
March	66.9	67.0	53.7	74.5	69.9	66.2	91.1
April	70.0	66.0	50.8	72.0	68.6	65.4	90.0
May	69.5	63.5	48.2	69.5	68.2	63.6	87.5
June	68.8	62.2	48.2	68.6	67.5	63.6	87.5
July	68.0	60.0	47.1	69.7	67.6	62.5	86.0
August	69.7	63.5	44.1	70.0	66.2	62.3	85.7
September ..	68.0	68.1	49.5	72.9	68.9	65.1	89.6
October	70.2	66.9	52.5	73.7	65.8	65.5	90.1
November ..	70.4	67.4	53.7	74.5	67.7	66.5	90.5
December ..	69.0	65.7	52.8	76.7	66.2	65.8	90.6

1932—								
January	69-7	66-1	52-5	76-2	64-6	65-4	90-0	
February.....	72-3	68-6	53-7	75-3	66-7	67-0	92-2	
March	73-7	65-8	50-4	71-4	62-2	64-3	88-5	
April.....	73-1	62-1	46-6	71-5	60-9	62-4	85-9	
May.....	72-4	58-7	44-2	69-2	60-0	60-5	83-9	
June.....	68-9	57-6	43-7	67-4	58-4	58-8	80-2	
July	69-3	59-2	45-8	67-9	59-7	60-1	82-7	
August	65-4	62-9	53-3	76-2	61-4	63-4	87-3	
September..	66-4	63-8	52-4	76-2	62-2	63-9	87-9	
October.....	61-8	63-9	50-1	74-7	62-2	62-0	85-3	
November....	63-8	62-0	49-8	75-4	62-5	62-3	85-7	
December...	63-1	60-0	48-6	73-9	61-9	61-1	84-1	

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January	69-7	66-1	52-5	76-2	64-6	65-4	<i>90-0</i>
February	72-3	68-6	53-7	75-3	66-7	67-0	<i>92-2</i>
March	73-7	65-8	50-4	71-4	62-2	64-3	<i>88-5</i>
April	73-1	62-1	46-6	71-5	60-9	62-4	<i>85-9</i>
May	72-4	58-7	44-2	69-2	60-0	60-5	<i>83-9</i>
June	68-9	57-6	43-7	67-4	58-4	58-8	<i>80-9</i>
July	69-3	59-2	45-8	67-9	59-7	60-1	<i>82-7</i>
August	65-4	62-9	53-3	76-2	61-4	63-4	<i>87-3</i>
September	66-4	63-8	52-4	76-2	62-7	63-9	<i>87-9</i>
October	61-8	63-9	50-1	74-7	62-2	62-0	<i>85-3</i>
November	63-8	62-0	49-8	75-4	62-5	62-3	<i>85-7</i>
December	63-1	60-0	48-6	73-9	61-9	61-1	<i>84-1</i>

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Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended May 15 (£'000)					Aggregate Gross Receipts, 19 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Total Goods	Total	Passenger	Merchandise	Coal & Coke	Total Goods	Total
L. M. & S.—										
1937	656	415	226	641	1,297	8,216	9,284	5,280	14,564	22,780
1938	433	473	243	716	1,149	8,124	9,102	5,244	14,346	22,470
L. & N. E. (a)—										
1937	403	289	230	519	922	5,402	6,403	4,900	11,303	16,705
1938	285	316	232	548	833	5,307	6,352	4,931	11,283	16,590
Great Western—										
1937	284	178	110	238	572	3,448	3,706	2,199	5,905	9,353
1938	184	192	109	301	485	3,405	3,675	2,218	5,893	9,298
Southern—										
1937	418	55	26	81	499	5,286	1,149	633	1,782	7,068
1938	284	61	28	89	373	5,285	1,140	627	1,767	7,052
Total—										
1937	1,761	937	592	1,529	3,290	22,352	20,542	13,012	33,554	55,906
1938	1,186	1,042	612	1,654	2,840	22,121	20,269	13,020	33,289	55,410

(a) Week ended May 14.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+1,329	+1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+1,443	+1,099	+ 647	+ 372
Gross increase, first half 1938, over first half 1937	— 310	— 115	— 55	— 16
Weekly Figures				
Latest week compared with 1937	— 16.32	— 6.05	— 2.89	— 0.84
Latest week compared with average 1927-30	— 149	— 89	— 87	— 128
Latest week compared with average 1927-30	— 206	— 175	— 86	— 24

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended May 13 (£'000)			Aggregate Gross Receipts, 19 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	3.9	0.4	4.3	35.6	9.4	45.0
1938	1.9	0.4	2.3	34.9	8.4	43.3
Great Northern—						
1937	9.6	9.2	18.8	160.9	181.2	342.1
1938	8.5	8.3	16.8	164.7	164.9	329.6
Great Southern—						
1937	30.5	41.7	72.2	551.5	809.5	1,361.0
1938	28.0	39.3	67.3	566.7	756.6	1,323.3

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Deben-ture Interest	Amount Available for Distribution	Appropriation				Corresponding Period Last Year	
					Dividend			Carried to Reserve, Deprecia-tion, etc.	Balance Forward	Net Profit
					Prefce. Amount	Ordinary Amount	Rate			
Breweries										
Brampton Brewery	Mar. 31	32,940	38,024	70,964	5,500	25,000	10	5,000	35,464	33,855
Gartside (Brookside Bwy.)	Mar. 31	27,917	11,283	39,200	6,565	11,062	10	...	21,573	18,771
Electric Lighting, etc.										
Cawnpore Electric	Dec. 31	5,137	88,756	93,893	14,000	20,700	10	54,670	4,523	84,697
Madras Electric	Dec. 31	38,665	135,606	174,271	24,849	47,856	8½	60,000	41,566	135,598
Financial, Land, etc.										
Grand Junction Co.	Mar. 31	14,368	43,315	57,683	5,622	29,799	4	7,000	15,262	42,714
Hesketh Estates	Feb. 28	21,506	41,994	63,500	13,125	12,875	7	17,000	20,500	42,112
House Property and Inv.	Mar. 31	18,457	52,584	71,041	23,174	12,875	10	13,700	21,292	49,733
Howard & Bullough	Mar. 31	169	25,003	25,172	11,250	15,672	1½	Dr. 1,800	50	18,264
London County Properties	Mar. 31	127,050	396,101	523,151	28,655	272,690	11	90,954	130,852	392,470
N.Z.M.T. Agency	Feb. 28	548	12,834	13,382	...	8,000	8	5,000	382	11,096
Uganda Company	Aug. 31	8,491	(s) 12,973	21,464	...	2,039	2½	...	19,425	8,491
Warner Estate	Mar. 31	4,415	53,626	58,041	18,750	26,000	8	7,500	5,791	50,282
Gas										
Imperial Continental Gas	Mar. 31	500,283	427,686	927,969	...	411,600	10	...	516,369	427,038
Montevideo Gas	Dec. 31	64,429	81,344	145,773	...	40,500	6½	31,060	74,213	36,501
Iron, Coal and Steel										
Niddrie and Benhar Coal	Mar. 31	23,525	64,225	87,750	...	30,000	15½	31,705	26,045	55,693
Ocean Coal and Wilsons	Dec. 31	211,725	257,150	468,875	79,885	175,000	3½	...	213,990	178,808
Platt Brothers & Co.	Mar. 31	...	80,684	80,684	73,118	24,896	5	Dr. 39,403	22,073	54,318

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending May 14, 1938, before pooling	573,900	+ 129,000
Total, 46 weeks to date	25,890,900	+ 369,000
L.P.T.B. receipts, 52 weeks to June 26, 1937	28,732,000	+ 255,000
L.P.T.B. receipts, year to June, 1937, after pooling	30,247,378	+ 522,655
London Transport Pool receipts, year to June 30, 1937...	41,377,929	+ 771,590

OVERSEAS WEEKLY TRAFFIC RECEIPTS
INDIAN

Name	Weeks Ending	1938	+ or -	1938	+ or -
Bengal & N. Western	4 Apr. 30	Rs. 11,75,480	- 1,12,195	Rs. 35,42,602	- 2,39,361
Bengal-Nagpur	4 Apr. 30	227,49,000	- 93,095	80,08,000	- 4,06,334
Bombay, Bar. & C.I.	5 May 10	37,58,000	+ 28,000	1,49,53,000	+ 5,39,000
Madras & S. Mah.	4 Apr. 30	21,87,000	- 31,881	65,29,000	+ 9,169
S. Indian	4 Apr. 30	15,39,273	- 89,765	46,29,821	- 1,42,905

† 10 days.

CANADIAN

	1938	1937	1938	1937
Canadian National ..	18 May 7	3,129,375	837,728	58,277,012
Canadian Pacific.....	19 May 14	2,352,000	385,000	45,328,000

SOUTH & CENTRAL AMERICAN

Anglo-Arg. Trams.	19 May 13	\$696,724	+ 27,305	12,529,524	+ 343,940
Antofagasta	19 May 15	£16,630	+ 2,090	328,010	+ 12,470
Argentine N.E.	45 May 14	156,900	+ 8,000	6,675,700	+ 2,300
B.A. and Pacific	45 Apr. 30	1,431,000	- 41,000	65,588,000	- 6,725,300
B.A. Central	44 Apr. 30	1,431,000	- 41,000	65,588,000	- 6,725,300
B.A. Gt. Southern	45 May 14	2,057,000	- 66,000	111,075,000	- 2,813,000
B.A. Western	45 May 14	1,127,605	- 4,095	6,890,507	- 24,089
Central Argentine	45 May 14	1,127,605	- 4,095	6,890,507	- 24,089
Central Uruguay	44 May 14	1,127,605	- 4,095	6,890,507	- 24,089
Leopoldina	19 May 14	1,127,605	- 4,095	6,890,507	- 24,089
Mexican Railway	19 May 14	1,127,605	- 4,095	6,890,507	- 24,089
Nitrate	45 May 14	1,127,605	- 4,095	6,890,507	- 24,089
United of Havana	45 May 14	1,127,605	- 4,095	6,890,507	- 24,089

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

SUEZ CANAL RECEIPTS

Transit Receipts† ...	18 May 10	£ 272,900	+ £ 19,400	£ 3,599,300	- £ 690,500
		† 10 days.			

† 10 days.

THE WEEK'S COMPANY RESULTS—continued

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Deben-ture Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Deprecia-tion, etc.	Balance Forward	Net Profit	Divi-dend
					Prefce. Amount	Ordinary Amount	Rate				
Iron, Coal and Steel		£	£	£	£	£	%	£	£	£	%
Sanderson Bros.....	Dec. 31	...	35,613	35,613	...	...	...	...	35,613	5,531	Nil
Smethwick Drop Forgings...	Mar. 31	14,249	47,070	61,319	...	32,828	32½	13,750	14,741	50,786	30
Wilsons and Clyde Coal ...	Feb. 28	29,776	86,090	115,866	2,625	34,213	7	45,000	34,028	75,808	6
Yorkshire Amal. Collieries	Mar. 31	29,679	261,907	291,586	11,250	160,336	5½	50,000	70,000	239,487	5½
Motor Cycle & Aviation											
Singer Motors.....	Mar. 31	...	nDr.24,561	Dr. 24,561	...	...	...	28,337	Dr.52,898	(a)	(a)
Rubber											
Bagan Serai	Dec. 31	654	20,034	20,688	...	15,070	10	3,500	2,118	10,805	7
Batang Consolidated	Dec. 31	9,298	12,071	21,369	...	7,131	4	3,600	10,638	11,877	5
Brádwall (F.M.S.)	Dec. 31	2,800	9,605	12,405	...	6,525	10	2,000	3,880	6,525	6
Bruas-Perak.....	Feb. 28	317	2,557	2,874	647	749	2½	750	728	3,094	5
Emerald	Jan. 31	12,052	30,064	42,116	...	21,500	10	8,439	12,177	20,351	10
Golden Hope	Feb. 28	7,321	39,301	46,622	...	29,159	8	10,000	7,463	35,333	6
Glen Bervie	Jan. 31	894	7,648	8,542	...	3,548	4.16	3,500	1,494	2,948	2.8
Hong Kong (Selangor)	Dec. 31	7,381	38,664	46,045	...	29,250	65	4,329	12,666	25,735	45
Kuala-Nal Kelantan	Dec. 31	2,603	3,317	5,920	...	1,810	4.17	816	3,294	1,054	3½
Lawas (Sarawak)	Dec. 31	1,435	19,126	20,561	...	8,118	5	6,500	5,943	11,318	5½
Rembau Jelai	Dec. 31	18,751	48,511	67,262	...	34,397	8	11,700	21,165	31,851	7½
Straits Rubber	Dec. 31	19,057	65,027	84,084	...	51,188	6½	16,000	16,896	37,887	5½
Sungei Matang	Dec. 31	1,222	7,841	9,063	...	6,000	10	1,276	1,787	3,815	5
United Patani (Malaya)	Dec. 31	31,345	70,381	101,726	...	60,000	12	11,000	30,726	41,671	8
Shipping											
ymnor Steamship	Mar. 31	3,179	99,951	103,130	3,712	10,988	16	57,935	30,495	34,202	8
trate Prod. Steamship ...	Apr. 30	25,320	133,342	158,662	...	19,537	12½	114,000	25,325	64,304	7½
Shops and Stores											
arks and Spencer	Mar. 31	82,584	1,276,751	1,359,335	105,000	742,605	42½	426,089	85,641	1,194,706	40
acock's Stores	Dec. 31	17,122	34,860	51,982	11,925	5,800	8	10,000	24,257	39,652	8
Tea											
algamated	Nov. 30	39,491	140,168	179,659	21,000	66,969	7	36,832	54,858	85,393	4
iglo-American Direct.....	Nov. 30	57,596	154,000	211,596	30,000	66,237	10	39,880	75,479	91,406	6
ubwa	Nov. 30	20,353	25,738	46,091	3,710	21,200	15	...	21,181	20,540	15
ms. Tea and Lands	Nov. 30	69,431	387,108	456,539	78,000	156,000	13	102,612	119,928	266,283	10
anan Devan Hills	Nov. 30	65,422	256,088	321,510	33,000	120,000	16	80,139	88,371	168,178	12½
ayfield (Dimbula)	Dec. 31	8,884	6,701	15,585	1,980	3,678	12	1,000	8,927	5,922	10
andard of Ceylon	Dec. 31	33,716	33,450	67,166	...	26,775	22½	7,000	33,391	32,057	22½
Telegraphs & Telephones											
able and Wireless (Holdirg)	Dec. 31	188,337	1,208,246	1,396,583	922,162	275,324	4	...	199,097	942,737	Nil
able and Wireless	Dec. 31	94,343	1,256,919	1,351,262	...	1,050,000	3½	300,000	1,262	842,945	2½
elephone Manufacturing	Dec. 31	9,278	31,749	41,027	...	22,590	9	7,500	10,937	29,706	9
Textiles											
ritish Cotton & Wool	Mar. 31	45,091	148,561	193,652	...	32,257	4½	104,635	56,760	169,624	6½
ine Cotton Spinners	Mar. 31	Dr.346,299	233,761	Dr.112,538	...	...	...	100,000	Dr.21,258	188,580	Nil
antona Textiles	Mar. 31	6,097	Dr.29,461	Dr. 23,364	...	...	...	...	Dr.23,364	17,844	Nil
Trusts											
ankers' Investment	Apr. 30	51,053	94,071	145,124	30,122	46,519	7	17,000	51,483	93,368	7
nglish & International	Apr. 5	24,462	33,580	58,042	27,500	...	...	3,218	27,324	31,315	Nil
irst Conversion Investment	Apr. 25	(r) 47,267	47,267	47,267	...	39,226	5	...	8,041	(a)	(a)
ustrial and General	Mar. 31	70,064	306,395	376,459	59,185	156,917	12	85,500	74,857	263,264	11
t. Andrew Trust	Apr. 15	27,205	26,518	53,723	17,438	3,431	1½	...	32,854	23,877	1½
econd Guardian	May 5	22,238	37,638	59,876	18,489	14,688	4	10,000	16,699	36,439	3½
econd Mercantile	May 5	56,304	53,081	109,385	18,437	27,437	7½	5,000	58,511	52,475	7
rospect Trust	Mar. 31	17,453	66,750	84,203	26,550	21,750	5	147	35,756	58,974	5
It was three	Mar. 31	212	8,752	8,964	...	8,389	7	...	575	7,349	7½
American business	Mar. 31	40,830	59,186	100,016	2,410	32,994	11½	15,000	49,612	63,755	11½
year that Prentiss											
American P.	Mar. 31	660	23,260	23,920	...	6,960	8	15,200	1,760	(a)	(a)
about the rns & Son	Mar. 31	5,573	19,443	25,016	...	7,257	10	6,225	11,534	(a)	(a)
months were	Mar. 31	15,302	45,214	60,716	...	22,969	25	13,250	24,497	38,647	25
visible and re	Dec. 31	...	Dr.12,032	Dr.12,032	...	...	...	...	Dr.12,032	Dr.22,323	Nil
recession in s	Dec. 31	12,233	60,223	72,456	25,600	19,200	15	12,000	15,656	31,561	15
Joint (J.) Limited	Dec. 31	Dr.11,630	Dr. 4,961	Dr.16,591	...	...	...	...	Dr.16,591	4,448	Nil
Craig and Rose	Mar. 31	...	32,766	32,766	...	19,208	15	8,728	4,830	(a)	(a)
Deritend Stamping.....	Mar. 31	8,702	10,532	19,234	5,000	5,000	5½	...	9,234	11,388	5½
General Refractories	Feb. 28	7,964	48,803	56,767	...	19,140	15	27,324	10,303	33,536	12½
Johnson (R.) & Nephew ...	Dec. 31	7,049	104,726	111,775	...	76,700	16	25,000	10,075	64,388	16(p)
apporte (B.)	Mar. 31	24,973	76,356	101,329	15,488	19,575	9	40,000	26,266	52,444	8
eds Piston Ring	Mar. 31	26,184	93,230	119,414	14,044	39,375	22½	39,000	26,995	91,211	22½
Liverpool Storage	Mar. 31	1,838	13,051	14,889	...	7,250	12½	...	7,639	(a)	(a)
Lovering China Clays.....	Mar. 31	8,158	3,344	11,502	...	3,262	10	...	8,240	2,142	7½
Magnet Joinery	Mar. 31	Dr.32,881	10,517	Dr.22,364	...	...	...	...	Dr.22,364	1,215	Nil
Parkinson and Cowan	Feb. 28	1,863	22,989	24,852	3,141	3,625	10	15,593	2,493	(a)	(a)
Siemens Brothers & Co. ...	Dec. 31	14,146	60,820	74,966	25,405	15,788	3	13,085	20,688	44,641	Nil
Stephany (Furniture Trades)	Dec. 31	344,617	256,777	601,394	55,000	183,750	7½	10,000	352,644	329,986	7½
Thomas and Evans	Mar. 31	1,014	19,013	20,027	5,850	5,900	10	7,357	920	21,418	15
Tweedales and Smalley ...	Feb. 26	20,868	63,532	84,400	19,250	30,000	10	1,000	34,150	49,772	10
Verrell Limited	Apr. 30	43,002	86,604	129,606	...	67,500	15	10,000	52,106	52,494	10
Weber, Smith and Hoare ...	Dec. 31	Dr.357,066	Dr. 1,233	Dr.358,299	...	...	...	...	Dr.358,299	836	Nil
Wiggins, Teape and Co. ...	Dec. 31	1,171	30,936	32,107	15,000	20,000	8	Dr. 3,480	587	42,313	10
Total Profits, 1938, in £000's:											
To May 14	1,033	41,864	149,195	191,059	24,300	77,531	...	43,970	45,258	132,570	...
To May 21	1,112	44,060	159,278	203,338	26,307	82,826	...	46,329	47,876	140,554	...

Special Statistics

OVERSEAS TRADE RETURNS

IMPORTS (Value C.I.F.)

	Month ended April 30		Four Months ended April 30	
	1937	1938	1937	1938
I.—Food, Drink and Tobacco—				
A. Grain and Flour	6,620,091	5,652,253	28,661,415	26,150,096
B. Feeding-stuffs for Animals	1,028,599	883,866	3,863,795	3,918,519
C. Animals, Living, for Food	671,844	452,107	2,202,577	2,128,831
D. Meat	7,504,411	7,456,665	27,244,975	29,995,712
E. Dairy Produce	5,466,490	6,535,887	20,596,950	25,790,990
F. Fresh Fruit and Vegetables	3,211,343	3,285,655	11,986,102	12,795,023
G. Beverages and Cocoa Preparations	3,340,452	3,158,556	15,598,963	13,855,029
H. Other Food	4,532,225	3,622,389	16,552,328	15,925,547
I. Tobacco	496,358	1,037,386	3,626,576	7,429,809
Total, Class I	32,871,813	32,084,764	130,333,681	137,989,556
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	2,552	923	8,334	5,330
B. Other Non-Metalliferous Mining and Quarry Products and the like	435,544	386,133	1,455,093	1,576,797
C. Iron Ore and Scrap	814,334	1,126,377	2,647,111	6,195,017
D. Non-Ferrous Metalliferous Ores and Scrap	1,452,992	1,535,855	4,742,044	6,054,089
E. Wood and Timber	2,694,939	1,902,503	10,273,502	9,522,919
F. Raw Cotton and Cotton Waste	4,112,846	2,627,479	18,522,121	12,579,773
G. Wool, Raw and Waste, and Woollen Rags	6,081,905	5,017,634	22,113,145	17,633,991
H. Silk, Raw, Knobs and Noils	170,678	152,812	670,979	937,093
I. Other Textile Materials	1,019,297	879,156	5,725,247	4,868,650
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	4,144,227	3,316,922	13,471,510	12,206,903
K. Hides and Skins, Undressed	2,149,774	1,422,101	8,889,437	7,657,440
L. Paper-making Materials	1,014,059	1,421,318	3,917,718	6,091,523
M. Rubber	1,064,764	997,711	2,784,202	4,625,256
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	826,186	715,804	3,556,719	3,411,693
Total, Class II	25,984,097	21,502,728	98,777,164	93,566,474
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	10,005	1,039	69,013	2,651
B. Pottery, Glass, Abrasives, etc.	758,702	624,705	2,527,254	2,477,144
C. Iron and Steel and Manufactures thereof	947,517	708,213	3,484,403	8,378,569
D. Non-Ferrous Metals and Manufactures thereof	4,844,842	3,782,788	15,866,399	13,595,212
E. Cutlery, Hardware, Implements and Instruments	651,379	568,051	2,363,618	2,362,465
F. Electrical Goods and Apparatus	341,449	223,654	1,275,642	1,000,958
G. Machinery	2,235,590	1,823,712	7,664,117	7,942,852
H. Manufactures of Wood and Timber	673,239	459,597	2,374,274	2,182,199
I. Cotton Yarns and Manufactures	308,877	264,841	1,068,920	1,119,908
J. Woollen and Worsted Yarns and Manufactures	395,940	283,140	1,542,711	1,282,521
K. Silk Yarns and Manufactures	229,474	154,304	912,233	780,569
L. Manufactures of other Textile Materials	706,067	602,957	2,761,976	2,534,222
M. Apparel	853,826	792,461	3,045,582	3,226,103
N. Footwear	281,745	275,248	877,166	1,060,698
O. Chemicals, Drugs, Dyes and Colours	1,189,050	969,972	4,381,084	4,125,541
P. Oils, Fats and Resins, Manufactured	4,313,719	4,353,557	13,767,850	16,222,630
Q. Leather and Manufactures thereof	869,163	495,255	3,299,425	2,132,352
R. Paper, Cardboard, etc.	1,352,997	1,062,661	4,806,302	5,182,737
S. Vehicles (including Locomotives, Ships and Aircraft)	557,061	279,380	2,313,527	1,948,641
T. Rubber Manufactures	65,138	65,492	258,731	265,530
U. Miscellaneous Articles wholly or mainly Manufactured	2,047,931	1,897,030	7,078,914	6,995,636
Total, Class III	23,633,711	19,688,057	81,739,141	84,819,138
IV.—Animals, not for Food...	272,033	212,798	746,318	903,639
V.—Parcel Post	242,648	191,223	948,914	1,131,703
Total	83,004,322	73,679,570	312,545,218	318,410,510

EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM (Value F.O.B.)

	Month ended April 30		Four Months ended April 30	
	1937	1938	1937	1938
I.—Food, Drink and Tobacco—				
A. Grain and Flour	159,908	131,562	605,801	566,618
B. Feeding-stuffs for Animals	84,841	96,037	283,395	275,025
C. Animals, Living, for Food	268	136	1,588	790
D. Meat	95,736	85,014	357,320	355,941
E. Dairy Produce	80,033	91,115	323,952	315,133
F. Fresh Fruit and Vegetables	55,961	10,589	240,442	72,134
G. Beverages and Cocoa Preparations	1,228,421	799,107	4,938,205	4,237,618
H. Other Food	947,022	756,689	3,747,139	3,483,291
I. Tobacco	439,389	397,941	1,607,876	1,646,037
Total, Class I	3,091,579	2,368,190	12,105,718	10,952,587
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	2,914,696	2,840,142	10,376,986	11,671,926
B. Other Non-Metalliferous Mining and Quarry Products and the like	143,259	76,166	441,346	318,732
C. Iron Ore and Scrap	118,009	41,441	416,398	98,257
D. Non-Ferrous Metalliferous Ores and Scrap	311,114	181,093	1,065,940	809,341
E. Wood and Timber	10,435	6,589	33,011	27,124
F. Raw Cotton and Cotton Waste	114,192	49,479	383,722	172,334
G. Wool, Raw and Waste, and Woollen Rags	893,352	488,482	3,942,417	1,983,435
H. Silk, Raw, Knobs and Noils	1,092	755	2,484	1,626
I. Other Textile Materials	54,605	77,037	196,170	215,438
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	323,374	268,462	1,314,178	1,081,805
K. Hides and Skins, Undressed	205,172	88,433	801,104	472,742
L. Paper-making Materials	174,033	106,644	596,201	412,964
M. Rubber	56,035	22,683	119,023	84,163
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	336,734	240,063	1,197,922	979,644
Total, Class II	5,636,102	4,481,469	20,886,902	18,329,531
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	318,895	150,784	1,236,757	1,129,327
B. Pottery, Glass, Abrasives, etc.	841,157	821,014	3,047,466	3,098,574
C. Iron and Steel and Manufactures thereof	4,129,173	3,709,008	14,712,816	15,265,337
D. Non-Ferrous Metals and Manufactures thereof	1,366,991	901,713	5,113,252	3,987,079
E. Cutlery, Hardware, Implements and Instruments	801,110	766,027	2,891,622	3,031,447
F. Electrical Goods and Apparatus	1,090,108	1,050,906	3,722,873	4,610,347
G. Machinery	4,111,082	4,897,490	14,973,882	19,604,104
H. Manufactures of Wood and Timber	118,023	92,577	421,958	376,198
I. Cotton Yarns and Manufactures	5,855,168	4,110,718	22,555,763	18,252,616
J. Woollen and Worsted Yarns and Manufactures	2,685,740	1,838,335	12,041,557	10,437,557
K. Silk Yarns and Manufactures	132,937	117	511	117
L. Manufactures of other Textile Materials	1,659,803	1,197	5,695,892	4,932,025
M. Apparel	785,571	600	2,757,172	2,459,900
N. Footwear	171,572	145,90	600	145,90
O. Chemicals, Drugs, Dyes and Colours	2,174,805	1,833,351	7,447,805	6,833,351
P. Oils, Fats and Resins, Manufactured	495,571	377,289	1,600,447	1,377,289
Q. Leather and Manufactures thereof	524,332	288,642	1,948,641	1,600,447
R. Paper, Cardboard, etc.	651,703	528,437	2,132,352	1,948,641
S. Vehicles (including Locomotives, Ships and Aircraft)	2,968,508	3,488,517	11,645,392	14,372,025
T. Rubber Manufactures	153,439	150,668	564,110	526,023
U. Miscellaneous Articles wholly or mainly Manufactured	2,325,854	2,281,639	8,760,934	9,208,542
Total, Class III	33,361,542	29,346,144	127,125,200	125,200,044
IV.—Animals, not for Food...	79,922	58,109	248,563	199,225
V.—Parcel Post	857,886	1,012,395	3,779,751	3,454,321
Total	43,027,031	37,266,307	164,146,134	158,135,711

APPOINTMENTS AND PERSONAL

The Right Hon. Viscount Davidson, G.C.V.O., C.H., C.B., has been elected a director of the Buenos Ayres Great Southern Railway Company, Ltd., and the Buenos Ayres Western Railway, Ltd., to fill the vacancies caused by the death of Lieut.-Colonel Woodbine Parish.

Mr W. Howard-Williams has been elected deputy-chairman of Buenos Ayres and Pacific Railway Company, Ltd.

Sir Enoch Hill.—A testimonial fund for Sir Enoch Hill is being opened, to commemorate his work for the Halifax Building Society and his services to the building society movement generally, and also to enable the esteem of personal friends to be voiced. Donations should be addressed to D. W. Smith, Halifax Building Society, Halifax.

Mr Gerald Constable Maxwell has resigned his partnership in G. M. P.

Murphy and Company, members of the New York Stock Exchange, and become a member of the London Stock Exchange and a partner in the firm of Williamson, Fawcett and Stirling. Mr Maxwell has been in charge of the G. M. P. Murphy office in London since it was opened ten years ago.

Imperial Chemical Industries announce that Sir John Anderson, late Governor of Bengal, and Mr Peter F. Bennett, president of the Federation of British Industries are joining the board.

THE ECONOMIST

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MAY 28, 1938

No. 4944

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Ebb and Flow

NOBODY who listened to the President of the Board of Trade in the Commons on Tuesday, or who has thrown even the most cursory glance at the chart on the front page of our monthly Trade Supplement this week, can feel very reassured about the immediate economic prospect before this country.

It was three or four months after the recession in American business activity had begun in March of last year that President Roosevelt's Administration and the American people became convinced, by facts and figures, about the reality and extent of that recession. A further six months were to elapse before its worst effects were both visible and recognised. So, in this country, evidence of a recession in business has accumulated. Though official spokesmen at first refused to face the facts, clear and significant proof was given in the New Year's Survey published in our issue of January 1st this year; and by April, as our Index of Business Activity shows in this week's Supplement, the volume of business activity in the United Kingdom had declined by about 7½ per cent. from the level attained a year earlier. Business activity has slipped back to the level reached in April of 1936.

In the House of Commons on Tuesday, Mr Oliver Stanley gave further figures to the same effect. Thus, although the number of insured persons in employment in Great Britain last December was greater by 200,000 than in December of 1936, in April of this year it was 130,000 less than a year earlier. Unemployment last month was nearly 300,000 more than in April of 1937.

Again, the rise of world prices, which had been responsible for our heavy import surplus last year, had been succeeded in the first quarter of this year by a sharp fall in prices; yet our adverse balance in the first quarter of 1938 increased, mainly owing to a sharp decline in exports. How has all this come about, and what does it suggest for the days that lie ahead?

Two documents of international importance have just been published to which we may look for guidance on these questions—viz., the eighth annual report of the Bank for International Settlements, and the report of the Director of the International Labour Office. Both these publications note that the peak of the recovery movement, after the trough of depression had been reached in 1932, was passed in the summer of last year. Mr Harold Butler, soon to relinquish his direction of the I.L.O., points out only that there has not been a constant state of political unrest in the world since 1932, in the course of which four separate wars have taken place, but also that the well-nigh universal intervention of Governments in the domestic economic sphere, undertaken for the purpose of promoting recovery, has created many fresh difficulties. The B.I.S. report says that "the world economy fought its way back to recovery in abnormally adverse circumstances and that the natural forces of recovery were partly strengthened, partly hampered, by the action of Governments." It goes on to observe that, though recovery had shown some signs of stability in 1936, the world experienced a new setback after March, 1937, which originated in the United States.

In no country, except those in which the Government practically controls the whole of economic life, has administrative action been so strong and widely spread. No country is so naturally independent of other countries and so well protected against international political troubles. Nowhere, however, has the reaction been so violent. It has proved to be infinitely more difficult to direct the trend of economic life by Government action, even in a country with a very large home market and an organised banking system, than the weight of well-studied experience and the attentive survey of economic developments encouraged many to believe.

The American recovery was not due to new investment in capital equipment on a great scale, but to a recovery in consumption. There was no widespread increase of productive capacity. The United States fell back into depression owing to the failure of the capital equipment industries to regain their normal activity. The British recovery, on the other hand, which for five years had been very largely due to extensive investment activity in private industry, has apparently succumbed to the combined effects of a fall in world prices, political shocks in British overseas markets and a steep and uneven rise in British costs. These influences have been complicated by the lack of balance in our domestic economy caused by the enormous "public works programme" which we call re-armament.

Thus, for different reasons, the two leading economic Powers in the world have both fallen into an economic recession. Nevertheless, the two movements are closely connected, although our managed currency system no longer links us rigidly together. Mr. Oliver Stanley, who in Tuesday's debate invoked the American recession as the principal cause of our own, might almost have quoted the words of the B.I.S. report:

The interdependence of modern countries is so great that, though economic nationalism and freedom to change monetary parities may allow them to walk out of step (and this is claimed to be one of the main advantages of breaking with an automatic international monetary standard), it does not make them free to move independently of each other. At a certain distance the movements of the more important countries must be followed. It might have been hoped that the difference in the rhythm and the pace of economic development in the world would have a stabilising effect on the trade cycle for the world as a whole, the prosperity in one country offsetting and checking the decline in another. But at the moment experience rather proves that the chief effect of this walking out of step is a greater disorder in the general economic development of the world and a psychosis in which the feeling of living in a depression never leaves the world because it is always justified in one country or another.

This persistent interdependence, in spite of the abandonment of the automatic monetary link, is one of the most important lessons of recent years. Fluctuating exchanges may enable a country to maintain for a while an independent monetary policy; but it cannot prevent trading nations from being affected by changes in the volume of purchases and sales. We are, therefore, still directly interested in the success or failure of other countries' monetary experiments no less than in their political quarrels or their social stability. We do well to remember that the war in the Far East which began last August, the international war in Spain which is now almost two years old, the elimination of Austria, and the lowering spectre of authoritarian economies which during the last year has exercised a dominating influence over the whole of Eastern, Central and South-eastern Europe, are strongly unfavourable influences upon both the foreign trade of Great Britain and on that of almost every one of the chief trading nations of the world.

Experience shows that the steady expansion of the industries making capital equipment is a necessary condition of progress; and it is for this reason, as we have said, that British recovery has been more solidly based than that of the United States. But both of us are experiencing a recession; and there is in our own situation a special cause for concern. We must realise that at this moment only the re-armament programme is maintaining the activity of our

capital goods industries. This fact involves two disadvantages in the economic sphere. One is the burdensome character of re-armament expenditure. It is a truism that, while armament expenditure "keeps money circulating," it does not produce assets which themselves add to the national income. Quite the contrary. It takes away from the country's common stock of productive resources an ever-growing proportion, and immobilises it in barracks, bombers and battleships. In short, industrial mobilisation for war spells immobilisation of many branches of industry that normally work for peace. Even if the products of our arms factories do not aggravate the political menace, they have no economic value; and the hectic rush to produce them has set up strains and stresses in the economic machine.

Secondly, the heavy industries are the characters which must play the principal roles in civil public works. The fact that re-armament has already done much to maintain employment while the tide has been receding justifies the economists who have argued that expenditure on public works should be increased when business is flagging. But in England to-day there is less room than would normally be the case for a public works programme as a tonic to a patient suffering from economic debility. Something can still be done in this direction, but only with great discrimination. We must keep a watchful eye to see that it does not obstruct or compete with the output of munitions. Public works will, however, gradually become more practicable as the arms programme passes from the stage at which plant is being equipped to that at which there is full output of artillery, aircraft and ammunition.

The critics of the President of the Board of Trade last Tuesday complained that, while his facts were indisputable and depressing, he offered little by way of solution. For our part we would put forward two suggestions which emerge from any survey of our present difficulties. The first is that every effort should be made to revive the flow of world trade, and to combine action in the international sphere with action at home. Only by a recovery of exports can we hope to pay for our imports, resuscitate business, revive enterprise, and restore sufficient confidence to lure from their pigeon-holes those plans for capital expansion which have been laid aside. First in this context come the trade negotiations with the United States. The Government must not be frightened from well doing in this matter by the figures of the balance of trade between Britain and the United States. If the Government will "think imperially" they will find that the figures for the trade between the sterling area and the United States present a very different and much more balanced picture. Both American and British business men—as well as their competitors and colleagues in France, Holland, Scandinavia, Belgium and other of the remaining relatively free economic systems of the world—are now more disposed to view with approval any governmental proposals to increase the volume of trade passing between their countries. This disposition should be translated into action to the utmost possible extent.

But this policy will take time to fructify. Meanwhile, to maintain employment is most important. We should, therefore, press forward, to the degree that is possible in the circumstances, with preparations to increase public works expenditure—particularly in the areas where the civil recession is most felt.

Policy is, however, the major consideration and, above all, a policy that will command confidence. More than ever it is now evident that, for the broadest social and political reasons, the great trading democracies should take common economic counsel. If they take it early enough, their economic systems can once more be strengthened to bear the burdens which the unhappy state of the world has imposed upon them.

A Crisis Averted

THERE are times when the vitality of a sick patient is gradually destroyed by repeated crises until finally the end comes through lack of any further strength to resist. There are others when a crisis survived means that the fury of the disease is burning itself out; when each spasm successfully overcome increases the chance of survival and strengthens the power and the will to resist the next attack. The international events of the past week-end seem to fall into the second category.

It is much to the good that what happened on March 11th-13th to Austria has not happened to Czechoslovakia on May 18th-20th. It is also encouraging that the credit for this negative but considerable achievement is shared by a number of European Governments: our own (to whom all praise when praise is due), the French, the Polish and possibly the Russian, as well as the Czechoslovakian. It is also to the good that Germany's action has shown that when she was faced with the choice between drawing back or touching off a European explosion, counsels of moderation prevailed. Europe breathes again and begins to entertain a new hope.

This last spasm was brought on in circumstances which were no doubt intended to be ominously reminiscent of its predecessor. In an independent State which was Germany's immediate neighbour, a vote was due to be taken; the result would be a manifestation of the political feelings and desires of a German-speaking population whom the masters of the Third Reich were undisguisedly eager to incorporate into Grossdeutschland; and the polling was to take place under the auspices of a Government which was one of Herr Hitler's *bêtes noires*. In March the *dénouement* was a military invasion and an annexation before the vote could be taken. In May things have not gone the same way. German troops have been moved, but they have been kept within the German frontiers and have since been withdrawn some distance into the interior. In the threatened country the polling has taken place this time in perfect order, and with no very sensational results. Still better, the leader of the German minority in Czechoslovakia has since entered into negotiations with the Czechoslovakian Government for a settlement of the Sudetic German question within the framework of the Czechoslovakian State. The world has gained a reprieve, though the future is still doubtful.

As seen from the British end, the first symptom of crisis was an inquiry by the British Ambassador in Berlin, acting on instructions from London, last Friday afternoon, about alleged movements of German troops towards Germany's frontiers with Czechoslovakia. The answer was sedative; but the authorities at Prague decided to take no chances; for the idea had been sedulously and truculently spread throughout Sudeten Bohemia that this was to be The Day. During the night of Friday to Saturday the Czechoslovakian Government called to the colours three classes of reservists, amounting to not much less than 100,000 men. At the same time they announced that this move was not directed against any foreign country but was for the purpose of ensuring law and order during Sunday's polling. This assurance was fulfilled; for the troops assisted the police in keeping order on polling day, with the happiest results. On Saturday morning, near Eger, which is Herr Henlein's stronghold in the extreme north-west corner of Bohemia, an incident had occurred which threatened to be a spark on tinder. A couple of Sudetic German farmers, riding a motor-cycle and heading for the frontier, were challenged by a Czech gendarme. They failed to slow down at his warning, and were then shot by him and mortally wounded—according to the gendarme's account,

unintentionally, since he had aimed at the tyres and not at the riders.

On that day the French Government once again declared categorically that, if Germany were to commit aggression against Czechoslovakia, France would honour the Franco-Czech mutual assistance treaty. On Saturday, likewise, the British Ambassador paid two more calls on Herr von Ribbentrop. The first time he apparently repeated his inquiry of the preceding day, and again received the same assurances as before. On his second call he would appear to have made it clear to the German Foreign Minister that, if war broke out between Germany and France in the circumstances envisaged by the French Government, Germany would find both the two West European Powers in the field against her.

Meanwhile, Herr Hitler had summoned his advisers to him at Munich, and by Saturday night he seems to have taken the decision not to cross the Czechoslovakian frontier in these circumstances. No doubt this decision was not arrived at without a struggle. Herr Hitler's military advisers were, it is safe to guess, once again all in favour of caution. As for Herren Goering and Goebbels, a study of their respective newspapers indicates that the former pressed for military action, but that the latter sat tight on the fence. In any case, counsels of prudence prevailed. The next day, Sunday, the first batch of the Czechoslovakian municipal elections duly took place and went off quietly. On Monday afternoon Herr Henlein flew back from Germany to Prague and immediately entered into conversations with M. Hodza. By Tuesday morning it was being reported that the German troops were being withdrawn again from the immediate neighbourhood of the frontier. In Downing Street on Sunday afternoon there had been an emergency meeting of the Cabinet, but in the House of Commons on Monday the Prime Minister was already able to report that the situation was somewhat easier.

After this spate of political transactions, how does Europe's balance sheet stand? It seems certain that the German policy of the *fait accompli*, through a parade—or in some cases the actual use—or force has this time received a setback, the first really serious setback since Herr Hitler's advent to power. But this does not mean that we are out of the wood. In the last chapter of the story, the failure of the Agadir *coup* of 1911 did not avert the catastrophe of 1914, and the foreign policy of Germany is possibly at the mercy of hotter heads to-day than it was then.

This week, as in 1911, the display of the mailed fist has produced the exact opposite of the result that was intended. It has brought out the courage, coolness and competence of the Czechs; the determination of France; and, what is more, the apparently equal determination of Great Britain not to stand by with arms folded if Germany confronts them with the choice of making common cause in the defence of European liberties or suffering Europe to fall under a German military hegemony. Nor can the results of the elections in Czechoslovakia, as far as these have gone, be particularly gratifying to the Nazis. Herr Henlein's party—whose pressure on the electors of the German regions, though severe, has been restrained in the final stages by the presence of the military—seem to be winning, on the average, about 88 per cent. of the total Sudetic German vote. That is an imposing majority. It may not, however, seem so to Reichsdeutsche, whom Herr Hitler has now accustomed to a 99 per cent. standard; and there is the hard fact that about 12 per cent. of the Sudetendeutsche have still sufficient belief in the future

of the Czechoslovakian Republic, to vote against the Henlein ticket.

It is now certain that Herr Henlein can obtain by negotiation, if he chooses, every right and facility that can reasonably be demanded for the Sudetic Germans on democratic principles. The British and French Governments, which have been steadily urging the Czechoslovakian Government to go to the furthest possible extremes of concession, have both now publicly expressed the view that Prague is doing all that they could ask. Every Sudetic German citizen of Czechoslovakia has the prospect of living his life as "a first-class citizen" henceforward. But to the Prague Government's far-reaching concessions there are definite limits. The Sudetic Germans are to enjoy these full liberties within the framework of a democratic Czechoslovakian commonwealth; and this means that there can be no totalitarian tyranny of a Nazi majority over a democratic minority in the German districts, and no tampering with the internal or external security, or the foreign policy of the Republic.

Will Herr Henlein accept M. Hodza's offer on these

terms? If he does accept it, will he keep his side of the bargain? Will Herr Hitler, for his part, renounce his ambition to incorporate the Sudetenland in Germany or alternatively to make the Henleinists into an instrument of the Reich for dominating Czechoslovakia? At the moment, maybe, the answers to these questions are unknown, even to Herr Hitler himself. But at least this week's events will have made him realise that circumstances alter cases. In the case of the Rhineland, and also to some extent of Austria, there has been a strong undercurrent of opinion in many countries—and certainly in Great Britain—that Germany had not been reasonably treated, and that Herr Hitler's breach of treaties was largely brought about by the short-sighted action of the victors of the Great War and their unwise delay in correcting the mistakes of the past. The Czechoslovakian affair is on a different plane. While everyone will wish that the utmost fairness should be done to German communities outside Germany, the forcible coercion of an independent State is not to be tolerated. If external dictation were once permitted to succeed, the basis of international stability would be completely undermined.

The First Minister of Health

THERE is a growing tendency to assume, as a matter of course, that it is the responsibility of corporate effort to guarantee that the basic needs of every citizen will be satisfied. The State allows no one to starve. The existence of unhealthy houses or workplaces is forbidden by law. The Government administers a vast range of services to safeguard public health and industrial welfare and to provide education for the young and maintenance for the aged, infirm and destitute. Charity survives, but is small by contrast with these nationwide social services.

It was not always so. The celebration this week of the two-hundredth anniversary of John Wesley's conversion, at a meeting place in Aldersgate Street, on May 24, 1738, serves to remind us of the tremendous efforts made in the past by private individuals to create a public conscience in matters of health and welfare. The beginnings of the social services of to-day were made by voluntary organisations in the years of industrial revolution and political change. The remarkable campaign in the nineteenth century to keep pace with the sweeping effects of industrialisation upon the life of the people was very largely stirred into action by a great religious motive, spread abroad by Wesley's Methodist Movement. Though John Wesley has been commemorated, this week, mainly as a religious teacher, his place in the annals of social service is well assured. Sir George Newman himself, for long chief medical officer of the Ministry of Health, has ranked Wesley among the great pioneers of the national health movement. And the work of Wesley's disciples and associates in the parallel fields of education, factory legislation, prison reform and general welfare is equally conspicuous.

In 1703, when John Wesley was born, Queen Anne's England stood half-way between the forest wilderness of Anglo-Saxon times and the spreading town life of to-day. When he died, in 1791, the first shock of the Industrial Revolution had been felt. With iron and steam and the factory system had come changes in thought and sentiment. Men were massed together, frequently in distress and discontent; and the hard lot of the urban poor was suffered by more people than ever before.

In these conditions Wesleyanism, and the "species of Anglican Methodism" constituted by the Evangelical churchmen, played a dual rôle. To the poor in the industrial

centres they gave a moral energy which encouraged them in self-help. To the rich they gave an impetus to philanthropy and social reform from which, in the next century-and-a-half, came the movement against slavery, the beginnings of popular education, the reform of prisons, the Factory Code—in a word, the foundations of the vast edifice of social services which, in the modern state, belong to the citizen in his own right.

How much Wesley's pioneer endeavours owe to the work of other leaders of English life and thought, whose religious views were not necessarily his own, it is difficult to estimate. Bentham combined with him to condemn that "execrable villainy," the slave trade. Radical free-thinkers, Whig philanthropists like Fox, Tory humanitarians like Pitt, and Evangelicals like Wilberforce, worked side by side in a united front to eradicate social injustices. Methodists, Churchmen, Quakers, Baptists, Liberals and atheistical Radicals co-operated to breathe the spirit of reform into England's laws after 1800.

The religious and philosophical reformers of the late eighteenth and early nineteenth centuries did not merely inspire humanitarian reforms from above. They generated constructive and constitutional movements among the poor themselves. Wesley's genius for organisation at least equalled his genius for preaching; and every Englishman since his time who has organised a campaign of propaganda has copied, intentionally or unintentionally, his model. Working-class religion became identified with the organisation of working-class politics. The Wesleyans carried on the Franciscan tradition. Their workshops were fields, gardens, streets and market places, fairs and race-courses. "All mines and subterranean places belonged to them," said Sydney Smith. The Ten Hours Movement to reduce hours of work in factories, the Anti-Slavery Agitation and the Anti-Corn Law League owed much of their method and effectiveness to the Methodist tradition and to the Evangelical party's mode of propaganda.

Middle and working-class political activity in the nineteenth century derived its character from these models. Most of the leaders of the early trade union movement were local preachers. The founders of the Labour Party—Burt, Fenwick, Hardie, Snowden, Henderson and MacDonald—were trained in institutions which were the result of Methodism.

It is not the least of the merits of Dr Bready's comprehensive study of Wesley's work* (which has just been published) that it describes the many and varied fields in which the seeds of voluntary organisation and social service have been sown. Sunday schools, day schools and ragged schools, all owed a great deal to Evangelical zeal between 1780 and 1870, before the State stepped into the field of popular education. True, the reform of prisons and the penal code owed much to arguments by Bentham and Romilly; but the visitation of prisoners in "places worse than any this side hell" was among Wesley's earliest labours; and John Howard, whose seventeen years' crusade revealed the hideous conditions of prison life, was an Evangelical. The regulation of working hours and conditions for women and children in factories and mines, the protection of children against the abuses of chimney-sweeping and gang labour in agriculture, the beginnings of decent housing for the working classes, and the foundation of public health legislation—all these were wholly, or in part, the work of a great Evangelical, Lord Shaftesbury.

The "master curse" (Lecky's phrase) of the eighteenth

* "England: Before and After Wesley." By J. Wesley Bready. Hodder and Stoughton. 463 pages. 10s. 6d.

Essays in Autarky

Germany's Oil Supplies

WHEN Herr Hitler took power, two of his avowed and immediate objectives were to make Germany's fighting services powerful and her industry active. The mechanisation of the Army and the rapid extension of the Air Force have been incidental to the former purpose, while the development of the motor industry and the provision of an entire network of new roads have contributed materially to the latter objective. But fighting forces and motor vehicles alike are paralysed without oil; and Germany's imports of oil, like those of Italy's (whose difficulties in this respect were discussed in *The Economist* of April 9th, page 11) would be liable to interruption in wartime if a hostile Power enjoyed command of the seas. It is therefore scarcely surprising that measures were devised to encourage the production of oil from Germany's substantial coal and lignite resources, and that plants were put down for this purpose, before even the Four Year Plan for self-sufficiency in a wide range of materials was announced. In September, 1936, Herr Hitler announced that within eighteen months Germany "would be under no compulsion to import any petrol at all." Those eighteen months have now passed and we may review the position.

A preliminary warning is necessary. Last year Germany's consumption of all oil products amounted to 5,420,000 tons. Herr Hitler, however, referred only to petrol, and of last year's total oil consumption no more than 2,600,000 tons was of light motor fuels (i.e. petrol or petrol substitutes), the rest being of heavier oils. Since the processes for extracting oil from coal can be varied to produce some of these heavier oils in fairly substantial quantities, and since no figures are published of existing production, it is not possible to do more than estimate whether the capacity of her plants puts Germany in a position to be independent of petrol imports.

Germany's first source of supply is her own wells, which in 1937 provided 453,000 tons of crude oil. The maximum amount of petrol obtainable is unlikely to have been more than 100,000 tons. Production has been steady during the last three years, in spite of intensive search for more fields, and is unlikely to be greatly increased.

The coke ovens and gasworks of the country are a second source of supply, from which was obtained last year about 420,000 tons of benzol—a spirit which may be

century was drunkenness; and from the voluntary educational activities of the Methodists and Evangelicals grew the Temperance Movement. William Booth, founder of the Salvation Army between 1864 and 1878, was an ordained Methodist minister; while it was after a thorough-going conversion in 1862 that Thomas John Barnardo founded his homes for destitute children. The list of nineteenth-century pioneers might be indefinitely extended, but these striking examples are sufficient in themselves to show that, before the elaboration of State social services on the scale on which we know them to-day, public life in Britain had been notably marked by these spontaneous and voluntary campaigns. They are a quality of British democracy, and a distinct derivative of Methodism.

The movement Wesley began two hundred years ago has proved to be a revolution in itself. The dogmatism and emotionalism of Methodism's early days have been more than outweighed by the movement's moral and social achievements. If "Wesleyanism and Industrialism made a new world 'twixt Trent and Tweed," it was a far better world than it might have been because of the leadership of the sincere, courageous, single-minded and determined preacher, whose conversion is being commemorated this week.

mixed with petrol to form a suitable motor fuel. Since benzol is a by-product, however, production cannot be increased very considerably in relation to the country's total requirements, although the further growth of the iron and steel trades may provide some expansion. In common with many Continental countries, again, Germany insists that petrol for sale as motor fuel should be mixed with alcohol. The object of this measure is usually to provide an outlet and a hidden subsidy for agricultural products which can be distilled to manufacture alcohol. In Germany to-day, however, potatoes (the product chiefly concerned) have become too valuable for human and animal consumption to leave any considerable margin for distillation. Consequently last year's total production of 210,000 tons of alcohol will almost certainly not be surpassed.

These three sources, therefore, are unlikely to provide for more than about 750,000 of the 2,600,000 tons which were needed to supply Germany's requirements last year. There remains to be considered the synthetic production of petrol. At the end of 1935, the capacity of plants to produce synthetic oils, either built or building, was about 900,000 tons. There were five hydrogenation plants with a capacity of rather less than 800,000 tons and four plants using the Fischer Tropsch process with a capacity of rather more than 100,000 tons. These should now be completed, and for the purposes of this article we may presume that they are working to capacity. At the beginning of 1937 it was announced that additional plants were to be constructed, but no details were given. However, at the end of the year the International Hydrogenation Engineering and Chemical Company made it known that, on reliable data, the total capacity of hydrogenation plants built or under construction was 1,900,000 tons, and of Fischer Tropsch plants 700,000 tons. The additional plants, however, could not have been in operation in 1937, and production at the end of that year cannot have been at a higher rate than 900,000 tons per annum. This, with other home-produced supplies of light motor fuel, would have placed Germany in a position, at the beginning of 1938, to supply about 1,650,000 tons by her own efforts. For 1938, the Hydrogenation Company estimates that total production by hydrogenation and Fischer Tropsch processes will amount to 1,150,000 tons—only 250,000 tons

more than our estimate of the rate of production at the end of 1937. This would allow a total production for 1938 of rather less than 2,000,000 tons, which is still 600,000 tons short of the total consumption of 1937.

It may be said therefore, with some certainty, that the Fuehrer was over-optimistic in his forecast for the spring of this year. But what of the future? If all the plants announced in 1937 were working to capacity—as they might be, at the earliest, some time in 1939—Germany would be in a position to produce from indigenous materials the following approximate quantities:—

	Tons
By hydrogenation of coal and lignite	1,900,000
By Fischer Tropch process with coal and lignite	700,000
By benzol extraction	600,000
By alcohol production	150,000
By refining indigenous crude oil	150,000
	3,500,000

It may be supposed that if these plants are working to capacity by the end of 1939 this amount would be produced in the year 1940. What is consumption likely to amount to in that year? An estimate has been made recently, in a semi-official German publication, by Major-General Loeb, director of the Chief Department for German Raw and Working Materials in the Ministry of Economics, who has computed that during the course of the Four-Year Plan, from 1936 to 1940, consumption of light motor fuel would increase by about 33 per cent., i.e. to about 3,000,000 tons. Our estimate of domestic production capacity of 3,500,000 tons in 1940 affords ostensibly a margin of 500,000 tons, which would be available, e.g. to meet Austrian consumption. All our figures refer to Germany without Austria.

At the first sight, therefore, it may appear that by the end of 1939 Germany may no longer be "under compulsion to import any petrol at all." But all her production will not be of petrol, nor will her consumption of other

oil products have remained stationary. Major-General Loeb calculates that consumption of Diesel oils in 1940 will be 50 per cent. higher than in 1936, at 1,580,000 tons, and that of lubricating oils will be 25 per cent. higher at 575,000 tons. If we may arbitrarily assume an increase in consumption of other oils of 20 per cent., the total requirements of Germany without Austria in 1940 would be:—

	Tons
Light motor fuel.....	3,000,000
Diesel oil	1,580,000
Lubricating oil	575,000
Other oil products	1,370,000
	6,525,000

In other words, if Germany is to be independent of all oil imports in 1940, the new plants which, it is known, are being built in addition to those announced in 1937, would need to have a capacity very nearly as great as all those built or under construction at the beginning of this year. And it is certain that they have not that capacity.

The merits of the scheme, as an insurance against war-time shortage, may be viewed in perspective by recalling that published estimates of the oil requirements of a Great Power, for all purposes, in any major war, vary from 15 million tons to 30 million tons per annum.

Finally, the factor of cost must be considered. No official figures have been given, but it has been calculated that by tax exemption and preferential railway rates home-produced motor spirit is subsidised in Germany to an extent equivalent to £21 5s. per ton. With this assistance, Germany may be producing sufficient motor spirit for her requirements in 1940. The race between domestic production and increasing consumption, however, will be unending. And on its present scale the industry will be quite inadequate to produce more than a small fraction of the oil supplies necessary for the prosecution of a major war with modern equipment.

Topics of the Week

Another Air Debate.—On Wednesday night Mr Hugh Dalton introduced the Labour Party's motion in the Commons, which was to have been debated on the Thursday of last week. The motion was based on public concern about our air defences and required an immediate independent inquiry into the administration of the departments concerned. The most striking part of Mr Dalton's effective speech was that in which he declared that Time, instead of working for this country was working against it; and that the German Air Force, on the basis of even the latest programmes, was bound continuously to overtake the British. "The Government," said Mr Dalton, "has now retreated from air parity as the purpose of its policy." He went on to catalogue the deficiencies in our programme: lack of blind-flying apparatus, of gun turrets, of machinery to make such equipment, of machine guns, of inspectors, and of technical knowledge at the Air Ministry. The defences of London had been grossly neglected; and as for Scotland and the North of England, if it were widely known how shocking were the provisions for their defence there would be an outburst of indignation. On these grounds he demanded the inquiry, which should cover not only supplies, but organisation of the Air Ministry and all forms of defence against air attack. He chiefly impressed the entire House with his demand for a Ministry of Supply comparable to the Ministry of Munitions during the last war and with complete control over all stages of manufacture. The Prime Minister described the motion as a vote of censure, for it demanded an independent inquiry into the state of our air defences and strongly criticised the Government's actions. He described the existing Air Force as one of which any country might be proud, and he declared that "if it were put to the test to-morrow with whatever deficiencies there might be it would

prove to be one of the most formidable fighting machines in the world." No inquiry, he said, could help to achieve an ideal Air Force. He defended Lord Swinton as being unable to answer for himself in the Lower House; said that many of our difficulties were due to a transition from multi-type manufacture to standardisation of a few types; and rejected the demand for a Ministry of Supply by briefly describing the co-ordinating organisation now in existence, especially in respect of supplies of raw material to manufacturers. "I think in actual war a Ministry of Supply would be essential—indeed, we have plans ready for such a Ministry which could be put into operation at once in such circumstances—I do not believe that a Ministry of Supply in peace-time is going to be as effective as the Ministry of Munitions was effective in the Great War unless you give that Ministry of Supply the same powers as the Ministry of Munitions had in time of war. . . . I doubt very much whether we should be justified in asking for such powers; or whether if we did ask, Parliament would give us such powers in time of peace." Mr Chamberlain did not like comparisons with the German Air Force; he much preferred general statements "which cannot be taken as in any way a challenge to anybody else." Sir Archibald Sinclair rightly pointed out that not only would the Ministry of Supply ensure efficiency and economy, but its wide compulsory powers could always be held in reserve unless absolutely necessary.

Mr Churchill and the Air Minister.—Mr Winston Churchill thought the inquiry demanded by the motion would not really deal with the important trouble, which to him was the question of supply. Supply should be entirely

separated from the Air Ministry; it would have been better were Sir Kingsley Wood appointed Minister of Supply and Lord Swinton left to organise and perfect the R.A.F. He deprecated the change of Ministers without a change of functions; for that would mean inefficiency during the next few months. Mr Churchill chaffed his "unfortunate friend," the Minister for Co-ordination of Defence, who had no executive powers and who moved in a "jungle of committees." Only a Ministry of Supply would solve the problem; and the Prime Minister's suggestion that the Opposition would oppose the granting of the necessary powers was not Mr Churchill's view. Sir Kingsley Wood had little to add to the Prime Minister's remarks, beyond promising to bend all his energies to the task he had assumed. He welcomed Lord Nuffield's acceptance of the Government's invitation to co-operate; and added that Lord Nuffield had undertaken to produce airframes and machines. The debate ended, as it began, in a friendly and co-operative atmosphere. But though the Government treated the motion as a vote of censure and thereby defeated it, the debate did little to allay the growing concern in Parliament and the country over the supply side of the air programme; and very little was said by Government spokesmen about air defences.

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Re-armament and the Trade Unions.—The all-important part of labour in speeding up the manufacture of arms has still to be defined. On Wednesday, the long-awaited meeting between representatives of employers and employed in the engineering industry took place; and, on Thursday, the General Council of the Trades Union Congress met the Prime Minister to discuss "the Government's request for their goodwill and co-operation in acceleration of the re-armament programme." Rejecting proposals for the establishment of a Ministry of Supply in Wednesday's debate on air defence, the Prime Minister made it clear that for the Government to seek "the power of relaxing trade union practices and regulations, the power over strikes and the power over dilution," which were secured during the last war, was in peace time, both impracticable and undesirable. With this assurance, the engineering unions may draft their policy, with no more delay than the time needed to obtain the sanction of their members for the steps they propose to take. On Wednesday, spokesmen for the Amalgamated Engineering Union and the Confederation of Shipbuilding and Engineering Unions informed the employers that they wished to be satisfied that full use was being made of the industry's available labour; and reiterated their demand that any relaxation of union conditions of work should be accompanied by firm guarantees of their restoration. On the face of Mr. Chamberlain's statements in the Commons debate, there need be no immediate apprehension on the workers' part of any move to undermine the status of the unions. On the other hand, the need for some relaxation of union regulations cannot be long delayed if the widespread wish for an adequate speeding up of re-armament is to be fully satisfied. Moreover, it can hardly be disguised that the unions are as anxious about the objects of re-armament as about industrial procedure. On Wednesday, the employers and, on Thursday, the Prime Minister, were plainly shown that organised labour, though more than willing to make arms in greater quantities and more speedily, are not ready to co-operate freely until doubts about the Government's foreign policy have been reasonably allayed. Mr Chamberlain did something to dispel these fears, but left his hearers unconvinced about the Italian agreement and Spain.

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Negotiations in Prague.—The press and people of the Czechoslovak capital warmly responded to their Government's emergency measures last week-end. This explains the strengthening of the Liberal parties, the weakening of the Agrarians, and the great increase in President Benes's popularity. As has long been noted in these columns, the Government's anxiety

to avoid any charge of repression in the Sudetenland had led, by last week-end's elections, to a grave situation in which the police and gendarmerie were paralysed in their activities and subjected to humiliation and abuse. On Friday of last week, on information received, the civil authorities were authorised to restrain acts of provocation and any flaunted illegalities. The Czech Government, fearing a repetition of the Austrian precedent, authorised the General Staff to occupy strategic frontier posts and call up about 100,000 reservists. For the last few weeks the presence of S.A. groups and camps, and of S.S. detachments, on the Czech-German frontier—i.e. within the 15 km. zone outside which General Goering had undertaken to keep the Reichswehr troops when Austria was being invaded—was attested by journalists and travellers. Even tanks were seen. The Czechoslovak population, critical of the former bearing of their Government, breathed a sigh of relief when firmer measures for the security of the State and its frontiers were taken. The young reservists joined their detachments, and the entire military process was quietly and efficiently completed, in the night of Friday to Saturday of last week. As one American journalist remarked: "Czechoslovakia learned a lot from the fate of Austria." The immediate result was to ensure the calmness of the elections and to facilitate the almost superhuman task of the civil officials.

* * *

The attitude of Herr Henlein to the Prague Government has apparently changed for the better. The Minorities Statute is, quite properly, being hammered out on a basis which will permit all minorities, and not only the German, to profit equally and equitably from it, and yet preserve the integrity of the State and its authority. On Wednesday, Herr Henlein and the Prime Minister, M. Hodza, had a long talk, which is a good sign; for Herr Henlein was in German-Austria all the election week-end; and though he may still be forced to stand pat on all his Carlsbad demands of April 24th last, it is now evident that two of them at least—for German control of foreign policy and for German control of the military security of the Sudetenland—cannot be met. They are not, in nature, minority rights at all.

* * *

Riots in Jamaica.—Eleven months ago, the British public was shaken from its usual contented ignorance of affairs in the Crown colonies by news of grave riots in Trinidad. Early last February, the report of the Royal Commission appointed to inquire into those events was published. The report censured, not only the handling of the immediate situation, but also the general social and economic conditions in the colony and the administration which was inadequately fulfilling its duty to ameliorate them. This week has brought news of

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rioting in Jamaica, another West Indian island. The disturbances arose out of a labour dispute on the water-front, where workers demanded an increase of wages and struck when it was not granted. They then sought to promote a general strike, and many municipal workers in Kingston are refusing to work. In the resulting state of tension, hooligan elements are reported to have fomented disorder, and the police were obliged to fire, killing several people. The exact connection between the rioting and the original labour dispute is not clear, but the example of Trinidad suggests that two simultaneous lines of action are necessary: unflinching use of the law against incitation to violence, and a thorough-going examination of the social and economic needs of the working population whose discontent has taken this dangerous form of expression. The colonial Government has taken due measures to quell disorder, including the summoning of a cruiser from Bermuda. For the moment the situation appears to be quiet; but its deeper causes have yet to be removed.

South Africa United.—The early returns in the South African general election were not misleading. The United Party finally secured no less than 111 seats in a House of 150—a total only 5 less than the number they held at the dissolution, when one seat was vacant. The Nationalists, with 27 seats, have increased their representation by seven, and the Dominion party have now eight seats instead of five. Neither of these groups, however, proved itself to have a nation-wide appeal, and the Dominion party in particular has been exposed as little more than a Natal faction. The Labour party lost one of its four seats, and the Independents were reduced from four in the old House to one in the new. Of the total poll, the United party secured 53 per cent., the Nationalists 31 per cent., the Dominion party 7 per cent., Labour 5 per cent., and others 4 per cent. Hence, even on a proportional representation system the Government of General Hertzog and General Smuts would have obtained an adequate working majority over all others. This is the more evident since on most important issues the Opposition parties are even more opposed to each other than to the Government's middle way. The election results are a triumph for the spirit of national unity in South Africa which cuts across racial divisions—a spirit which General Botha did more than any other man to instil. Since the Government was branded by its opponents as negrophile, the results may also reflect a slow trend towards a more liberal outlook on native affairs in the Union.

Mexican Ferment.—The aftermath of President Cárdenas's expropriation of the foreign-owned oil companies, and of the economic deterioration which set in after the slump of the peso and the official suspension of the American Treasury's silver-buying policy, has come quickly. It looks like a nasty brew. First, despite the President's bearding of General Cedillo in his lair at San Luis Potosí towards the end of last week, and his suspension both of the General and of the Governor of that State, General Cedillo has openly flouted the Federal Government's authority and taken to the hills. In these fastnesses, in the central high plateau which skirts the Pan-American highway and the east coastal strip, General Cedillo and his accomplice, the Governor of the State, have been harrying communications by rail from Tampico to their important mining State, and they have also, so it is reported, over 50 modern aircraft of German and American make at their disposal. San Luis Potosí is a remote State, and it is badly served by communications. It lies on that central escarpment behind which most of the Mexican revolutions since 1910—and a good many before that—broke out. The importance of General Cedillo's revolt lies not in its own strength (which is very limited) but rather in the harassing flood of banditry which it has already begun to let loose. This will gravely embarrass the Federal Government of President Cárdenas

at a time when, owing to the urgent problem of the disposal of Mexican oil and silver, it is vitally necessary to maintain at least the foreign tourist traffic which has grown so rapidly during the last three years. The President may be able to enforce his writ against one recalcitrant General; but if growing economic discontent brings growing political discontent in its train, Mexico might be paralysed by internal dissensions as she has unhappily so often been in the recent past.

Railwaymen's Claims.—The signs of an appreciable recession in British trade are unmistakable, as we show in our Monthly Supplement, published this week. As usual, the railways have been among the first to feel the effects of declining business. In recent weeks, goods traffic receipts have been below the level of comparable weeks last year, despite the 5 per cent. increase in charges imposed in the meantime. Expenditure has increased with the price of commodities, now that the railways' favourable long-term contracts for coal and materials have run out. And the wages agreement negotiated last August involves an extra £2½ millions expenditure in a full year. From the railways' point of view, therefore, the moment may appear wholly inopportune for the lodging of claims for increased wages. The National Union of Railwaymen have, however, asked for a minimum weekly wage of 50s.; the Associated Society of Locomotive Engineers and Firemen for increases of about 1s. a day for drivers and motormen, and corresponding advances for firemen and cleaners; and the Railway Clerks' Association for an increase of £20 in maximum annual salaries and a 40-hour week. All three unions claim a fortnight's holiday with pay and improved organisation of night and Sunday work.

Intrinsically, these demands deserve every sympathy. Financially, they are appropriate to a period of rising rather than of falling revenue. Their cost has been estimated at £3 millions each year, apart from any corresponding concessions to signalmen and shopmen. The railway workers suffered in 1931; and, rightly, the fruits of the recent economic recovery were largely devoted to restoring their wages and improving their conditions. The stockholder has not been similarly cared for, and to concede even a tithe of these demands would involve further sacrifices on his part, for which it would be difficult to find justification in equity. Indeed, it may not be unfair to presume that the unions' main object in making these demands is tactical; that they are designed to forestall any move, in the face of recession, to cut wages, and to stake out a claim for the future. The issue will not be finally decided until the autumn; but financial considerations are likely, on this occasion, to be decisive.

Milk Prices.—The drought has not yet broken. Its destructive effects on hay and grazing have endangered summer supplies of milk. The surplus usually available for creameries at this time of the year is not forthcoming; and prospects for holiday supplies are not encouraging. The Milk Marketing Board has, accordingly, approached the Central Milk Distributive Board with a view to increasing the contract price to be paid to producers during June and July, which was recently reduced from 16d. per gallon in April to 13d. for the ensuing three months. Farmers are already feeding winter rations to their cows in an endeavour to maintain supplies, and the proposed increase in the wholesale price is designed to stimulate their efforts. The advance would be passed on to the consumer in the form of higher retail prices; and would involve, during June and July, a return to the winter price of 7d. a quart, instead of the present summer price of 6d.—or, in some rural areas, 6d. instead of 5d. Existing milk prices are already too high, largely because of the unduly high cost of distribution. The proposed increase, however, is intended to assist producers at a time of unmistakable emergency, and in so far as the drought has made it necessary, cannot be gainsaid. Nevertheless, the need for raising the summer price of

this essential foodstuff at least emphasises the urgent necessity of cutting the cost of milk distribution to the lowest economic level as soon as possible.

Japanese Cabinet Crisis.—On Thursday yet another of those convulsions in Japanese Cabinets, which have generally preceded or followed military surprises on the Asiatic Continent, shook the Administration of Prince Konoye. And this time, again, the aftermath of military disappointment has been a strengthening of the extreme militaristic element in the Government. The military party, led by the younger officers, have been responsible for the invasion of Manchuria, the abortive rebellion of eighteen months ago, and the present war against China. Yet this latter adventure has turned out to be much more formidable, to have lasted longer, and to have been less successful than its instigators imagined. Though Prince Konoye's earlier Cabinets had tried to retain the reins of Government, and especially of foreign policy, in civilian hands, they were forced, only a few months ago, to introduce legislative decrees mobilising the entire industrial and civilian life of Japan. Now it is reported that Mr Hirota, hitherto Foreign Minister, is to be dropped in favour of General Ugaki, a former War Minister; and that General Araki, another former War Minister, is the new Minister of Education. Thus, five of the chief Cabinet posts will be held by officers of the army or navy; and it is rumoured that General Ugaki may soon overstep Prince Konoye's threshold into the Prime Ministry.

The "Underground" Collision.—Although part of the evidence at the official inquiry into last week's Charing Cross accident was taken *in camera*, sufficient was given in public to throw some light on the cause of the disaster. There was no failure in the signalling system as such. And Mr Burgin made it clear, in the House of Commons this week, that considerations of safety had not been in any way subordinated to those of expediting traffic. It appears that, during the night before the accident, certain work on the signalling system was in progress. In the course of this work a wrong connection was made in the wiring at Charing Cross. The normal check test required and provided in connection with such work also failed. Consequently, the east-bound starting signal at Charing Cross failed to give security. It was also stated that there was no explosion or fire subsequent to the accident. Another question which arose was whether the driver of the colliding train had any chance of seeing the tail-lamp of the stationary train in time to avoid a collision. The inspecting officer decided to make the experiment himself at the scene of the accident during a quiet period on Sunday morning. The inspector's report on the accident, with his recommendations for the prevention of a similar disaster, will not appear for some little time, but the evidence already published suggests that every east-bound train that morning, up to the time of the accident, was in turn exposed to danger as it travelled from Charing Cross to the Temple. The implications of the possibility that the apparatus can be connected up wrongly, with such dire results, will doubtless be discussed in the Inspecting Officer's Report.

Spanish Stalemate Again?—The Spanish issue is still unresolved. It now seems clear that, when Signor Mussolini made his overture to Mr Chamberlain, he believed that a complete victory was already within General Franco's grasp, perhaps within the ensuing few weeks. When the time came for the opening of negotiations between Italy and France, the Italians accordingly insisted on excluding Spain from the agenda on the ground that the Spanish war was now virtually over. The French took the Italians at their word, and proceeded to act on the principle that, if non-intervention was to be construed by Italy to mean intervention, France was entitled to secure for herself most-favoured-nation treatment. Accordingly, a French, as well as an Italian, channel seems to have been opened for the passage of arms to Spain—though the material

entering from France appears to have come almost entirely from countries east of her (not excluding Germany, it is said). In order to counter this threat to Franco's military ascendancy, the Italians rushed in arms, for their part, in sufficient quantities to postpone the entry into force of the Anglo-Italian agreement. But these Italian efforts seem to have been in vain. The insurgents' offensive has come to a halt, and now the Government forces are counter-attacking on the northern part of the Catalanian front.

Signor Mussolini is therefore to bring before the non-intervention committee his claim that non-intervention spells non-intervention by non-Axis Powers only. But, in spite of British endeavours to bring the French at least part of the way towards acquiescing in this preposterous view, M. Daladier and the French General Staff may prove unexpectedly stiff in holding out for the principle of most-favoured-nation treatment. Their stiffness will be fortified by the increasing number of reports of German military preparations on General Franco's side of the Pyrenees—particularly the laying out of aerodromes within close bombing range of Southern France. Signor Mussolini's desire that England and France should connive at a quick victory for himself in Spain may be attributed to a wish to give his own people peace without loss of face. Franco is reported to be not unwilling to part with his Italian infantry, but to be by no means enamoured of the suggestion that he should try to take Madrid and Barcelona by storm, in order to end the war quickly for Mussolini's convenience. The Peninsular War seems to be working out entirely according to precedent.

Sugar Beet in Germany.—The first German beet sugar refinery was built at Quedlinburg, near the Hartz Mountains, in the eighteen thirties. During the intervening century, the German beet industry was developed, with the assistance of subsidies, import taxes and export bounties, to such an extent that 2·7 million metric tons of raw sugar were produced in 1913-14, of which 0·5 million tons were exported. Since the war, the area under

Thousand Metric Tons of Raw Sugar				
	1913-14*	1929-30	1932-33	1936-37
Estimated total consumption	1,430	1,655	1,460	1,807
Production from beet.....	2,716	1,985	1,091	1,810

* Pre-war boundaries.

sugar beet has not regained the half-million hectares of 1913, though Germany recovered her position as a net exporter of sugar on a somewhat smaller scale. For this foodstuff, Germany was therefore already self-sufficient before the advent of Herr Hitler, but nevertheless the production of sugar beet is being expanded. It is hoped that the shortage of fats may be alleviated by an increased consumption of sugar, while the beet tops will supplement the limited supplies of fodder. The area under sugar beet, which had fallen from 433,000 hectares in 1929-30 to 221,000 hectares in 1932-33, rose to 400,000 in 1936-37; practically all of the 1·8 million tons produced in this last year was marketed in Germany. Under the influence of better employment, the *per capita* consumption of sugar increased from 21 kg. in 1931 to 22·5 kg. in 1936 and the rise is expected to continue. Even so, consumption is low compared with other countries, largely because the official price is held at a relatively high level. According to evidence laid before the International Sugar Council of last year, retail prices of sugar in Germany are three times as high as in the United Kingdom, where the *per capita* consumption is double that in Germany.

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From Our Special Correspondents

United States

Hope Deferred

NEW YORK, May 17.—The second quarter of the year is now half over, and so far it has recorded another disappointment. When the first quarter showed stability without recovery, the hopes of a speedy revival, which were widespread at the end of 1937, were transferred to the second quarter, and one heard on all sides the confident prediction that, by May at the latest, a pronounced upturn would be under way. May is half gone, and there is not a vestige of tangible evidence of betterment. Now, there is an almost universal belief that, by August, the recovery will commence and business will be good in the autumn.

The actual level of business activity is distressingly low—so low that no one can contemplate its duration without grave misgivings. The current level of the index of production, at about 80, is considerably above that of 1932. But, in at least one major industry, and in many minor and perhaps localised occupations, conditions are worse than in 1932. The major example is the railways. Car-loadings are still above the lowest levels of 1932, although the average of the first quarter of this year was very near to that of the first quarter of that year. But the net income of the companies to date is far below that of 1932; and the total market value of the American railway system to-day is less than in 1932.

Serious Unemployment

Unemployment is estimated at figures comparable to those banded about in 1932; and it is possible that these estimates are broadly correct. On the other hand, the number of employed seems greater, for the index of factory employment has closely followed the index of manufacturing, and stands just above 80, compared with an average of 66 in 1932. Factory pay-rolls, at over 70, are far above the average of 46 recorded in 1932. In short, the depression has affected corporate earnings more severely than it has affected production, employment or pay-rolls, and comparisons with 1932 are complicated by the fact that, although more people seem to be employed than in 1932, it is possible that the number of unemployed may be greater than then, owing to the increase in persons of employable age.

For the unemployed, a variety of relief agencies has been created that was not in existence in 1932. But it appears that the personal resources of the unemployed are lower than in 1932. They were depleted during the previous depression, and were not built up again during the brief period of pros-

perity. The rural population is clearly faring far better than in 1932; and estimates made by the Department of Commerce suggest, for the first two months of 1938, a rate of national income as high as in 1936—a figure difficult to reconcile with published data of either pay-rolls or corporate earnings.

Altogether, it is not easy to make any clear and comprehensive statement about the present position of the American economy. Furthermore, it is questionable if any comprehensive statement would be valid. Conditions vary widely from one place to another. In the south-eastern States, it is said that conditions do not compare unfavourably with the middle twenties. But in business circles actual conditions are those of extreme depression, exceeded only by the worst months of 1932, but with sentiment sustained by the belief that the upturn will come by the autumn at the latest.

Prospects of Autumn Revival

One reason for the emphasis of the prophets on the upturn in the autumn is the tendency to marked seasonal fluctuations in the American economy. Spring and autumn are characteristically strong; summer and winter are characteristically weak. The seasonal activity in the autumn is largely a reflection of the harvests, which affect a considerable proportion of the population; the winter recession reflects the severity of the weather, which causes a suspension or serious interruption of outdoor employment, such as building. The spring revival reflects the resumption of outdoor activity and a busy seasonal trade in the motor industry. The temperature ranges between summer and winter in the United States are far wider than in the British Isles, and these have a real significance in the economic pattern of a year. Consequently, it is entirely logical in a poor winter to pin hope on a good spring; and, when this hope is dashed, to transfer it to the autumn. This may seem like a kind of naive determinism, but it has a fairly solid historical background.

There are other valid reasons for optimism. By the autumn, inventories will have been reduced to the point where replenishment will become urgent. In another three months, the spending programme will have produced visible consequences. The excess reserves will have evoked an expansion of bank credit. Above all, the Tax Bill, which has passed both Houses and is now awaiting the President's signature, will have released a stream of capital for industry.

The national income figures prepared by the Department of Commerce are of recent origin and promise to be of great value. They represent income paid out—i.e. wages and salaries, dividend and interest payments, entrepreneurial withdrawals and net rents and royalties. They are available

in dollar figures, but in the following table they are shown as percentages of the 1929 income:—

INDEX OF NATIONAL INCOME U.S. DEPT. OF COMMERCE
1929=100

	Adjusted for Seasonal			
	1935	1936	1937	1938
January	68.6	75.2	84.8	81.5
February.....	68.9	75.4	85.5	80.8
March	69.4	76.7	87.6	
April.....	68.9	76.7	87.1	
May.....	69.2	77.8	87.6	
June	69.2	79.3	87.8	
July	68.6	80.4	88.1	
August	70.4	80.5	88.6	
September	70.9	80.7	87.2	
October	71.6	81.6	86.4	
November	73.1	83.4	85.0	
December.....	74.5	84.6	83.8	
Average	70.2	79.8	86.6	

This series is much smoother and more continuous than movements of the index of production. Moreover, the decline since last August is vastly smaller than that in the index of production.

France

Stimulating Production

PARIS, May 25.—The second instalment of decrees, numbering 58, has just been published. These measures are classed under three heads: production, credit and social policy. As expected, the steps to be taken to stimulate production relate chiefly to building. The unhealthy areas of Paris are to be cleared. On the outskirts of the capital, speedways and by-pass roads will be constructed. Rural houses will be built, electrical power developed, irrigation schemes carried out and ports and harbours improved. In addition, the production of tea, rum and cotton in the colonies will be encouraged by loans.

Credits will be raised for the execution of these plans, which, before the end of 1940, will entail an expenditure of 11,000 million francs, of which 1,700 millions must be spent at once. Some 6,000 millions will be disbursed by the State, and the remaining 5,000 millions by public undertakings. The Treasury and Caisse des Dépôts, assisted by the Crédit Foncier and the Caisse des Prêts aux Communes, will be responsible for the financing of these enterprises.

In addition, further credits, amounting to some 3,000 million francs, will be made available to undertakings of sound standing at cheap rates. Increased production will be stimulated by the remission of taxes; and the making of payments by cheque is to be encouraged.

The third category of decrees deals with social measures. Seasonal modifications of the 40-hour week are to be instituted, and a maximum working year of 2,000 hours is laid down. Further laws will encourage scientific research, and the technical education of young workers.

Growing Confidence and Unity

The able and determined attempts of the Chamberlain Government to secure a peaceful settlement of the dispute between Berlin and Prague have made a deep impression in Paris. Every day, political realism in the field of foreign affairs, as distinct from merely ideological preoccupations, makes new converts. The markets were well pleased by the efforts of the French Press to avoid presenting the latest international developments as the success of one Axis over the other.

Moreover, the crisis provided the Government and M. Herriot with a further opportunity to emphasise the need for augmenting production. The newly-published decrees become more significant because public opinion now realises more than ever the need for such measures. This is as true of the politicians as of the Stock Exchange. The Left parties are still giving their moral support to the Daladier Cabinet. The trade unions are coming round to accept the need for revising the 40-hour week; and the first step, though it is small, has been taken.

Once more, Germany has awakened France. Where the firmest political speeches, the most eloquent appeals, and the most convincing statistical evidence failed to persuade the nation of the need for drastic action, the audacity of Germany has succeeded.

The Treasury's Task

The need for a great effort is, moreover, underlined by the present position of the Treasury and the latest return of fiscal receipts. In March, the yield of taxes was 300 million francs below the estimated receipts, compared with short-falls of 133 millions and 18 millions, respectively, in February and January. The March yield was only 173 million francs more than in March, 1937, compared with improvements over the corresponding months of last year of 341 millions in February and 724 millions in January. In April, receipts were better, and fell no more than 140 millions below the estimate. In the first quarter of this year, taxes yielded 450 millions less than estimated and 1,350 millions more than in the first quarter of 1937.

The position of the Treasury has, of course, been appreciably improved by the repatriation of capital. The National Defence Loan has brought in 5,000 million francs, and subscriptions to the Defence Bonds have amounted to between 5,000 and 6,000 millions.

But the Treasury's needs, up to the end of this year, have been estimated at close on 30,000 million francs. Even if a further 5,000 millions is covered by funding operations, there will still remain 15,000 millions to borrow. Nevertheless, these figures are a decided improvement on the position during the first three months of the year; and the sum still to be borrowed should not be beyond the capacity of French savings. In the last resort, however, success will depend upon the preservation of peace and the increase of industrial production.

Holland

Amsterdam, the Franc and Sterling

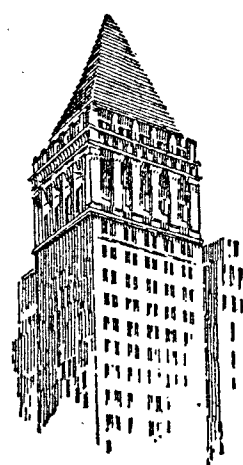
AMSTERDAM, May 15.—The latest developments in the French franc have passed without involving undue repercussions in the Netherlands. This relative immunity would be altered, however, if Belgium, contrary to expectations, were to follow the example of France. Further depreciation of the Belgian currency would be a matter of vital significance, if only because of the close interests which exist between the ports of Rotterdam, Amsterdam and Antwerp.

Early in May, affairs in the foreign exchange market attracted keen interest when it was found that the Netherlands Exchange Equalisation Fund was intervening, notably to support the sterling rate. The Equalisation Fund has repeatedly taken action in the market by absorbing offers of sterling in order to maintain stability in the sterling rate.

In view of the pressure being exerted on sterling, the Fund had been lowering its purchasing rate gradually, mostly in stages of $\frac{1}{2}$ cent, until the level of 8.96 was ultimately reached. On Monday morning, however, the fund intimated that it was prepared to take up sterling at the rate of 8.96 $\frac{1}{2}$, subsequently followed by a rise to 8.97 for amounts of £25,000 or more. This news led to a vigorous rise in sterling which promptly advanced to 8.98 and 8.98 $\frac{1}{2}$, and also resulted in a nervous tendency throughout the market.

Increased Bank Dividends

Now that the annual reports of the four big banking institutions have been published, a general idea can be obtained about developments in banking business during



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1937. Bigger profits were recorded by the Rotterdamsche Bankvereening, Twentsche Bank, Incasso Bank and Amsterdamsche Bank, enabling dividends to be distributed at a higher rate. Examination of the sources of profit reveals that earnings from interest have dwindled considerably, in consequence of the lower level of interest rates. On the other hand, the profits yielded by new issue and stock departments have increased enormously, owing to numerous conversion issues and the large turnover in securities on the Bourse. In the following table, some figures covering the four big banks referred to above are set out:—

PROFITS OF FOUR MAIN BANKS (Guilders)			
	1936	1937	
Interest and bills	27,165,000	19,731,000	
Commission and profits on securities	16,518,000	24,230,000	
Total net profit (after writing-off and allotment to reserve funds)	13,221,000	14,666,000	

Earnings from interest declined by 7,434,000 guilders, but the profits accruing from commission and securities business rose by 7,712,000 guilders.

Conversions Resumed

Following a period of stagnation which lasted about six weeks, conversion operations were recently resumed on the loan market in Amsterdam. This is significant, not only for the Stock Exchange, but also for the general economic situation of the country. The resumption of conversion activities shows that the super-abundant supplies of money continue unabated. It is evident that the recent stagnation in the conversion movement was merely due to reticence on the part of the investing public consequent upon the annexation of Austria.

Confidence has been restored to a considerable extent, and a gradual improvement in the investment market has ensued. These new conversion loans are the first to be issued under the new regulations of the Amsterdam Securities Trade Association, which aim at minimising loss to the investor in the event of the redemption of loans shortly after issue.

Bigger State Debt

The State debt reached a new high level at the end of 1937, as will be seen from the following table:—

(In million guilders)			
Year ended	Consolidated	Floating	Total
Dec. 31,			
1913	1,148	6	1,154
1922	2,728	815	3,543
1929	2,462	265	2,727
1931	2,338	527	2,865
1934	2,700	662	3,362
1936	2,870	675	3,545
1937	3,253	805	4,058

The consolidated debt thus increased by 383 millions in the course of 1937, and the floating debt by 130 millions, so that the State's debts grew by well over 500 million guilders during last year. As the result of conversion operations, the burden of interest on the consolidated loans has not grown proportionately:—

Interest Due			
	1934	1935	1936
(In thousand guilders)			
First half year ...	51,198	48,238	48,463
Second half year	60,093	47,675	49,930
Totals	111,291	95,913	98,393

Although the consolidated debt in 1937 was 500 million guilders higher than in 1934, the interest service was 9 million guilders less than 1934.

Sweden

Recession Checked

STOCKHOLM, May 5.—Though business activity in Sweden has been slackening off for some time, the recession has taken a far less violent form than in 1929-30, and lately there have even been signs of a slight recovery. The general index of business activity, which reached its peak in August, 1937, at 124 (100 = average 1935), gradually fell to 119 at the close of last year and further to 117.5 in January. In February, however, the index rose to 118.5, chiefly owing to lively

building activity, due to favourable weather conditions. News from the United States is followed with particularly keen interest, since recovery in the United States would be of outstanding importance for the Swedish pulp and paper industries.

At a meeting of the Association of Swedish Industries, industrial leaders laid stress upon the fact that Swedish industry had profited from the boom of the last few years by consolidating its financial and technical position. Serious fears were aroused, however, by a proposal, submitted by the Government to the Riksdag, for legislation to provide for a compulsory paid holiday of 12 days for all industrial workers. Swedish employers agree with the principle of granting their workers the right to paid holidays, but it is generally considered that the present proposal needs more thorough examination and should be less rigid.

Another proposed law, which is meeting with strong opposition from shipowners, provides for an eight-hour day in the merchant fleet. On the whole, the Socialist Government tends to show considerable moderation in introducing reforms, and it is probable that the employers' objections to these measures will be taken into consideration.

Poor Industrial Outlook

The outlook for the main staple industries has not improved. New pulp developments consist mainly in contracts regulating prices, and there is practically no interest in pulp deliveries for 1939. It is symptomatic that the European sulphite pulp organisation decided at a meeting in Stockholm in April to reduce production by 20 per cent.

No improvement in the paper market can be expected so long as the large American stocks have not been absorbed. The Scandinavian greaseproof paper organisation recently reduced its production to 50 per cent. of the 1937 output; and the Scandinavian Kraft paper concern has reduced its production to only 35 per cent. of the 1937 output.

The timber market also shows no signs of improvement, and the unsuccessful offers of Russian timber in Great Britain had a discouraging effect. During the first quarter of the year, Swedish timber sales totalled 275,000 standards. In the iron and steel industry the situation is somewhat better, partly because of larger shipments to Great Britain; and domestic stocks have been noticeably reduced.

Exports Well Maintained

Foreign trade is still satisfactory, and the following figures for the first quarters of 1937 and 1938 show that exports have been well maintained:—

(In million kronor)		
	1937	1938
	January-March	January-March
Imports	435.7	479.0
Exports	351.6	412.8
Import surplus	84.1	66.2

In the first two months of this year, Sweden's trade with Great Britain was valued as follows:—

(In million kronor)		
	1937	1938
	Jan.-Feb.	Jan.-Feb.
Exports to U.K.	51.9	73.0
Imports from U.K.	48.2	54.3
Export surplus	3.7	18.7

Of exports to the United Kingdom during January and February valued at Kr. 73.0 millions, only Kr. 69 millions were consumed in the United Kingdom; and of imports valued at Kr. 54.3 millions, only Kr. 36.2 millions represented goods manufactured in the United Kingdom.

Falling Prices

Wholesale prices continue to move downward. The general index of wholesale prices fell in March by 3 points to 131 (1913 = 100). Prices of consumption goods, on the other hand, remained practically unchanged.

The situation on the money market remains notably easy. Because of the disturbing political situation abroad the Bank of Sweden has converted part of its foreign currency reserve into gold; and the Bank's gold reserve increased during March from Kr. 473 millions to Kr. 494 millions. The aggregate reserves of foreign currency held by the Bank of Sweden and the joint-stock banks declined during March from Kr. 883 millions to Kr. 846 millions, partly on account of gold purchases and partly on account of the withdrawal of foreign deposits from Swedish banks.

Latvia

Increased Defence Expenditure

RIGA, May 15.—The Budget for the financial year ending on April 1, 1939, has been balanced at about 191 million lats. Actual revenue and expenditure in the year 1937-38 balanced at about 180 million lats. In the new financial year, because of the activity of domestic trade in 1937, increased revenue is expected from direct taxation.

The Finance Minister explained that domestic business would maintain its present level for at least another two years, but that the following year's Budget might have to include economies. Of particular interest was the Minister's declaration that the prevailing economic expansion in many directions had assumed too rapid a tempo. Some strain, for instance, is evident in the labour market; and Government expenditure on new investment (in agricultural projects, etc.) will be considerably curtailed.

The chief increases in the new estimates will be in expenditure on the War Ministry, and apart from these higher estimates, a special fund for national defence purposes has been established, the receipts of which in the first year have been estimated at about 9,000,000 lats. Apart from certain Government appropriations, the fund will be built up by new imposts, which must be borne by the owners of real estate, by employers with the exception of farmers (2 per cent. of all wages paid and salaries) and by importers. On imports of dutiable raw materials and semi-manufactures, an extra duty of 1 per cent. *ad valorem* will be levied and a similar duty of 2 per cent. *ad valorem* on dutiable finished goods.

An internal loan of 34 million lats for the completion of the construction of the power station at Keggum has been quickly over-subscribed. Various other State mortgages, etc. (also of the 2 per cent. variety) could be tendered in payment. Besides the building of the power station, a beginning has already been made with the erection of overhead transmission lines and transformers.

Surplus of Imports

General domestic business remains, for the time being, almost entirely uninfluenced by the depression in certain foreign markets. Exports in the first quarter of the year moved as follows:—

Million lats.		
	First quarter, 1937	First quarter, 1938
Imports	38.6	51.3
Exports	39.2	41.6
Surplus of Imports (—) or Exports (+)	+ 0.6	— 9.7

The notable growth of imports is chiefly due to the regular covering of heavy requirements for large State building operations. The new State plan for the improvement of agricultural products, moreover, has been affected by the higher prices of imported fertilisers, seed and agricultural implements; and the raw material requirements of industry have, at the same time, been appreciably large.

Exports also rose. Exports of live pigs, compared with the first quarter of 1937, were more than trebled; and 3,754 tons of butter were exported against 2,970 tons last year at an appreciably higher price. On the other hand, exports of timber and flax suffered some contraction.

The surplus of imports is a phenomenon to which increased attention will be devoted. Latvian trade has commonly been distinguished by an active balance of payments. In 1937, on the whole balance of payments, there was a credit total of 313 million lats, of which 261 million lats was derived from the proceeds of exported goods. Total debits were 277 million lats, of which payments for imported goods accounted for 231 million lats. Up to now, however, measures to restrict imports have not been contemplated.

Hongkong

Japan and the Customs

HONGKONG, May 6.—The Anglo-Japanese agreement regarding the Chinese Customs has been favourably interpreted in London, but much still depends upon its practical application by Japan. Something had to be done to end the present deadlock in Shanghai, but, unless Japanese goods entering the Shanghai and Tientsin areas cease to count as military supplies, Customs revenue will be mainly confined to duties on non-Japanese imports and Chinese exports. Some observers here regard the agreement as placing at the

disposal of the Japanese Government revenue, in the form of Chinese currency, with which to purchase foreign exchange.

Fortunately, China still retains control over the Customs collection at ports south of Shanghai, and, judging by the ever-increasing volume of trade with the interior by way of Hongkong and Indo-China, the revenue collections at Canton, Kowloon and Mengtsz (Yunnan) are benefiting considerably by the diversion of trade which would normally pass through Shanghai.

The trade returns for Hongkong show, as was to be expected, an all-round increase of about 25 per cent., if the first quarter of 1938 is compared with the first quarter of 1937. Imports have increased in value from \$131½ millions to \$162 millions, while the value of exports has risen from \$105½ millions to \$135½ millions. Japan's share of total imports fell to 2.7 per cent. compared with 12.4 per cent. in the first quarter of last year, and imports from the United Kingdom showed a slight rise to 7.1 per cent. There was a big advance in the share of the United States—from 5.1 per cent. to 12.5.

Hongkong in Imperial Trade

Hongkong exporters under contract to ship goods to other parts of the Empire have, on various occasions, been placed in a dilemma by the announcement from Whitehall, or from the colony concerned, that certain restrictions would be enforced on a date leaving insufficient time for the contract to be implemented. The Colonial Office now seems to be well informed about Hongkong's export trade, and extends to it considerable practical sympathy. The Secretary of State has even promised to approach Dominion Governments with a view to extending preference to Hongkong manufactures, but all four Dominions have a rooted suspicion of Oriental labour.

Canton remains unperturbed, either by continuous air raids or by rumours of invasion. During the past month there has been one interruption to the railway service, owing to a bomb attack on a bridge; and, in the city of Canton itself, two or three bombs were dropped, causing some hundreds of casualties and the destruction of a factory. Junks trading between Hongkong and Canton are frequently captured and destroyed, but steamers pass to and fro unmolested. There is still considerable congestion on the railway between Canton and Hankow, and some three or four weeks elapse between booking space on a freight train and the actual despatch of goods. Efforts are being made for a quicker return of trucks from Hankow, but there is a lack of siding accommodation at Canton.

Hongkong continues to develop as an air traffic centre. There has been a speeding up of the Imperial Airways schedule, and there are now two arrivals and departures weekly, connecting with the Singapore-Southampton service at Bangkok, and bringing Hongkong to within six days of London. In addition to the weekly service with America by Trans-Pacific Clipper, there are two Chinese companies operating between Hongkong and various centres in the interior, providing almost a daily service between here and either Hankow or Chungking, the new capital.

New Zealand

Scheme for Pensions and Superannuation

CHRISTCHURCH, April 26.—The session of Parliament was completed after a short sitting in March. Twenty-two conventions of the International Labour Office were ratified, none of which required any alteration in existing legislation, and provision was made for the Government to establish an industry to work large iron deposits in the Nelson district.

The British and Polish Trade Bank A.G., Danzig

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The Bank was formed to facilitate Exports and Imports from and to Poland, including Danzig.

INQUIRIES SOLICITED

The National Health and Superannuation scheme was held over for the regular 1938 session, probably beginning about June.

The Government's plans for this scheme were outlined in an address broadcast by the Prime Minister early in April. The proposals included free medical and hospital attention, including free maternity treatment; increases in nearly all classes of pensions; the introduction of new pensions for orphans, and for wives of mental hospital patients; State superannuation at 30s. a week for single persons and £3 a week for married persons at the age of 60, where other income does not exceed 20s. a week; benefits for those incapacitated by sickness or injury from earning a living; and increased family allowances and unemployment benefits. To meet the cost, the wages tax is to be raised from 8d. to 1s. in the £, and the State is to provide a subsidy of an equal amount.

This plan was submitted to a Parliamentary Committee for examination. Detailed information about the total cost and how it was to be met was made available by Mr G. H. Maddex, an actuary on loan from the British Government. His estimates may be summarised as follows:—

	Government Plan	Estimates under the Existing Law
Cost	£NZ '000	£NZ '000
Superannuation benefits	6,200	3,900
Other pensions, etc.	4,800	3,195
	11,000	7,095
Sickness benefits, etc.	3,000	1,500
Health services	3,000	...
Total benefits	17,000	8,595
Administration, etc.	850	400
Total cost	17,850	8,995
Income	£NZ '000	
1s. in the £ tax on wages and other incomes...	7,500	
Registration levy.....	500	
Subsidy required from consolidated fund	9,850	
Total Receipts	17,850	

Letters to the Editor

Nazi Propaganda

TO THE EDITOR OF THE ECONOMIST

SIR,—The letter from St. Gall written by an "English Observer" in your issue of April 30th gives, in my opinion, a very one-sided and incomplete picture of the situation in this country. While it is true that Nazi propaganda is making itself felt to an increased extent here (and also in other countries, such as Brazil, Argentina), you may be sure that it will not be successful.

For some time a movement called "Geistige Landesverteidigung" has spread in Switzerland with ever-increasing vigour and may be considered as a successful means to counteract the Nazi propaganda. Your correspondent seems to overlook the fact that not only is our language fundamentally different from that spoken in Germany, but so are our character, ethics, political views and *Weltanschauung*. Your correspondent also forgets the sacrifices the Swiss have made in the past, and are still making, to preserve their independence.

May I add, finally, that there is no "Jewish Problem" in this country, just as there is none in the great Western democracies, with which our country has far more durable mental bonds than is commonly known. That the sinister conclusions of your correspondent about the future of the oldest democracy in the world, which, unlike Austria, does by no means wish any kind of *Anschluss*, should not become true depends, however, not only on the Swiss people, but to no little extent on the future policy and strength of these Western democracies.

I am, Sir,
Yours very respectfully,
YOUNG SWISS.

Zürich, Switzerland.

TO THE EDITOR OF THE ECONOMIST

SIR,—“English Observer” is very pessimistic about the future of Switzerland in his letter in last week's *Economist*. The fact that a Nazi supporter gave a lecture on National Socialism in Switzerland is no reason at all to think that the Swiss will let themselves be annexed by Germany. Switzerland is the oldest democracy in the world, and all political groups are allowed to express their views.

The Nazi Party, however, is fast losing its influence. At the last election in Zürich, some weeks ago, the Nazis lost all their seats; and Zürich was the only town where they had ever reached any importance. This is evidence that Nazi propaganda has failed in Switzerland.

Furthermore, Switzerland has been an independent country for more than 400 years, and there are certainly not many Swiss who would like to change this state of affairs, in spite of the four different languages. There are no minorities calling for support from strong neighbours. These conditions cannot be compared with Austria.

The declaration of the Swiss Government after the *Anschluss* is backed by the whole population, and enormous expenses for re-armaments have been agreed to by all the

These figures make it appear that about £NZ9,000,000 additional revenue will be required. It is proposed to get £NZ2,500,000 from the increased wage tax, and £NZ6,500,000 will be needed from other sources. Owing, however, to the falling birthrate and the decline in immigration during recent years, the population is ageing quickly, and Mr Maddex estimates that the cost of the plan will increase by £NZ4,000,000, mainly for superannuation, to £NZ22,000,000 in ten years' time, and thereafter continue to increase slowly. It is also difficult to estimate the number of possible recipients of benefit, and this unknown factor may increase the cost substantially.

The Plan Criticised

The plan, which has been promised and repeatedly deferred since the Government took office, has had a mixed reception. There is some protest from those who realise that it is not a universal superannuation plan at all, but a heavy increase in pensions and other social services, to be financed by general taxation, and that the majority of contributors will get little, if any, return for their contributions. Many potential beneficiaries complain that the benefits promised are inadequate, while critics claim that the scheme will be difficult, if not impossible, to finance in good times, and must break down in bad times—or as the population ages and the burden increases.

Judged by their cross-examination of Mr Maddex, the Government members of the Committee appear to rely on the hope that population and national income will increase in the future as they have in the past, a hope that seems vain in view of past and present trends in population, prices, production and trade. The Prime Minister has, however, promised that the legislation will go through in the coming session, when the annual Budget will also be presented. A recent statement estimates the Budget surplus for 1937-38 at £NZ800,000. But the additional taxation required to finance the scheme must be heavy and unpopular, and the issue appears likely to be prominent in the General Election towards the end of the year.

different political parties. There would be no cheers, flowers and flags for any foreign army trying to invade the country, and the "freeing" of the Swiss would prove a difficult task, not to speak of the digestive troubles after the "swallowing."

Yours faithfully,

ANGLO-SWISS.

Zürich, Switzerland.

Germany and the Basque Country

TO THE EDITOR OF THE ECONOMIST

SIR,—With reference to Mr Towers' letter regarding Germany's hold on the Basque country, it is interesting to recall that, despite the pro-German attitude of Spain, the Basques came to our aid during the Great War. They helped to no small degree in breaking the submarine blockade which nearly brought this country to its knees, and lost at least thirty ships in this way.

This friendly feeling towards Britain may provide yet another reason why Germany has been so willing to help Franco in breaking the Basque resistance, and why she has taken control of the country. A glance at the map will show what a useful base the Basque country provides for attacking British sea communications. Yet our Government has sat by and watched this seizure without a murmur.

Yours, etc.,

CLARE L. COCLATT.

Willesden, N.W.10.

Oil and Coal

TO THE EDITOR OF THE ECONOMIST

SIR,—Mr Robert Byron has misquoted me. My words were:—"There is no need to emphasise the beneficent revolution in our national economy that would be caused by using English fuel for our power in all spheres instead of foreign fuel"; meaning not merely in the "sphere" of ships, but also in that of road transport and all engines which could use coal or its derivatives, and so get power better and far cheaper than from imported petrol or diesel-engine oil or boiler-fuel oil. Coal for all these "spheres" put together would add, not Mr Byron's "three million tons" to our annual coal consumption, but those scores of millions of tons by which it now falls short of the 1913 consumption. Moreover, the great national asset of assured outward cargoes of coal would be restored to the balance sheet of our national economy.

Mr Byron tries to falsify me by using the restrictive words "fuel oil" that I did not use. "Fuel oil" is a technical term restricted to boiler-fuel oil for ships' bunkers—that is to say, to the dregs of petrol distillation. His estimate of two million tons—equivalent to the three million tons of coal mentioned above—is boiler-fuel oil bunkered in England only, and leaves out millions of tons of foreign oil bunkered by British ships abroad, instead of British coal.

The cited "authority on naval construction" who recently called the coal campaign a "public nuisance" is not, in fact, a constructor at all, but an engineer. Engineers do not always know everything about burning coal on board ship. The Engineer-in-Chief of the Navy recently said in public that he hoped merchant ships would return to burning coal. The Oil Napoleons are nearing their Waterloo, and, for many reasons, our warships and merchant ships will soon be burning our own coal again in the modern way, without any manhandling or coal dust.

As the last knot or two of a ship's speed costs about as much power as all the others put together, I agree with Mr Byron that "The Admiralty" certainly would be what he elegantly calls "a pack of Bolsheviks," if they did "want our ships to go faster than they ought to."

Yours faithfully,

GEOFFREY BOWLES.

London, S.W.1.

POINTS FROM LETTERS

Canadian Tariff Policy.—In *The Economist* of March 5th I observe the following reference to Canada: "Mr Gordon Ross proposed that the three prairie provinces should be allowed to create a free trade *enclave*, as there could otherwise be no real prosperity for them." Western Canadians are too practical, shrewd, realistic to have any such objective which would be tantamount to withdrawal from the Confederation and the erection of a State within the State. Under

temporary economic pressure suggestions have been made concerning a political retreat, to take the form of a blending of the Prairie Provinces into a single government. The idea will not, nor does it deserve to, grow.—W. P. D.

Brazil.—It is impossible for Brazil to recommence payments of her foreign debts on the "Aranha" basis. Her balance of trade does not permit this. In due course she will make an honourable settlement, but she must increase her exports. To do this, it is imperative to import large quantities of rolling-stock, locomotives and rails, as her railways are in a wretched state and need complete re-equipping. For a time, therefore, her imports will be heavy and cannot be restricted.—G. A. Mulford, Rio de Janeiro.

Re-armament.—The swollen estimates of armament expenditure, involving borrowing £90 millions in the ensuing year, which by dissipating our reserves will diminish our strength rather than increase it, are largely the result of panic. This panic is augmented, if you will allow me to state it, by the unjustifiable assertion in your issue of April 16th that "the need to augment the national defences" is "ineluctable." There are many doubts in many quarters as to what justification exists for the extreme action proposed by the Government. You refer to the speeding up of re-armament in other countries. Neither Italy nor Germany desires to attack us. On the contrary, both of these countries desire an understanding with this country. Where then is the enemy?—D. M. Mason, Queen's Gate Gardens, S.W.7.

The Extra Sixpence.—Does the increase in the standard rate of income tax diminish the progressive character of our taxes? For the man who now pays 5s. 6d. in the £ in income tax against 5s., the increase is 10 per cent. For the man who pays 13s. against 12s. 6d., the increase is 4 per cent. But it would surely be fairer to measure the increased sacrifice by the effect of the increase on net income available for expenditure. The man who pays 5s. 6d. is left with 14s. 6d. out of his £ against 15s. formerly, a reduction in net income of 3½ per cent. The man who pays 13s., however, is left with 7s. instead of 7s. 6d., a reduction of 6½ per cent. The increase is not regressive.—Lawrence Wilkinson, Blackheath.

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Books and Publications

The Last Years of Peace

In this volume*, the two distinguished editors, with the assistance of Professor Penson, have completed the great work that has taken them fourteen years. "The last years of peace!" For all that we can tell to-day, this title which aptly describes the contents of their book may prove to have been no less apt a description of the years in which the editors were engaged in producing it.

A perusal of this scholarly work at this moment is enough to make the reader believe, perforce, in the nightmare doctrine that history moves in a perpetually recurring cycle, which begins and ends in the same monotonously repeated catastrophe. The parallel between then and now is alarming. We are shown British diplomacy doing its industrious best to sate the appetite of an apparently insatiable Germany by the sacrifice of ewe-lambs that are other people's property. In 1935-38, the victims with which the European aggressors are being placated are Abyssinia and Spain; in 1910-14, they were Turkey and Portugal.

During those last pre-war years, Lord Grey—a high-minded man, like Lord Halifax—was conducting negotiations with Germany about the Baghdad Railway, and the Portuguese colonies. In the first of these two parallel transactions, the object of British policy was to facilitate Germany's acquisition of the maximum amount of Turkish property that she could be allowed to acquire without danger to British interests in the Persian Gulf. In the Portuguese negotiations, we were concerned to put Germany in the way of carving off for herself as large a slice of the

Portuguese colonies as would not cut away the access of Rhodesia and the Transvaal to the sea.

Then, as to-day, His Majesty's Government were sincerely convinced that they were working for peace. Both sets of negotiations, difficult and delicate though they were, were triumphantly brought to the verge of agreement—the Portuguese negotiations in the July of 1914 and the Turkish in the August of the same year. British and German statesmen were congratulating themselves—and even one another—on having successfully navigated Anglo-German relations out of stormy seas into smoother waters!

As if their words had not been given the lie all the time by their actions! While they were seeking peace at third parties' expense, Great Britain and Germany were arming against one another in those years as competitively as they are to-day; and one chapter of this volume ("Mediterranean Agreements") shows that "a naval holiday" then was as vain a dream as "an air holiday" would be in 1938. So pedantically does history repeat itself that there is even a chapter headed "Negotiations for an Anglo-Italian Pact (1912-1914)"—ominous words and dates for the ears of Englishmen living under Mr Neville Chamberlain's administration.

The echoes that travel backwards up the corridor of time are uncanny. "He had lately been in Germany and had been surprised and shocked at the almost universal feeling of irritation against England" (Baron Stumm to Sir F. Bertie, December, 1911). "Where did he propose that we should find gifts for Germany? He said that the Portuguese possessions in Africa were of no advantage to Portugal" (Sir F. Bertie). "I reminded Baron Stumm that the policy of England had always been the maintenance of the Balance of Power, and that it had been prejudiced by the enormous armaments of Germany" (Sir F. Bertie). "The Germans would like the division of the Portuguese colonies to take place as soon as possible. So should I" (Lord Grey [*sic*]: not Lord Halifax).

So the past mocks the present. "It has always struck me that it was an arbitrary and unusual act for two Powers to place prohibitions and restrictions on a third Power which is still a sovereign independent Power" (Sir A. Nicolson on Portugal in 1912—not Sir R. Vansittart on Spain in 1938). "Spain as an enemy to the Entente Powers could make the situation at Gibraltar very unpleasant (in case of war, with the help of foreign artillery), besides immobilising a French army corps by keeping her army massed on her northern frontier. Also the Canaries in hostile hands would be an obvious danger" (written by a British public servant, not in 1938, but in 1912).

The World is weary of the past;
Oh, might it die or rest at last,

is the sentiment that this volume evokes in the mind of the unhappy reader.

Shorter Notice

"War and Democracy." Essays on the Causes and Prevention of War. Edited by E. F. M. Durbin and George Catlin. Kegan Paul. 360 pages. 10s. 6d.

This stimulating collection of young Socialists' views about war covers the psychological and historical evidence of the causes of conflict and warfare, and ends with a strong plea for a policy of collective security to ensure peace. The psychologists conclude that war is endemic but not incurable, and that democratic peoples are less aggressive than authoritarian. The historians' view is that only an international authority endowed with military force could peacefully effect the adjustments necessary for the evolution of nations; and that the resistance of propertied interests to the cause of economic justice is a potent danger to peace, accompanied, as it is, by the spurious appeals of nationalism and propaganda. Mr Fraser's essay on the practical limitations of Pacifism is brilliantly stated, and the closing contributions sum up well the common views of the holders of a common creed, without answering all the questions of their critics.

THE BUSINESS WORLD

Wages in the Building Industry

THE growth of nationwide machinery to determine wages and working conditions in the building trades is comparatively recent. Before the war wages were fixed on a purely local basis. War-time conditions, Government control and the post-war housing problem, however, caused the need for national machinery to be recognised, and the National Wages and Conditions Council of the Building Industry was set up. After a series of disputes a definitive settlement was reached in 1924, and peace has prevailed in the industry ever since. The comparative immunity of the building trades from serious labour troubles for so long a period has been a matter of prime importance for the whole community, particularly in view of the influence of building on general economic activity during the past seven years. We propose, therefore, in the present article to describe the arrangements between employers and employed, which have so satisfactorily stood the test of time.

The national regulation of wages in building is difficult because of the industry's essential characteristics. Building is spread throughout the country; costs and conditions vary considerably from place to place, even in similar jobs; local tradition and trade customs are always strong; and there is often a strong sense of local autonomy on the part of employers or operatives. The machinery for regulating building wages is thus necessarily complex.

First, wages are regulated by a sliding scale based on the cost of living. The standard rate of wages, when the Ministry of Labour's index of the cost of living stands at 165 (July, 1914 = 100) is 1s. 8d. an hour. Every January, wages are reviewed by the National Joint Council for the Building Industry. The average monthly cost of living figure for the preceding calendar year is worked out; and for every completed 6½ points which the index has moved above or below 165, the standard rate of wages (1s. 8d.) is increased or decreased by ½d. The rate thus determined becomes operative on February 1st. Last January, the average cost of living figure for 1937 was found to be 154½, or 10½ points below 165. The index being more than 6½ points but less than 13 points under the datum level, the standard rate of wages became 1s. 8d. less ½d., and prevailing wage rates were accordingly raised from 1s. 7d. to 1s. 7½d. an hour. The "standard" cost of living figure was itself lowered in 1935, by an amendment proposed by the operatives' representatives, from 178 to 165, the effect of this alteration being to increase wages by 1d. an hour.

The principle of regulating wages by reference to movements in the official cost of living index has been criticised. The present arrangement, however, originated in the conditions of the war and post-war periods, when rapid changes in the cost of living were one of the main factors against which the operatives desired protection. Moreover, the system is flexible, and changed conditions can be, and have been, taken into account by revising the datum cost of living figure. The fact that five successive reductions in wages were made under the agreement before 1935 suggests, at least, that the workers have attached considerable importance to the provision of a sliding scale, even where it has operated, ostensibly, to their temporary disadvantage.

A second factor affecting wages is the grading system, whereby local differences are recognised. The various

districts in which the industry is located are graded, and the standard rate of wages applies in all districts graded A. Eight lower grades are recognised, designated A1, A2, A3, B, B1, B2, B3 and C, and in these hourly rates are paid, which are lower than the prevailing rate, respectively, by ½d., 1d., 1½d., 2d., 2½d., 3d., 3½d. and 4d. In addition, two super-grades in London are recognised: the outer zone between twelve and fifteen miles from Charing Cross, where rates are 1d. per hour above Grade A; and the inner zone, within twelve miles radius of Charing Cross, where wages are 1½d. an hour above Grade A. The hourly rates paid in the various local grades during the past few years are set out in the table below:—

Grade	C=Craftsmen.				L=Labourers.			
	July 1, 1935		Jan. 1, 1936		Feb. 1, 1937		Feb. 1, 1938	
	C	L	C	L	C	L	C	L
London:—	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
12 mile radius	1 7½	1 2½	1 8	1 3	1 8½	1 3½	1 9	1 3½
12-15 mile radius	1 7	1 2¼	1 7½	1 2½	1 8	1 3	1 8½	1 3½
A.....	1 6	1 1½	1 6½	1 2	1 7	1 2¼	1 7½	1 2½
A1.....	1 5½	1 1¼	1 6	1 1½	1 6½	1 2	1 7	1 2¼
A2.....	1 5	1 0¾	1 5½	1 1¼	1 6	1 1½	1 6½	1 2
A3.....	1 4½	1 0½	1 5	1 0¾	1 5½	1 1¼	1 6	1 1½
B.....	1 4	1 0	1 4½	1 0½	1 5	1 0¾	1 5½	1 1¼
B1.....	1 3½	0 11¼	1 4	1 0	1 4½	1 0½	1 5	1 0¾
B2.....	1 3	0 11¼	1 3½	0 11¼	1 4	1 0	1 4½	1 0½
B3.....	1 2½	0 11	1 3	0 11¼	1 3½	0 11¼	1 4	1 0
C.....	1 2	0 10½	1 2½	0 11	1 3	0 11¼	1 3½	0 11¼

Permanent machinery exists in the National Joint Council to allocate district grades and to consider applications for regrading. The number of gradings and regradings has recently tended to increase, owing to the growth of building in connection with the re-armament programme in rural districts, which were formerly ungraded. The average level of wages in any given area may be materially altered by regrading, and one of the conditions accompanying the increase in wages implied by the reduction of the standard cost of living figure in 1935 was a general respite from regradings, for three years, except in districts where both employers and operatives were in agreement about the desirability of a revision. This period of respite terminates this month.

In allocating a first grade to a district or considering regrading, regard is had to the size of the area and its population; the character of the area (whether predominantly industrial, agricultural or residential, etc.); the wage rates of building operatives in the nearest large towns; the supply of labour; the wages of workmen of similar skill and training in local industries; the cost of living in the neighbourhood; and any other relevant factors.

Provision is also made for the possibility that one particular job may, by reason of its nature and size, necessitate the payment of a level of wages above that prevailing in the surrounding district, but may not warrant a regrading of the whole district. This may occur, for example, in connection with the construction of an aerodrome, mental colony, or other large project in a rural district. In such a case, application is made for an exceptional margin of a certain amount per hour above the grade rate applying to the district, to be paid for work on this particular

* "British Documents on the Origins of the War, 1898-1914," Vol. X, Part 2: "The Last Years of Peace." Edited by G. P. Gooch and Harold Temperley. (H.M. Stationery Office, 20s. net.)

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job for its duration only. This enables labour to be brought in, where necessary, from surrounding districts.

So far, reference has been made only to the determination of the wages of the traditional craftsmen (bricklayers, carpenters, masons, slaters and tilers, plasterers and painters). The wages of labourers are governed by the requirement that they shall not be less than 75 per cent. of the craftsmen's rate (to the nearest farthing). Wages are also adjusted between different classes of skilled operatives in some districts, by means of an arrangement whereby a particular class of labour is paid a certain amount less than the craftsmen's rate. Thus, in London, painters receive 1d. per hour less than craftsmen. A system of additional payments has also been evolved to take account of special circumstances. For example, extra payment is

made to men working at more than a certain height, or in sewers, or in dirty surroundings. This method has also been used to regulate the wages of men employed in the many semi-skilled occupations which have arisen owing to recent changes in building technique.

Our brief review of labour conditions in the building trade shows that a complicated structure of wage rates, administered by local, regional and national machinery, has been evolved to meet the special characteristics of the industry. It says much both for the architects of this system and for those in whose hands its administration lies, that, during a period which has not lacked its difficulties and has included both slump and boom, internal peace has been maintained for fourteen years. That is an achievement of which any industry might well be proud.

Unit Trusts Reviewed

WITH this issue of *The Economist* we publish the fourth of an annual series of supplements surveying the unit trust movement. When our first review appeared in 1935 there were no more than 34 trusts in existence, and their total sales amounted to only £25 millions. To-day, their number has increased to 79, in which the investor—especially the small investor—now has funds entrusted to the extent of £75 millions. In the brief space of seven years the unit trust movement has become an established institution, occupying a useful place on the borderland between the Stock Exchange—which is mainly the preserve of the substantial investor—and the typical institutions which cater for the smallest type of saver. Without damaging the progress of established thrift organisations, it has canalised a volume of savings which might well have been less prudently invested.

Unit trust management, like other professions, would doubtless be included in official returns as a "gainful occupation." But the movement, apart from earning its financial reward, is developing a more stable conception of its rôle in investment practice. It has made further progress during the past twelve months, but at a necessarily reduced rate. It has tasted the bitter draught of falling security prices, after enjoying the sweets of a Stock Exchange boom. Yet the movement has taken this medicine with greater fortitude than many observers would have cared to predict a year ago. The unit holder has continued to hold his certificates. He has shown no lack of aplomb even when security values have been falling most severely. The large volume of re-sales of units which was expected to accompany a setback in the investment markets has not occurred. So much is evident from the new figures of turnover which we present in our Survey. In short, the managers have been able, in the face of adverse market conditions, to fulfil their claims to maintain an adequate market in their units.

If the movement, however, were tempted to claim that it had conquered depression and depreciation, merely on the strength of its performance in the early rounds (for the majority of the trusts still have at least three-quarters of their allotted span to run), its claim would ignore certain special factors which have operated in the past year. The movement may cite the evidence provided in our Survey to show that it assisted the market during a period of falling prices. It was able to do so, however, largely because the unit trust holder was not seriously disturbed by Stock Exchange indicators. Hitherto, we have known relatively little about the unit trust holder as an individual. It was uncertain whether he would sell adroitly on any recession in Stock Exchange values or whether he would be seized by panic when his units had fallen by a moderate percentage. Actually, he seems to be a somewhat stolid person, not easily moved by the financial or political headlines. But that does not rule out the possibility that a future depression might bring its "rainy days," in which he might realise his past savings much more readily.

This line of speculation is suggested by a good deal of new data in our Supplement, which throws into greater relief the nature of the average unit trust holding and the relationship between sales and re-purchases of units. Our evidence has been assembled with the courteous and helpful assistance of the trusts themselves. It suggests that the typical unit holder occupies a position between that of the substantial operator, whose resources are sufficient to provide the utmost scope in market operations, and that of the small investor, whose primary requirement is to find a safe place of deposit for his funds, without the attraction of capital profits or the fear of capital losses.

This conclusion is supported by analyses of the distribution of holdings of several important unit trusts, which throw incidental light on the problem of the marketability of units. During the past year, the distinction which we have drawn in our Survey between the immediate liquidity of units (through resale to the managers) and their ultimate realisability (by selling the underlying securities on the market) has become increasingly real and concrete. If shares were ever virtually unsaleable on the Stock Exchange, trust units would also be unrealisable. But if such a condition were prolonged, not only unit trusts but all other investment institutions would have to close their doors. In normal circumstances, the unit holder expects a prompt bid from the managers for his units if he desires to sell. When a trust is "open"—i.e. when the offered prices for its units are calculated on the lines indicated in its booklet—a dealing turn of, say, one shilling between the offered and bid prices provides a marketing facility of tangible value to the investor. Marketability is his first defence; realisability the second. And since realisability involves a certain sacrifice on the investor's part—for in this case he loses the initial loading charge and the dealing turn—he has an interest in the maintenance of adequate jobbing facilities by the managers.

The past year in the unit trust movement, however, has debit as well as credit items in its account. Many observers, for instance, have been recently disturbed by the suggestion that high ostensible rates of income returns might be exploited, in some instances, for selling purposes. In a detailed discussion of the problem of what is a "true" yield, we show that yield-inflating devices might conceivably be employed, even in a flexible trust composed solely of gilt-edged securities. In the absence of outside control the investor is inevitably in the managers' hands. The latter can, if they choose (and if their trust deeds permit) artificially inflate their yield calculations by flagrant but simple violation of elementary investment principles. It is asking too much of the lay investor to discover the inner meaning of a disproportionately high return secured in this way. The Report of the Anderson Committee rightly stressed the importance of the fair presentation of yield figures, but fuller experience of the operation of certain flexible trusts has presented the

problem in a new guise. The point is one upon which trustees, in their own interests, and in those of the investor, might well keep a watchful eye.

During the past year the unit trust movement, which had travelled reasonably well in forward gear, was suddenly put into reverse, in certain instances, by a series of offers to fixed trust sub-unit holders to exchange their holdings for shares in newly-formed managed investment trust companies. The first offer, in fact, coincided with the appearance of our last Survey. We see no reason, in the light of the diminishing response to these offers, to modify our initial—and critical—opinion of the unpromising reversal of policy which they involved. It would be unfortunate if any reaction against the conversion of unit trusts to an investment trust basis—which involves the entire abandonment of the advantages of the unit type of organisation—were to prejudice the possibility of future substitution of flexible for fixed trusts. For the latter might well be a step in the right direction.

Our Survey broadly concludes that the movement has

surmounted the initial difficulties arising from recessionary markets with no little success. That, of course, is no more than an interim verdict. It is not inconceivable that sterner tests lie ahead. In the process of consolidation—for despite such ingenious developments as the geared unit trust, the movement appears to be entering that stage—even closer attention may have to be given to problems of marketability and investment policy. A judicious process of amalgamation between certain groups might assist this objective, and also provide incidental economies of management. The movement has won its spurs, and it will not be subjected to the legislature's attentions for some considerable time to come. Looking back over its rapid development, the observer cannot fail to notice the way in which it has divested itself of many undesirable features which surrounded its early stages. That is not to say that it has attained perfection; rather it suggests that an increased responsibility lies upon it to maintain and strengthen the public confidence it has won for itself.

Gold and its Uses

THE annual report of the Bank for International Settlements has taken its place among the leading economic documents of the world. The latest report devotes the opening chapter to the business recession and its causes—a subject discussed in a leading article of this issue of *The Economist* on page 465. Another section of the report is concerned with the supply of and demand for gold, and though the treatment is mainly objective, it is possible to detect a slight change in the attitude of the B.I.S. towards gold as a monetary medium. The cogent plea of former years for an early and universal restoration of the gold standard has given place to an implicit recognition of the somewhat different part played by gold in the new monetary systems of Great Britain and many other countries.

This section of the Report begins with a summary of the amount and distribution of the monetary gold which became available in 1937. We show the B.I.S. estimates in the table below, in which we have converted figures expressed in the Report in dollars, at the new rate of \$35 per fine ounce, into sterling at 140s. per fine ounce.

MONETARY GOLD AVAILABLE DURING 1937	
(£ millions)	
New production	243.8
Shipments from the Far East.....	13.6
Total available	257.4
Deduct requirements of industry and the arts	12.2
New monetary gold available	245.2

The outflow of gold from the Far East has shrunk to negligible proportions, and is now little greater than the current requirements of gold for industry and the arts. For all practical purposes, the supply of new monetary gold has become equal to current production.

MONETARY GOLD RESERVES			
	End of 1936	End of 1937	Intervening Change
(£ millions)			
United States	2,252	2,552	+ 300
United Kingdom	517	538	+ 21
Netherlands	98	186	+ 88
Sweden	48	49	+ 1
Italy	42	42	...
India	55	55	...
Switzerland	131	130	— 1
South Africa	41	38	— 3
Argentina	100	94	— 6
Belgium	126	120	— 6
Japan	93	52	— 41
France	599	513	— 86
Other Countries	278	281	+ 3
Total	4,380	4,650	+ 270

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Kingdom. The most serious losses were those of Japan and France. Belgium's heavy loss began only in 1938, and has still left her well supplied with gold. The net results of all the year's movements is a disclosed increase of £270 millions, against an estimate of new supplies totalling only £245 millions.

This discrepancy is due, in the main, to changes in the undisclosed holdings of Exchange Accounts, and movements into or out of private hoards. In a year which included the gold scare—only partially off-set by the autumn dollar scare—a considerable amount of private dishoarding was effected. There was also a net excess of £5 millions of Russian exports over new Russian production, and the Bank of Spain (whose figures are not included in the last table) lost £40 millions of gold.

At this stage the compilers of the B.I.S. Report enter the field of guesswork. Their labours, however, have elicited certain interesting estimates. During the first half of 1937, which included the gold scare, they put total dishoarding at £90 millions, of which £60 millions occurred in London. The total for the nine months from October, 1936, to June, 1937, they place at nearly £200 millions. London re-hoarding during the autumn dollar scare is estimated at £30 millions, so that half the gold which emerged in the spring had by the end of the year been hoarded once more. By and large, the net amount dishoarded during 1937 was from £50 to £60 millions. This leads to the following calculation:—

GOLD ABSORPTIONS BY EXCHANGE FUNDS		£ millions
New monetary gold available		245
Add: From Spain and Russia		45
Add Gold dishoarded		55
Total gold available		345
Less: disclosed absorption by central banks, etc.		270
Amount absorbed by Exchange Funds		75

On this calculation the various Exchange Funds of the world together absorbed £75 millions of gold during 1937.

During the six months to September 30, 1937, the British Exchange Account gained £92 millions. The year's total acquisition, however, is placed "substantially lower," owing to the weakness of sterling in the early part of the year, the French repatriation of November, and the autumn hoarding demand in London. The suggestion in the Report that the French Exchange Fund held more gold at the end than at the beginning of 1937 may seem surprising at first sight; but in fact the resources of this Fund were sadly depleted when the year opened. The Dutch Exchange Fund's gold holdings did not change much during the year (was the Fund already "full" by the end of 1936?), but the Swiss Fund lost gold on balance. It is estimated that at the end of 1937 the undisclosed holdings of Exchange Funds were little changed from the Federal Reserve Board's estimate of £390 millions for the end of September, 1936. Any subsequent gains had been off-set by transfers in December, 1936, and again in May and June, 1937, totalling £128 millions from the British Exchange Account to the Bank of England.

The report goes on to discuss in an informative way the differing constitutions of the various national Exchange Funds. It is pointed out that no Fund at the present time

has the borrowing powers of the British Fund, under which new gold can be taken up in replacement of Treasury bills, which, in turn, are issued to the market. Consequently, the British is the only two-way Fund, which, on balance, can absorb gold as well as part with it. The other Funds can take in gold only up to the extent of any earlier losses they may have sustained. It is clear, nevertheless, that Exchange Funds have automatically acquired many functions unsuspected when the British Fund was first established six years ago. They do not confine themselves to the effort to check exchange speculation or to iron out short-term exchange fluctuations; and, indeed, at times they have been powerless to fulfil these primary tasks. Their actual achievements include the insulation of their countries' internal credit supplies from the effects of the ebb and flow of hot money. They also provide means for dividing a nation's gold reserves into two parts, one of which is implicitly ear-marked against possible future exportations of funds. Finally, as this year's report of the B.I.S. shows, the Funds have more recently acted as shock-absorbers against gold hoarding and dishoarding. They have supplied gold when hoarding demand arose and absorbed it when hoarders disgorged their holdings. Incidentally, as the course of the London market has shown, the Funds have done this only at "their own price," which in practice has provided a deterrent against both processes.

What, it may be asked, in the light of the latest B.I.S. Report, are the modern monetary functions of gold? The metal is still the ultimate medium of international settlement, though it may now tend to pass between Exchange Funds instead of between central banks. The B.I.S. still regards it as "the appropriate asset to meet external claims." At the same time it has been centralised to an increased extent. The Report recognises, for example, that the British authorities hold part of the effective gold reserves of the sterling area. Finally, gold is segregated as a specific reserve for international capital movements—a development which might become more widespread and efficacious if the British example of a two-way Exchange Fund were followed by other countries. The past year's enforced gold acquisitions by the Netherlands Bank emphasise the need of this reform in Holland's case, and latterly France has begun to experience the same difficulty. Even our own Fund needs more elasticity, if it is to cope with really extensive movements of funds, along lines which we ventured to suggest a week ago.

Perhaps the most significant conclusions suggested by the Report is that, in contrast to the position which existed ten years ago, the world is now adequately supplied with gold. The main problem which remains is that of securing a better international distribution of the metal. Once a country has an adequate supply, its division into separate compartments, corresponding respectively to internal and external needs, becomes possible. The world has still to learn the optimum line of division, a lesson which, in the long run, experience alone can teach. More widespread development on these lines would not be inconsistent with the belief that gold is still the most suitable medium for meeting external claims. On the contrary, it would point the way to the eventual re-establishment of the gold standard, in a new form appropriate to the needs of a changed world.

Finance and Banking

The Exchanges and the Crisis.—Foreign exchange business was inevitably affected, to a considerable extent, by the anxiety which developed, last week-end, over the possible course of events in Central Europe. By the time the foreign exchange market opened on Monday, however, the tension had already been relaxed. The general movements of the exchanges followed the lines which might have been expected. Dollars went strong, owing to a wide continental demand, and early on Monday sterling fell to \$4.94½. Mr Chamberlain's statement on Monday afternoon caused a rally to \$4.95½, but, as our Foreign

Exchange Note shows, dollars have remained strong all the week, and some official support to sterling has been necessary. Allied with the demand for dollars there was a keener hoarding demand for gold, which was only partly checked by the rise in the London price caused by the weakening of the pound. Fairly large quantities came on offer early in the week, and the authorities also allowed the premium to drop to the point where arbitrage operations became possible. Most Continental currencies were weak, francs in particular at one time nearly touched their new "top limit"

of Frs. 179. Belgas were strong against sterling; for the belga, being a gold standard currency, moved with the dollar. The cross-rate between Brussels and New York was at the export gold point, Reichsmarks weakened slightly against the dollar, and Czech crowns fell against both the pound and dollar, but in neither case was the movement very large. Later in the week Continental currencies became firmer against the dollar, but sterling failed to regain its strength.

* * *

More French Decrees.—M. Daladier has lost little time in following up his depreciation of the franc with a new batch of decrees, dealing among other things with the thorny but essential question of French labour. Some Frs.11,000 millions are to be voted for public works, the expenditure being spread over three years. An additional Frs.3,000 millions is to be made available for medium-term credits. Legislation relating to cheques is to be tightened up, but the stamp duty on cheques is reduced to 50 centimes. New borrowing and credit facilities are to be provided for exporters and also for colonial producers. Measures for the reform of local finances are proposed. On the labour side, new decrees are issued authorising the working of extra time over and above the 40-hour week in cases where uncompleted orders on hand make this necessary. This provision has obvious reference to the re-armament industries. Employers may also ask their staff to work extra time to compensate for time lost through legal holidays. Further reference to the decrees is made by our Paris correspondent in a letter on page 475. As a whole, they leave the impression that while M. Daladier is moving cautiously, he has in mind a point we ventured to make a fortnight ago—that French industry needs the assurance that it can maintain the delivery dates promised in contracts. So far as the franc is concerned, any good effect which the new decrees might have had, has for the moment been overborne by the reactions of last week-end's political tension. Recent international developments, however, should at least put M. Daladier in a stronger position to carry through his internal programme.

* * *

New Open Market Technique.—The measures taken to offset the temporary contraction of bank cash, due to the repatriation of French funds from London, have brought to light a new and interesting technique of open market policy. Instead of going into the market and bidding for bills the Bank of England allowed it to be known in the discount market, this week, that any firm finding itself short of money, and unable to balance its position by borrowing in the market, would be able to sell bills at ½ per cent. to the firm which normally acts as brokers for the authorities. A considerable business was, in fact, done on those terms. The shifting of the

initiative for open market operations from the authorities to the market itself secured obvious advantages; for the size of those operations was automatically adjusted, with the greatest possible precision, to the amount of help required by the market. The same claim can be made for help granted directly from the Bank of England to the market; but in that case the market is penalised by the necessity of paying either Bank rate or an even higher figure for its accommodation. On the present occasion, there was clearly no justification for allowing a purely temporary tightening of the credit position to force the market into the Bank. To all intents and purposes, the market was in fact forced to go to the Bank. But by applying through the Bank's brokers it was able to obtain its special accommodation at market rates, and not at the penal rate levied by the central bank.

* * *

Forward Gold Market.—Since the "ban" on forward gold dealings was lifted by the Bank of England about three weeks ago, operations in forward gold in the London market have assumed dimensions which have never been approached in the past. This is not merely the result of the lifting of the ban; it is also a reflection of the increased international political tension of the past weeks. The bullion market has found that most of the forward purchases of gold have been made against forward sales of Continental currencies in the following order of importance: French francs, belgas, guilders and Swiss francs. Forward dealings in gold, now that they are permissible, have also been reflected in commodity "hedge" operations. Cases have occurred in which forward purchases of the metal have proved to be the counterpart of forward sales of wheat, cotton and other commodities which have a speculative forward market. Some of the dealings in forward gold are "married" by the market, the supply being provided by comparatively unimportant producers, who are apparently prepared to sell forward in order to benefit by the premium that can be obtained on these terms. By far the greater part of the forward business is, however, covered by corresponding spot operations, in which a forward sale by a broker to a Continental client is covered by a spot purchase, and the gold is financed in London during the currency of the operation. The extent to which dealing on these lines has developed is reflected in the considerable increase which has taken place in the demand for loans against gold in the London money market. The rates quoted for forward business in gold have not been in any way standardised. They depend upon the size of each operation and the standing of the principal for whom it is effected. It may, however, be assumed that the premium at which the gold is quoted for forward delivery corresponds to a figure appreciably higher than the cost of financing the gold in London during the period of the deal.

MONEY MARKET NOTES

Foreign Exchanges

AFTER their relapse early in the week, as described in a Financial Note, Continental currencies have been quieter and mostly stronger. Thursday was a dull day, as all Continental centres were closed for Ascension Day. French francs, after touching Frs. 178½ early in the week, have since come back to Frs. 178½, with three months' francs no worse than Frs. 1½ discount. Guilders depreciated momentarily to Fl. 8.99 on Monday, but have since recovered to Fl. 8.96½. Swiss francs have followed much the same path, having improved since Monday from Frs. 21.71 to Frs. 21.69½. Both centres bought dollars early in the week, but on the whole placed more faith in their own currencies than in sterling. Dollars were consistently bid all the week up to

late Thursday afternoon. The demand came mainly from the Continent, but the rate came down this week from \$4.96½ to a low point of \$4.93½. As the Continent was closed on Thursday, the demand subsided, and so sterling recovered to \$4.94½. One reason for the persistence of the demand for dollars up to Wednesday, by which time the political tension had eased, was that operators wished to cover themselves in advance, in case a fresh strain developed on Ascension Day.

*

The Bank Return

THIS week's Bank return records only minor changes. There is a slight increase in the note circulation, which may be due to the approach of the end of the month, and so the Reserve is a

little lower. In the banking department there is a slight contraction in Government securities. Public deposits have shrunk by two millions, but remain unusually high. Bankers' deposits have also fallen by two millions, but this movement does little more than reflect the week's withdrawals of currency.

	May 26, 1937	May 11, 1937	May 18, 1937	May 25, 1937
	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.:				
Gold	321.3	326.4	326.4	326.4
Notes in circulation	475.2	482.0	478.6	480.2
Banking Dept.:				
Reserve	46.9	45.2	48.5	47.0
Public Deps.	24.9	36.9	28.5	26.5
Bankers' Deps.	91.4	87.9	93.2	91.2
Other Deps.	37.5	36.5	36.0	36.1
Govt. Secs.	99.5	105.7	98.3	95.7
Discounts & Advances	4.9	7.6	7.8	9.5
Other Secs.	20.3	19.4	20.7	19.4
Proportion	30.5%	28.1%	30.7%	30.5%

On the whole this week's Bank return confirms our previous forecast that the

Exchange Account's cash could only be absorbed when the War Loan dividend was paid. Incidentally, since three weeks ago, the total resources of the banking department have shrunk from £182 to £172 millions. This implies some narrowing of the credit base, but the recent repatriation of French money means that ultimately less credit will have to be demanded of the British banking system for the purpose of financing the Exchange Account's gold holdings. Thus a narrowing of the credit base can be justified as a compensatory movement.

*

The Money Market

MONEY this week has been a little easier, and owing to the scarcity of Treasury bill maturities, the market is not too well supplied with bills. Some of the banks have continued to call, but on a lower scale than last week. They are also readier to buy August bills, but are less keen on taking July maturities. Still, as the Bank return shows, the Exchange Account has not yet disposed of its surplus cash, and with money less plentiful the banks are not such willing buyers of bills as they were in April. Bond-money was quoted up to $\frac{3}{4}$ per cent. early in the week, but by Thursday $\frac{5}{8}$ per cent. had become the ruling rate. One consequence of last week-end's political tension was a lack of activity in the produce markets, and the money market has noticed that this

week fewer bank bills were coming forward for discount.

	May 27, 1937	May 19, 1938	May 26, 1938
Bank Rate	2	$\frac{1}{2}$	$\frac{1}{2}$
London Deposit Rate	2	$\frac{1}{2}$	$\frac{1}{2}$
Short Loan Rates:			
Clearing Banks	12-1*	12-1*	12-1*
Others	12-5 $\frac{1}{2}$	5 $\frac{1}{2}$ -3 $\frac{1}{4}$	5 $\frac{1}{2}$
Discount Rates:			
Treasury bills	12	12	12
Three months' bank bills	17 $\frac{1}{2}$ -9 $\frac{1}{8}$	17 $\frac{1}{2}$ -9 $\frac{1}{8}$	17 $\frac{1}{2}$ -9 $\frac{1}{8}$

* Viz. 12 per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. $\frac{1}{4}$ per cent. from loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

The floating debt return shows that for the past three weeks tender issues of Treasury bills have remained unchanged at £570 millions, while tap issues also show little variation. Next week, if the full quantity is allotted, tender issues will be £5 millions in excess of maturities. This will not be nearly enough to cover the War Loan dividend. We have already suggested that the Exchange Equalisation Account's cash might be used for that purpose.

*

The Bullion Market

THIS week's rise in the London price of gold reflects the appreciation of the dollar in terms of sterling. The premium is actually lower than last week, and there has been a certain amount of arbitrage business by those who were prepared to take a view of the New

York exchange. Early in the week there was a keen demand for gold against foreign currencies. This never reached panic dimensions and has since eased off. There has been less speculation in gold against belgas than might have been expected.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc. *	Amt. dealt in	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
May 20 ...	140 1 $\frac{1}{2}$	1 $\frac{1}{2}$ pm	454	18 $\frac{1}{2}$	18 $\frac{1}{2}$
" 21 ...	140 1 $\frac{1}{2}$	1 pm	316	18 $\frac{3}{4}$	18 $\frac{1}{2}$
" 22 ...	140 4 $\frac{1}{2}$	1 $\frac{1}{2}$ pm	739	18 $\frac{3}{4}$	18 $\frac{1}{2}$
" 23 ...	140 4 $\frac{1}{2}$	1 $\frac{1}{2}$ pm	959	18 $\frac{1}{2}$	18 $\frac{1}{2}$
" 24 ...	140 7 $\frac{1}{2}$	1 pm	570	18 $\frac{1}{2}$	18 $\frac{1}{2}$
" 25 ...	140 7 $\frac{1}{2}$	1 pm	570	18 $\frac{1}{2}$	18 $\frac{1}{2}$
" 26 ...	140 9	1 $\frac{1}{2}$ pm	450	18 $\frac{1}{2}$	18 $\frac{1}{2}$

* Above or below American shipping price.
The New York price of silver remained at 43 cents per ounce .999 fine during the week.

The silver market has been quiet. A slight disturbance was caused early in the week by a resolution in the American Senate to the effect that purchases of foreign silver should cease as from June 30th. The Bombay price eased, but the London price moved only fractionally, and has since recovered in sympathy with the firmer trend of the dollar. The present agreement whereby the United States buys silver from China terminates on June 30th, and pending its renewal there may be some uncertainty in the market. A further shipment of silver was made to Bombay this week.

INSURANCE NOTES

Sun Insurance Office.—This company is the oldest insurance office in the country, and the accounts now issued, in respect of its two hundred and twenty-eighth year of existence, reveal a position of great strength. Fire premiums in 1937 increased by £20,000 to £2,234,000, and accident premiums from £1,747,000 to £1,860,000. In each case, the underwriting profits were very satisfactory, and showed an improvement on the results of the preceding year. Marine premiums were £584,000, against £528,000, but while in 1936 £50,000, in addition to departmental interest, was transferred to profit and loss, departmental interest only was transferred last year. The results of the last two years are given below:—

	1936	1937
Amount of age of Profit	Amount of age of Profit	Amount of age of Profit
Fire	231,049	289,427
Personal accident, etc.	114,190	134,824
Marine	50,000	...
Less items debited to profit and loss	395,239	424,251
Net trading surplus	269,939	417,213
	125,300	7,038

Included in the profit and loss debits above is an allowance of £100,000 in each year to investment exchange and contingency reserve fund.

*

Departmental reserves are strong. In the fire and accident departments combined, they aggregate £2,200,000, in addition to the usual reserves for unexpired risk. The Marine Fund amounts to 172 per cent. of the 1937

premium income. There is a general reserve of £1,000,000, an investment reserve of £342,000 and a profit and loss balance, after payment of the year's dividend, of £1,246,000. Total assets shown in the consolidated balance sheet amount to £11,437,000 and aggregate market values of stock exchange securities are in excess of book values. After standing at 53 $\frac{1}{2}$ per cent. for seven years, the dividend was increased last year to 55 per cent., and its cost is more than met by interest income.

*

Commercial Union Assurance.—The short statement accompanying the 1937 report gives the results of the quinquennial valuation of the life department. These are shown in the table below, together with the corresponding figures of the preceding quinquennium. Annuities have been valued on the same basis as in 1932, but the basis of valuation of the assurance contracts has been altered from OM3 per cent. to A1924-29 2 $\frac{1}{2}$ per cent. The cost of this change in basis is not given.

	1928-32	1933-37
Surplus earned during the period	2,235,762	2,255,420
Brought forward from previous valuation	240,931	421,491
	2,476,693	2,676,911
Allocations:—		
Bonuses to policyholders	1,595,221	2,122,746
Shareholders	177,247	235,861
Strengthening of actuarial reserves	145,076	...
Written off investments	137,658	...
Carry-forward	421,491	318,304
	2,476,693	2,676,911

Bonuses are declared on what is known as the contribution method, under which they vary according to the plan,

the age at entry and the time a policy has been in force. In the first instance, the cash amount to be allocated to each policy is calculated and the corresponding reversionary bonus found, on the basis of the mortality and interest used in the valuation. The minimum cash allotted in any case is (as at the last distribution) some 35 per cent. of the ordinary whole term premiums paid in the quinquennium. The reversionary rates of bonus, although slightly smaller than on the last occasion, are particularly good for endowment assurances.

*

In the life department, new sums assured last year amounted to £6,077,000, compared with £5,533,000 in 1936. Annuity consideration moneys, however, fell from £461,000 to £380,000. The rate of interest was 2s. 11d. smaller at £3 16s. 4d. per cent. The new business of the British General, the shares of which are held by the company, increased from £871,000 to £897,000. The fire premium income of the Commercial Union and subsidiaries increased from £5,308,000 to £5,451,000 and the profit was very satisfactory. In the accident department premiums amounted to £8,173,000, against £7,642,000, but underwriting results were not so good as in 1936. In the marine department claims amounted to 67 per cent. of premium income of £704,000, against 58 per cent. of premium income of £610,000 in 1936.

*

The underwriting results are given on the next page.

	1936	1937
Amount of age of Profit	Amount of age of Profit	Amount of age of Profit
Fire	487,680	575,149
Accident	425,023	362,257
Marine	100,000	100,000
Life:—		
Commercial	35,449	35,449
Union Life	5,000	5,000
Hand-in-Hand	45,000	45,000
British General	3,463	3,463
Sinking fund	4,800	4,800
	1,106,415	1,130,318
Less items debited to profit and loss	345,513	435,433
To general reserve	250,000	275,000
	510,902	419,885

Apart from the usual reserve of 40 per cent. for unexpired risk, additional reserves are held in the fire and accident departments, amounting to £4,841,000 and £2,652,000, respectively. Total assets, including those of subsidiaries, exceed £67 millions, of which approximately one-half refer to the fire, accident and marine branches. The general reserve exceeds £4 millions. The book values of the stock exchange securities are in the aggregate below market values on December 31st last. The dividend is 40 per cent. and costs £1,086,000, against available interest earnings of £699,000.

*

Marine Insurance Company.—This marine company has completed the hundred and first year of its existence, and is now a subsidiary of the London and Lancashire. Premium income increased last year from £592,000 to £722,000. First year's claims and expenses accounted for

37.1 per cent. of the 1937 premiums, against 32 per cent. in 1936. Second year's claims amounted to 43 per cent. of the 1936 premium income, against the corresponding figure of 42 per cent. last year. The 1935 account is closed by the transfer of £77,000 to profit and loss—equal to 14.7 per cent. of that year's premium income—compared with 20.1 per cent. and 23.2 per cent. in the previous two years. Total assets amount to £2,658,000, against which there is a reserve fund of £700,000. Interest earnings total £90,000, and the cost of the dividend, which is again at the rate of 40 per cent., is £180,000. The balance of the profit and loss, after payment of the year's dividend, is reduced from £457,000 to £422,000.

*

London and Manchester Assurance.—New sums assured in the ordinary branch amounted last year to £4,041,000 compared with £4,316,000 in 1936; in the industrial branch new sums assured increased from £6,329,000 to £6,553,000 and the premium income was £47,000 greater at £1,850,000. Although the company publishes one balance sheet only, a higher net rate of interest has consistently been shown in the past in the ordinary than in the industrial branch—a result which is contrary to usual experience. From 1933 to 1936 the excess, per cent., in each year, was 2s. 5d., 6s. 3d., 2s. 2d. and 10d. respectively. In 1937, however, the rate of interest in the ordinary branch was £4 6s. 2d. per cent. and in the industrial branch £4 6s. 9d. per cent. While the auditors are, of course, satisfied as to the propriety of the apportionment, some details would be of general interest. The usual annual

valuation of liabilities has been made and the results are given below:—

	Year to March 24 1937	Year to March 24 1938
Ordinary Branch—		
Surplus earned in year	421,287	403,967
Bt. fwd. from preceding year	262,994	329,521
	684,281	733,488
Allocations—		
Bonuses to policyholders	319,760	339,424
Shareholders' account	15,000	15,000
Staff pension fund	20,000	20,000
Carried forward to next year	329,521	359,064
	684,281	733,488
Industrial Branch—		
Surplus earned in year	294,815	276,965
Bt. fwd. from preceding year	131,119	132,264
	425,934	409,229
Allocations—		
Bonuses to policyholders	110,172	108,676
Staff pension fund	30,000	55,000
Shareholders' account	20,000	20,000
Common contingency fund	25,000	...
Carried forward to next year	132,264	137,055
	425,934	409,229

The rate of bonus in the ordinary branch is 40s. per cent. (as in the previous year), calculated on the sum assured, and the cost is amply covered by trading surplus. The basis of allocation to policyholders in the industrial branch is unaltered. Total assets increased from £17,852,000 to £19,127,000. Mortgages on property, which expanded by 30 per cent. in 1936, showed a further increase of £270,000 to £1,811,000, while loans on rates amount to £534,000 against £267,000. British Government securities at £4,747,000 showed moderate expansion, which was more than offset by a fall in Dominion and Foreign Government securities. Debentures increased from £3,107,000 to £3,443,000 and preference and ordinary stocks were also greater. The dividend is again 50 per cent. free of tax.

Investment

Alarms from Central Europe.—The security markets have a technique of their own for dealing with external news which threatens to have serious repercussions in the field of investment. For a century or more before the Great War, political crises tended to evoke an instantaneous response on the Stock Exchange. To-day, thanks, possibly, to improved communications, wider public knowledge of international events and tendencies, and a better market organisation generally, the first instinct of the Stock Exchange, in a crisis, is not so much to sell as to stand fast. That could hardly have been better illustrated than by the behaviour of prices after a week-end during which events in Czechoslovakia—and still more in Berlin—had suggested that Europe might be nearer disaster than at any time in the last twenty years. The fact that Sunday is almost universally a day of holiday was responsible both for the timing of the crisis on the eve of Czechoslovakia's first polling day, and for the absence of any opportunity to deal on the Stock Exchange until Monday, when tension had already been somewhat relaxed. On that day, gilt-edged stocks showed losses up to about $\frac{3}{8}$ of a point, and *The Financial News* industrial index fell from 84.1 to 83.1. These movements, however, were largely due to measures of self-defence by dealers, and little real selling actually developed. On Tuesday, the tone of the market became relatively firm, but an attitude of watchfulness, and a general unwillingness to regard the political crisis as wholly settled, were attested by the easier tendency of the Stock Exchange in the middle of the week. The recovery, however, while it lasted, applied not only to leading domestic stocks, but even to issues like Czechoslovakian 8 per cent. bonds (which rose as many as six points on Tuesday) and to German, Polish and Austrian issues.

Meanwhile, the rise in gold-prospecting counters, like Western Holdings—as a description of whose status, at the present stage, the word "speculative" errs on the side of conservatism—has continued this week with renewed vigour. If this particular movement were to broaden into a revival of interest in the shares of gold producers, as such, there might be much to be said for it, in the present international economic context. But as a mere ebullition of the gambling instinct, it scarcely deserves the headlines devoted to it in some sections of the Press. In general, it would be unwise to assume from the behaviour of the markets this week either that the possibility of further developments of the Czechoslovakian problem has been overlooked, or that present prices necessarily discount all conceivable "war risks." The stolidity of the Stock Exchange in the face of unwelcome intelligence is, in a sense, deceptive. In part, it may be due to the fact that it is the market's business not to wait for bad news, but to



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anticipate it. But it may be equally explainable by the unwillingness of investors to make up their minds on a matter whose extreme implications few desire to contemplate. What is perhaps of more immediate significance is the relative resilience of the markets in the face of accumulating evidence of recession in industry and trade, whose existence was fully recognised by the President of the Board of Trade in the House of Commons on Tuesday. The future alone can bring relief from political fears; but if their incubus were removed a moderate revival in security prices might not unreasonably be expected.

* * *

Western Holdings Excitement.—At first the boomlet in Western Holdings seemed to be an isolated gamble, understandable on psychological and professional grounds but difficult to rationalise on the basis of established fact. Though its technical basis remains as slender as ever, the general market significance and scope of the movement has greatly increased this week as a result of the entry into the field of several important Rand finance houses. Something more, however, would be necessary to justify the price of around 20s. 9d. for Western Holdings 5s. shares, giving the company a market capitalisation of £2,400,000, against £1,500,000 a week ago. The company was formed under the aegis of the South African Townships last year to acquire a mixed bag of rights and options, mainly in the Orange Free State. Following geophysical surveys, promising areas were located to the south of Odendaalsrust between this village and the Zand River, and additional ground was acquired in this area, which is separated from the nearest definitely characteristic Witwatersrand formation at Klerksdorp by nearly 200 miles. The first borehole on the farm St. Helena No. 642 encountered at 1,944 feet a reef assaying 3.77 dwts. over a true width of 103 inches. There are rumours, as yet unconfirmed, that a very rich strike has since been made deeper in this borehole. A second borehole, Kaalpan No. 1, gave interesting geological indications. Union Corporation had also been investigating the region, and near the southern bank of the Vaal River, about 100 miles away, a borehole showed the existence of a reef of 117 inches assaying 5.34 dwts. Other boreholes sunk by the Union Corporation, and also on the Western Holdings property before the company was formed, have given mixed results.

* * *

On the basis of this evidence, some speculators, with professional encouragement, have jumped to the conclusion that the true Witwatersrand beds will be found to underlie large areas in the Orange Free State. Such hopes have been further encouraged by an agreement between Western Holdings and the Union Corporation whereby the latter will be responsible for all exploratory work and maintenance of options on the area south of the Zand River, and will have certain subscription and underwriting rights in any company which may be formed on the area held by Western Holdings to the north of the Zand River. Subsequently the Union Corporation has ceded to the Selection Trust a 50 per cent. interest in its transaction with Western Holdings in exchange for a 50 per cent. interest in options over further areas in the Odendaalsrust district secured by Selection Trust. A further development is the announcement of the reorganisation of Lydenburg Estates, involving a new issue of capital, which will acquire certain options and interests in the Far West, including areas in the regions at present in the market eye. Options on other farms and some exploratory work have been undertaken by other leading Rand mining houses. These institutions have not undertaken any heavier commitment than the actual expenses of prospecting. Conservative mining engineers would not describe the Free State areas as offering, at present, anything more than a prospect, and exploratory operations—the majority of which may be dropped—are in any case the normal work of a mining finance house. A few borehole results, unless checked by full knowledge of the underground structure, may be misleading.

In addition to Western Holdings, a number of shares are affected. South African Townships have advanced to 14s. largely on the strength of the latter's original holding of 1,600,000 shares in Western Holdings, subscribed on its formation. African and European have a direct interest and options on ground lying to the south-east of Odendaalsrust. Selection Trust at 20s. 3d. have responded to the agreement with Union Corporation. Through various lines of contact market interest has been extended until it covers all the leading finance shares in the market. Further, the publicity is bringing back speculators to the more serious development shares such as West Wits, Libanon, Venterspost and "Blyvoors," which are situated on a *terrain* which, by comparison, may be described as intimately investigated. There are also signs of a revival of semi-investment demand for the young Rand concerns such as "Sallies," Van Dyk and Vlaktefontein.

* * *

Cable and Wireless Dividend Prospects.—The chairman of Cable and Wireless (Holding) was able, at Tuesday's meeting, to express much confidence, and even to record some preliminary evidence of success, in the bold flat rate innovation introduced last month by the communications company. He was also able to demonstrate the advantages of the new settlement reached with the home and Empire Governments. But on the main investment question raised by the new "general settlement," he threw little new light. The ordinary stockholders, already subject to the risks of a highly geared capital, and faced with the inevitable fluctuations of an overseas communications business, have now to contemplate the concession of £450,000 per annum in rate reductions. Yet they are, in effect, deprived of any corresponding potential rewards of high gearing and traffic expansion by the cut in the communications company's standard revenue from £1,865,000 to £1,200,000. It may be calculated, by a species of arithmetical gymnastics, that, on the basis of the investment revenues and Marconi manufacturing profits of 1937, plus the net standard revenue, the consolidated earnings for the Holding Company's ordinary stock might exceed 9 per cent. But this calculation would assume that all available revenues are in fact passed on to the holding company and not reserved in a constituent concern. In a bad year, however, earnings might well fall to zero. While it may be unlikely that communications revenue will, in fact, exceed the reduced standard for some time to come—judging, at least, from the recent traffic indices—the chairman did not explain why the risk-taking stockholders have been left, in effect, with such a strictly limited equity if the flat rate scheme is a great success. It may be the board's aim to offset the risk of fluctuation in profits by a conservative and stable dividend policy. That might be suggested by the chairman's reference to "the 4 per cent. dividend on the ordinary stock" being well covered by the new standard revenue. In several passages, both last year and this, the chairman seemed to have a standard 4 per cent. rate in mind. If this assumption is correct, it would surely assist stockholders, and the market, if the policy were explicitly defined. Ten years ago, investors who studied the new merger proposals were puzzled to reconcile the towering capitalisation with the limited earning power of the group; to-day, stockholders find themselves in the dark regarding future dividend prospects under the new standard revenue scheme, at a time when international trading conditions are working against them.

* * *

J. Lyons and Company.—The profit and loss account of J. Lyons and Company is a formal rather than informative document, showing, with small variations from year to year, just enough profit to cover the dividend declared, plus a transfer of £100,000 to reserve, and to provide a new profits record. This year the only (and minor) variation is that the reserve is left at the figure of £2,000,000 attained last year, and the £100,000 surplus is added to the balance carried forward. The actual figures for the last three years are analysed on the opposite page.

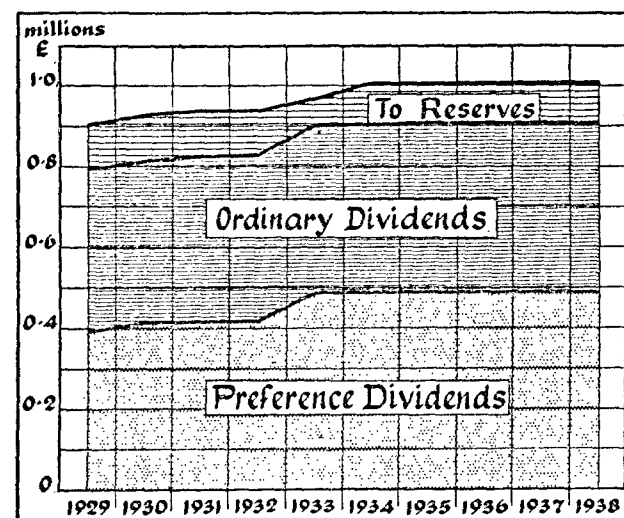
	Years to March 31st		
	1936	1937	1938
Profit*	1,010,754	1,010,877	1,011,000
Preference and pref. ord. dividends	490,353	490,353	490,353
Ordinary and proportional profit shares:—			
Earned.....	520,401	520,524	520,647
Paid	417,661	417,661	417,661
Earned % ‡	29.8	29.9	30.2
Paid % ‡	22½	22½	22½
To reserve	100,000	100,000	Nil
Carry forward	39,341	42,203	145,189

* After debenture interest, depreciation and contingencies (amounts not shown in the accounts); also after directors' fees of £11,925 in 1935-6; £13,452 in 1936-7; and £13,460 in 1937-8.

‡ Ord. and "A" ord. only. Each proportional profit share receives one-fifth of the div. on an ord. or "A" ord. share.

The chart below emphasises the level course of declared profits.

J. LYONS AND CO. PROFITS 1929-38



The only substantial change in recent years is due to the increased provision for preference dividend, arising from the preference issue of March, 1932, which was used to pay off mortgages and debentures.

* * *

In the last eighteen years only three changes in ordinary dividend payments have occurred. Capital bonuses of 100 per cent. and of 33½ per cent. were declared in 1921 and 1925, respectively, followed in each case by a less than proportionate reduction in dividend rate; and in 1928 the dividend rate (on an altered capital) was raised from 21½ per cent. to 22½ per cent. Even ordinary shareholders who respect the stable dividend policy of the board may speculate regarding the possibility of some future increase. Possibly the balance sheet provides a clue. After the last bonus issue, fixed assets, including freeholds, leaseholds, plant and machinery stood at £9,982,000, and the total moved up by small increments in every subsequent year to 1935, to £10,078,000. Since 1935, however, there has been a steady increase to the latest figure of £11,287,000 for 1938. This increased investment is doubtless earning a reasonable return, and sooner or later the increased profit may be acknowledged in the profit and loss statement. For the time being, however, the directors are probably anxious to ascertain the fair maintainable revenue which may be expected from the new assets before specifically committing themselves to any new dividend basis. They may also be disinclined to make any change when movements in raw food-stuff prices and public purchasing power must create some degree of uncertainty regarding the course of profits from the business as a whole. Apart from major disturbing factors, reasoned hopefulness may suggest the possibility of some eventual increase, though perhaps of a modest nature, in ordinary distributions, and on this basis a yield of £4 4s. per cent. on the present price of 5½ appears justified.

Callender's Cable Profits.—The latest results of Callender's Cable are most satisfactory. Profits have achieved the highest level for a decade with an advance of 11 per cent. over 1936. Export trade as well as home business has expanded, and old customers have increased their requirements. Nor are the profits figures the only indication of the growth of the business. The balance sheet shows that net additions to properties and plant during 1937 amounted to £158,156, against £18,463 in 1936, while stocks, debtors and expenditure on uncompleted contracts have all risen. Considerable changes have also been made at the Erith works, the costs of which are charged to revenue—repairs and maintenance absorb nearly £20,000 more. We show below the division of gross profits in the past three years:—

	Years ended December 31st		
	1935	1936	1937
Gross profit	647,515	833,640	924,990
Repairs and maintenance	38,948	36,296	55,828
Depreciation	64,000	70,000	60,000
Taxes	20,000	30,000	100,000
All other expenses	202,618	235,478	247,673
Debiture interest	13,500	13,500	13,500
Preference dividends	56,000	56,000	56,000
Ordinary shares:—			
Earned	252,449	392,366	391,989
Paid	168,587	224,783	224,783
Earned %	24.8	39.9	40.5
Paid %	15	20	20
Carry forward	390,234	397,817†	565,023

† After placing £160,000 to reserve account, which also received £40,000 from renewals account not required.

Last year's advance in total profits, it will be seen, has not penetrated to the ordinary shareholder. Taxation and other expenses have absorbed all the increase, and earnings on the equity are only about ½ per cent. higher at 40½ per cent. But as in 1936, only half the rate earned is being distributed. The reserve account was raised to the round figure of £1,000,000 by the 1936 allocation and is left unchanged, the available surplus being added to the carry-forward. Undistributed profits in reserve account and carry-forward together exceed the issued ordinary capital of £1,123,916. The retention of so high a proportion of profits in the business, however, may not be due merely to the need for financing extensions nor even to the intention of capitalising the large available reserves at some future time. The board has adopted a stable distribution policy in good and bad years alike. A dividend of 15 per cent. has been paid with unbroken regularity since 1920 (with the additional 5 per cent. cash bonus in 1936 and 1937) on a capital which was increased by share bonuses in 1926 and 1929. On present indications, the company will have no difficulty in maintaining this high standard. But there is some possibility that, in the future, the cable companies may have to rely more on replacement demand and export

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business, in view of the rapid extension of electrical transmission lines in recent years. A current dividend yield of £4 14s. 6d. per cent. on the £1 ordinary units reflects their high investment standing.

* * *

The Week's Capital Schemes.—Accompanying the William Beardmore report (which shows an increase in trading profits in 1937 from £115,372 to £167,271) the directors have issued particulars of the awaited capital reconstruction. The company was one of the victims of expanded war-time capacity, and carried through an adjustment of capital and assets in 1929. It has in issue 7 per cent. mortgage debenture stock, interest certificates, and 6 per cent. "A" income debentures to a total of £1,051,652, three classes of preference capital totalling £3,052,459, and an ordinary capital of £102,500. The balance sheet shows a debit balance at profit and loss of £540,787 (after deducting a credit of £145,619 for 1937) and losses on realisations of £857,124. The position, in fact, calls for the drastic treatment which is outlined in the scheme. The capital is to be reduced by £7,926,167, and the prior charge burden lightened. The scheme honours the principle that preference shareholders who sacrifice permanent rights should be duly recompensed by an equity interest. Every capital scheme must be treated as a special case, and this applies with particular force to the William Beardmore scheme. But close comparison of the sacrifices entailed for different shareholders is perhaps less important than the fact that the directors, who put the maximum estimate of average profits in future years at £150,000, have brought all classes of capital within sight of dividends.

* * *

The Brush Electrical Engineering proposals are less drastic. Briefly summarised, they entail the reduction of the ordinary capital to the extent of 75 per cent. (which will provide £366,396 towards writing down the assets). The company will then offer 150,000 £1 ordinary shares to members and stockholders (carrying option certificates to subscribe for further shares) and subsequently will create £150,000 5½ per cent. prior lien debenture stock (the existing prior lien stock being redeemed, and the bank overdraft repaid). Armstrong Whitworth Securities has this week announced the repayment of the whole £2,100,000 issued preference capital, of which £1,350,000 is held by A.W. Second Stock Trust and the balance by A.W. Consolidated Stock Trust. The Securities company's balance sheet shows accumulated cash amounting to £1,481,236, and it is expected that £500,000 will shortly become available from Sir W. G. Armstrong Whitworth and Company (Engineers). The realisation of the latter company is proceeding, and when it is completed the Securities company's main holding will consist of T. and T. Assets, which has substantial indirect interests in Lancashire Steel. The prospects for the ordinary shareholders of the Securities company in this process of realisation should ultimately be favourable.

* * *

Reduced Radio Profits.—The Pye Limited and E. K. Cole reports, both covering the year to March 31st last, provide evidence of the deterioration in conditions in the radio industry which set in last autumn. Pye Limited trading profits have fallen from £139,950 to £119,338, but the dividend of 25 per cent.—equivalent to 125 per cent. on a deferred capital of £33,800 in the previous year—is amply covered and the carry-forward is raised from £33,289 to £58,813. "Ecko" suffered more severely and shareholders, who had already been informed of a reduc-

tion in their dividend from 30 per cent. to 10 per cent. now find that even this lower distribution was not covered by earnings. Tax reserve has come to the rescue with a credit of £20,000, but the balance carried forward is also reduced from £29,615 to £25,044. Such results were not unexpected—the "Philco" report had provided investors with a serious warning. There has been a less dramatic, though no less important, indication of declining sales in the steady falling-off in the growth of wireless licences in force each month. On the sales side, increased taxation and trade recession are cited in explanation of the reduced purchasing power which is now available for semi-luxury goods. On the manufacturing and distribution sides, discipline has gone and open revolt has succeeded it. This crumbling of the morale of the industry must inevitably lead to reckless competition and to increased imports of foreign sets and parts, unless it is promptly checked. On the other hand, the industry is endeavouring to widen the scope of its operations, and to smooth out its fluctuating profit curve, by a general incursion into the domestic appliance and small electrical equipment and light engineering trades. Pye Limited, for instance, has recently entered into a manufacturing agreement with a leading firm of electrical appliance manufacturers in the United States, while E. K. Cole has interests in bakelite, electro-medical and measuring appliances, and electric heating manufacture. But competition from established concerns in these trades suggests that the newcomers may make less profit in their latest ventures than they made as pioneers in the radio trade. The outlook for typical radio manufacturing companies must still be regarded with considerable reserve.

* * *

Further Iron and Steel Results.—Company reports from heavy industrial centres continue to demonstrate the prosperity which the iron and steel industry enjoyed in 1937. This week the accounts of Pease and Partners, from the North-East Coast, and of the Park Gate Iron and Steel Company, from Rotherham, have been published. Both show spectacular increases in trading profits, and both have increased their equity earnings and dividends. Pease and Partners, of course, is the more important concern of the two. It is primarily a coal, coke, ironstone and limestone producer, and it is interested in the iron and steel industry largely as a supplier of raw materials, although it also has a direct interest through its subsidiary, Skinninggrove Iron. The company's total profit has advanced from £302,777 to £538,313, and after allowing £100,000 for depreciation, compared with £65,000 last year, and a full year's service on the 4 per cent. redeemable debentures and on the new 5 per cent. preference shares, the company has earned 31.9 per cent. for its ordinary capital, compared with 16.0 per cent., and has paid 10 per cent., against 5 per cent. in 1936-37. The Park Gate company's profit has increased from £103,096 to £189,181. It, too, has provided more for depreciation—£70,000, compared with £40,000—and ordinary earnings have been increased from 4.0 per cent. to 8.0 per cent., and the dividend from 3½ per cent. to 5 per cent. These results are both very satisfactory, although they bear very little relevance to the present prospect. The Park Gate directors point out that there is a falling-off in demand, although the company has at present sufficient orders on the books to keep the works in full operation. Pease and Partners would inevitably be closely affected by any reduction of iron and steel activity on the North-East Coast. At the same time, however, both companies have utilised prosperity well, Park Gate by technical reconstruction and Pease and Partners by rehabilitation of a top-heavy financial structure. The prices of their ordinary shares—Park Gate £1 stock units at 14s. 10½d., and Pease and Partners 10s. shares at 10s. 4½d.—are in reasonable line with those of other securities in this group.

* * *

Newspaper Finance.—The sensitivity of newspaper profits to fluctuations in costs and advertising revenue received further illustration in the Allied Newspapers report for the year to December last. Total profits, before

directors' fees, amount to £1,011,224, compared with £1,102,185 in the previous year. The directors refer to special problems which were operative during the year, and cite in particular the effect of increased wages and reduced financial advertising, together with National Defence Contribution. As a result of these factors, the net earnings available for the ordinary shares have been reduced from £360,398 to £245,668 (equivalent to 13.6 per cent. on the ordinary capital for 1937, compared with 22 per cent. for 1936) and the ordinary dividend has been reduced from 9 per cent. to 8 per cent. Lord Southwood made a pointed reference at the Odhams Press meeting to the operation of increased costs during the current year. Costs of paper and labour are "very much increased," but the directors anticipate that a larger part of the additional expense may be recovered. There is some consolation, moreover, in the fact that no further increase in the cost of paper is anticipated in 1939. Meanwhile, shareholders may have noted that the chairman did not refer in detail to the position of the Daily Herald interest, but Odhams (Watford) is now trading on a satisfactory profit-earning basis, and further capital is to be issued for extensions.

* * *

Property Companies' Results.—During the past fortnight the accounts of several important property companies have been published. The extent of improvement shown varies considerably between different concerns, but the main impression is that satisfactory progress in total revenue has been achieved. More than one report, however, refers to the still greater increase in outgoings, and the combined incidence of higher costs and N.D.C. has withheld from ordinary stockholders the benefit of improved gross revenues. The following table of comparative results shows that equity earnings have either been maintained or actually reduced, and dividends are unchanged. London County Freehold and Leaschold Properties, who

Company (and date of accounts)	Income	Ordinary Shares					
		Earned		Paid	Current Price	Yield	
		Amount	Rate				
London County Freehold, etc. (Mar. 31)							
1936	577,588	235,047	11.0	11	18/1½	6.1	
1937	629,606	307,325	12.9	11	(10s.)		
1938	641,676	306,492	12.9	11			
C. of London Real Prop. (April 12)							
1936	371,816	247,787	4.0	4	15s.	5.3	
1937	390,979	240,173	4.0	4	(£1)		
1938	393,708	242,018	4.1	4			
House Prop. and Inv. (Mar. 31)							
1936	1153,605	20,711	18.0	10	45/-	4.4	
1937	193,991	27,081	23.9	10	(£1)		
1938	211,452	29,409	22.8	10			
City & West End Props. (Mar. 25)							
1936	232,663	41,383	7.8†	7½†	22/6	8.2	
1937	228,144	37,131	7.0†	7†	(£1)		
1938	235,604	36,455	9.3	8¼*			
Hesketh Estates (Feb. 28)							
1936	74,285	30,927‡	13.1‡	7	11/3	6.2	
1937	87,749	29,978‡	12.8‡	7	(10/-)		
1938	93,460	18,868‡	8.6‡	7			

* Of which 3 per cent. interim, tax free. ‡ Before and § after participation rights of preference shares. † Tax free.

are interested chiefly in residential properties near Central London, have felt the effect of increased expenses (since rents cannot be immediately adjusted), but the provision of £14,000 for N.D.C. has been in part offset by lower requirements for repairs and maintenance, and earnings for the ordinary stock are unchanged. Good progress has been made with the modernisation programme, and satisfactory results are expected in due course from the erection of a new building in Oxford Street which will be used in part as a central inquiry bureau. Similar conditions are shown by the City of London Real Property Company. Increased rates and taxes have largely counterbalanced the substantial rise in gross revenue, though the effects of N.D.C. are again softened by a lower provision for replacement reserve.

The interests of House Property and Investment Company are not confined to London, and they consist mainly of business premises. The rise in total income is largely offset by higher expenses and taxes, but the lower rate earned on the ordinary shares is due to an increase of capital and not actually to a lower surplus. Properties owned by City and West End Properties are partly of business and partly of residential character. Allowing for the changed accounting basis from tax-free to less-tax, both earnings and distribution are practically the same as in 1936-37. Hesketh Estates, who now publish a consolidated balance sheet, fall into a different category, for the company was formed to develop building estates near London, on the South Coast and elsewhere. Profits are derived from sales of property as well as from rents and interest, and in this case the fall in profits from sales is more than offset by a rise in current receipts, but increased taxation and other charges have reduced the ordinary earnings.

* * *

Finlay Tea Companies' Results.—The "Finlay" companies' reports, like those of other tea producers, show a consistent improvement. All four companies record substantially higher profits and larger crops, and all have increased their dividend. The following table summarises the results of the group:—

Company (years to November 30)	Tea Crop			Ordinary Shares					
	Amt.	Av. Price†	Pro-ceeds	Earned		Div.	Current Price	Yield	
				Amt.	Rate				
Amal. Tea Est. :—									
1935	5.54	13.79	297,934	41,347	4.4	4	8½	8.0	
1936	5.78	13.77	314,561	38,672	4.1	4			
1937	5.95	15.18	341,956	82,336	9.2	7			
Anglo-Amer. Direct:—									
1935	7.71	12.26	369,885	45,050	7.1	6	12¼	8.2	
1936	7.57	12.66	371,516	41,124	6.3	6			
1937	8.09	14.54	448,178	84,120	13.7	10			
Consol. Tea :—									
1935	16.35	11.97	770,532	120,457	10.0	10	17½	7.4	
1936	16.13	12.63	793,887	124,688	10.5	10			
1937	17.14	13.92	905,230	206,496	18.8	13			
Kanan Devan :—									
1935	12.58	13.29	641,292	87,284	11.6	12½	21½	7.3	
1936	12.08	13.55	629,293	105,257	14.5	12½			
1937	13.08	15.11	747,012	169,949	23.0	16			
James Finlay :—									
*1935	...	...	...	156,233	10.5	10	51s.	5.1	
*1936	...	...	...	177,259	12.4	10			
*1937	...	...	...	194,971	13.2	12½			

† London. * Calendar years.

The parent company's total profits have risen from £231,687 to £251,680, though this result is due to better trading profits rather than to higher dividend and interest receipts, which are only 3 per cent. higher at £232,206. As in previous years, a substantial profit has been realised from the sale of investments, so that £51,410 has been applied in writing down book values. The market value of James Finlay and Company's holdings at the end of 1937 was, in fact, in excess of book cost. The miscellaneous information disclosed by the separate tea companies shows that although larger crops have been gathered, higher average realised prices have been the major factor in the year's improvement. A more detailed analysis of tea sales in certain of the reports suggests that the prices of the cheapest quality teas rose most, both absolutely and relatively, the average increase being over 2d. a lb. For the Amalgamated Tea Estates, of whose crop over a third comes from the Darjeeling district, this fact is of some importance, and partly explains its more modest increase in tea proceeds. Thanks to a substantial increase in investment income, however, earnings for the ordinary stock have more than doubled. For all four companies equity earnings have risen appreciably, but to a smaller extent than tea proceeds, while the year's distributions show greater conservatism than in 1936. The permissible tea quota for 1938-39 is 92½ per cent. of standard against 87½ per cent., but London prices, which were well above the levels of a

OVER ONE HUNDRED AND TEN YEARS OF SERVICE
SCOTTISH UNION & NATIONAL
 INSURANCE COMPANY
 ASSETS EXCEED £17,000,000
 FIRE LIFE ACCIDENT MARINE
 Edinburgh: 25 St. Andrew Square
 London: 5 Walbrook, E.C.4, and 45 Pall Mall, S.W.1.

year ago until mid-February, have since fallen, compared with 1937, while the estimated absorption of tea in this country in the first quarter showed a fall as compared with a year ago, although total imports were higher. In view of this uncertain trend, the yields now obtainable on the shares of the Finlay group appear justified.

* * *

Oil Dividends.—The oil share market has made little response to this week's important dividend declarations. The distributions are satisfactory, rather than exciting, and from Royal Dutch, in particular, the market had expected more. The final dividend of "Shell" Transport and Trading is 12½ per cent. tax free, making 20 per cent. tax free. The rate is identical with that paid for 1936, but it involves a somewhat higher cash payment, since the company distributed a 20 per cent. share bonus between the interim and final dividends for 1936. The payment, in fact, is equivalent to about 24 per cent. tax free on the old capital. Royal Dutch, whose total dividend had been estimated in optimistic circles at 18 per cent., in fact increased the payment from 16½ per cent. to 17 per cent., and the shares reflected the market's disappointment. It is evident that the group last year produced a record output. The directors of Anglo-Egyptian Oilfields have declared a dividend of 12½ per cent. on the "B" shares. Despite the slight fall in production recorded last year, in fact, the rate of distribution has been maintained at the 1936 level. The dividends on Venezuelan Oil Concessions preference and ordinary shares have also been maintained at 3s. per share, although the company increased its total production by over 25 per cent. last year. Special factors, however, may have been operative in the case of this company, which recently increased its issued capital to provide for the increased scale of operations in the Venezuelan fields.

* * *

Other Company Results.—The number of reports is becoming less heavy than in recent weeks, and our usual analysis of profit and loss accounts, appearing on page 524, includes less than 60 companies, owing partly to the smaller number of rubber companies' reports. We discuss the results on page 496 under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—Reports of company meetings will be found in this issue from page 503. Reviewing the operations of the *Royal Insurance Company*, Mr A. E. Pattinson reported that the life department had achieved net new business of over £5 millions for the first time, while premium income in the accident and general section (to which the largest contribution came from the United States) had exceeded that in the fire department. The results of the quinquennial valuation were discussed by Mr Herbert Lewis at the *Commercial Union Assurance* meeting. The basis of valuation had been changed to the new A1924-29 table, with interest at 2½ instead of 3 per cent., and there still existed a substantial margin of market values over book values of Stock Exchange securities. Sir William H. Goschen informed members of the *Sun Insurance Office* that the important business maintained in China

had been affected by hostilities, but that the resulting losses were not substantial. Progress made by the *Slavia Mutual Insurance Bank* between 1919 and 1938 was reviewed by President Joseph Hucl at the annual meeting in Prague. For the first time total premium income exceeded Kc. 250 millions. This income had, in fact, increased by 600 per cent. since 1919, while in that period premium reserves had increased eightfold and the funds fourteenfold. Members of the *Equitable Life Assurance Society* were informed by Mr H. L. M. Tritton that the rate of interest earned (£4 4s. 5d. per cent. net) was slightly higher than in 1936. Addressing the *Central Mining and Investment Corporation* meeting Mr F. R. Phillips surveyed the changes in the gold mining industry since 1932, when South Africa abandoned the gold standard. In 1932, 11,378,000 ozs. were recovered, and in 1937 no more than 11,445,000 ozs., though the tonnage milled had risen from 34,986,000 to 50,725,000 tons, and the value of the output had increased by 67 per cent. Working costs had fallen from 19s. 2½d. to 18s. 11d., while working profits had risen by no less than 116 per cent. At the fortieth meeting of *Union Corporation*, held in Johannesburg, Mr P. M. Anderson discussed progress in development work during the same period. In 1932 there were no mines in development, but at the end of 1937 16 developing mines were active, and one had since entered production. The consequences of the war in China for the *British and Chinese Corporation* were discussed by Mr D. G. M. Bernard at the annual meeting. He much deplored the destruction of the growing confidence in China's railway prospects, and brought out the violent contrast of peaceful progress and war's destruction. Lord Pender's review at the *Cable and Wireless (Holding)* meeting is discussed in a Note on page 488. Mr James Gray reported at the *Madras Electric Supply* meeting that the number of units sold had risen by 18.7 per cent. last year. The purpose of the proposed alterations to the *Articles of Wankie Colliery Company* was explained by Sir Edmund Davis at the extraordinary meeting. Proposals for erecting a new building in Oxford Street were discussed by Mr Thomas J. Cullen at the *London County Freehold and Leasehold* meeting. We comment on Lord Southwood's speech at the *Odham's Press* meeting in a Note on page 490. Addressing the *Mid-European Corporation* meeting, Mr Norman Holden expressed satisfaction that the bank overdraft had been much reduced and that further debenture stock had been issued. At the *Telephone Manufacturing Company* meeting Mr Fred T. Jackson reported that orders in the first four months of 1938 exceeded those for the same period of 1937. Mr E. F. Slade, at the *Batang Consolidated Rubber Estates* meeting, referred to the benefit which would be derived from last year's forward sale of 60 tons at 11½d. per lb., c.i.f. At the *Imperial Continental Gas* meeting, Sir Thomas Royden drew attention to the freedom of the electricity industry in Belgium from government interference. Mr W. Sandford Poole, addressing *Industrial and General Trust* shareholders expressed satisfaction that last year's revenue had exceeded the forecast. Mr Philip E. Hill informed *Beechams Pills* shareholders that the Beecham factory at St. Helens produced more than 11 million pills a week. Mr J. M. Bush, at the *W. J. Bush and Company* meeting, explained the board's policy of writing down goodwill. Members of *General Refractories* were informed by Mr Frank S. Russell that export trade in the latest year had been three times higher than in 1936.

THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT
JUNE 7 JUNE 9

BEFORE the markets had reassembled last Monday, it was already evident that the tension between Germany and Czechoslovakia had abated somewhat. For this reason, although prices were marked down initially as a precaution-

ary measure against serious selling, the pattern of the Austrian crisis was not repeated, and by the close of business on Monday dealing margins had been reduced to normal dimensions, and only fractional losses recorded. But the large part of the "House" has remained moribund this week, and occasionally frightened—as on Wednesday afternoon—when German diplomatic representations fell fast on Prague. The boom in Western Holdings, however, has pro-

vided much excitement in the Kaffir market, and the circle of interest has widened from the youngest and least mature prospects to the established producers.

The gilt-edged market was disturbed on Monday but, with little liquidation, prices gradually recovered, and on Tuesday evening had regained their initial losses. Business remained extremely quiet, however, and the reaction on Wednesday afternoon was

unaccompanied by any significant increase in selling. In the Dominion market, there was some evidence of support for New Zealand stocks which recovered, at least temporarily, after their prolonged steady fall.

Central European bonds reflected the current anxiety, although the Czechoslovakian 8 per cent. issue rallied sharply on Tuesday. After an unsettled opening, Japanese issues received support, but Chinese bonds remained dull. Movements in Brazilian loans were strictly limited.

*

Dull conditions prevailed in the home rail market, due as much to general conditions as to the uninviting traffics and prospects. In consequence, Tuesday's improvement was not maintained. Argentine issues were barely steady.

No significant volume of liquidation in the industrial share market was apparent on Monday, but support was reduced to the minimum, and was only temporarily increased on Tuesday. Steel shares moved, like other sections, within narrow limits, and while prices were marked firmer on Tuesday, they became irregular later. Tube Investments and Stewarts and Lloyds had satisfactory mid-week advances. Calender's Cable advanced before the report (discussed on page 488) but reacted later. Aircraft shares were steadier, but business was no more than fair. Engineering issues also attracted little attention, despite the occasional small price improvements in mid-week. Provincial investment favourites in the brewery and tobacco lists recovered somewhat after the political impact, but failed to maintain their momentum. In the stores group, Great Universal were marked down on the absence of a capital bonus. Miscellaneous industrial leaders moved from initial dullness to firmer prices, but could not maintain their full recovery.

*

In the oil market, the volume of business remained persistently small. Continental sales and purchases had a greater effect on the whole than domestic orders. A quiet start to the week with sagging prices was followed by a firmer tendency, and then in mid-week by some irregularity, with little broadening of activity. The rubber market continued idle, though the subdued tone induced by the European crisis at the week-end was followed by a rather firmer tendency. Business in tea shares was on a very small scale, but prices were firm.

The European situation was at first a restraining influence in the mining market, but it was not long before considerable activity in gold shares was resumed. As in the two previous weeks, Western Holdings (whose movements are discussed in more detail in a Note on page 488) were the centre of interest. They affected gold shares generally—and not merely Kaffirs—Tuesday, in particular, being characterised by general excitement and sharply rising prices all round. Conditions in mid-week were still active, though quotations moved more irregularly, and the advance continued merrily on Thursday. Selection Trust rose (on its interests in the Orange Free State), but base metals generally were neglected in favour of gold shares.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day, 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
May 20	7,450	9,290	84.1	128.5
May 23	7,395	7,020	83.1	128.4
May 24	6,780	7,220	83.6	128.5
May 25	7,505	6,475	83.5	128.4
May 26	6,345	6,790	83.1	128.4
High...	...	...	97.2	131.0
Low...	...	...	79.4	126.9
			Jan. 12	Feb. 4
			Mar. 16	Mar. 17

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

ACTUARIES' INVESTMENT INDEX

The Actuaries' index of 151 industrial share prices has fallen again, standing on Tuesday last (May 24) at 65.3, against 66.5 a week ago and 69.3 a month ago. The average yield has now risen to the highest level of 1938, and stands at 5.79 per cent., compared with 5.62 and 5.36 per cent. a week and a month ago respectively. A selection of the separate indices follows:

Group (and No. of Securities)	Prices (Dec. 31, 1928=100)			Prices 1938 High
	Apr. 26, 1938	May 17, 1938	May 24, 1938	
Insurance (10)	113.9	113.7	112.5	121.5
Building materials (6)	82.0	81.9	79.1	87.1
Coal (6)	95.7	86.7	85.3	106.7
Elec. infg. (12)	122.7	117.8	116.4	129.7
Iron and steel (17)	59.6	53.5	52.3	65.4
Motors (6)	35.9	34.2	33.3	39.0
Shipping (6)	15.6	15.3	14.4	19.5

Group	Yields (%)			Prices 1938 Low
	Apr. 26, 1938	May 17, 1938	May 24, 1938	
Insurance cos.	3.73	3.74	3.78	110.8
Building materials ..	6.79	6.78	7.01	75.0
Coal	5.41	6.03	6.51	85.3
Elec. manufacturing ..	5.58	5.60	5.77	111.1
Iron and steel	7.37	8.30	8.66	52.3
Motors	6.41	6.83	7.15	35.3
Shipping	3.68	3.70	3.92	14.2

New York

WALL STREET remains despondent. Depressing news on the home economic front—steel output is estimated by *Iron Age* to have fallen below the 30 per cent. level to 28 per cent. of capacity—coupled with concern over the European situation, brought stocks back sharply. Trading is running at exiguous levels; not since May 10th, indeed, have one million stocks been traded, and the recent rate has sometimes been nearer a quarter than half a million. Steel shares have been particularly affected this week, while rail stocks have approached despair, since opposition is spreading to wage cuts, and the companies' hopes of R.F.C. loans have faded. The market has also taken careful note of the persistent fall in primary commodity prices. The bond market has been affected by the surrounding cheerlessness, both Treasury issues and high-grade railway bonds being weaker.

By courtesy of the Standard Statistics Company, Inc., of New York, we print the following index figures of American

values calculated on closing prices (1926 = 100)

	WEEKLY AVERAGES				
	1938		May 11, 1938	May 18, 1938	May 25, 1938
	Low Mar. 30	High Jan. 12			
347 Ind's.	75.9	101.5	90.3	88.5	83.5
32 Rails	19.0	31.4	23.2	22.0	20.5
40 Utilities ...	57.7	78.8	72.7	70.2	67.9
419 Stocks ...	63.7	86.4	76.6	74.8	70.8
Av. yield %*	8.35	5.16†	5.16	5.29	5.64
	High	Low			

* 50 Common Stocks. † May 11th.

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

May 19	May 20	May 21	May 23	May 24	May 25
97.5	97.2	95.7	96.6	94.8	93.1

1938 High: 116.9 January 11th. Low: 83.6 March 31st.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds \$000's	
May 19	490	5,240	96
" 20	440	4,360	93
" 21*	290	2,640	56
" 23	330	4,310	70
" 24	420	4,750	99
" 25	560	4,320	133

* Two-hour session.

New York Prices

	Close May 19, 1938	Latest May 26, 1938	Close May 19, 1938	Latest May 26, 1938
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1. Rails & Transport			4. Manufactures	
Atchafalaya	28½	25¼	Briggs	18
Balt. & Ohio	5½	5½	Chrysler	43¼
B.M.T.	9¼	7½	Elec. Autolite	16
Can. Pacific	5½	5½	Gen. Motors	30½
Ches. & Ohio	27¼	25½	Hudon Mtr	6¼
G.N. Ry. Pf.	16½	14½	Nash Kelnr	7¼
Illinois Cent.	8½	7½	Packard Mtr	3½
N.Y. Central	12½	11¼	Bendix Avtn.	11½
Northern Pac	8½	7½	Boeing Airplan	25¼
Penneyv. R.	16¼	15½	Douglas Air.	43¼
Southern Pac.	12½	10½	United Aircraft	27½
Union Pac.	64¼	60½	Air Reduction	4¼
Greyhound	9¼	9¼	Allied Cheml.	142½
			Col. Carbon	67¼
			Dupont	102½
			Un. Carbide	61¼
			U.S. Ind. Alc.	17¼
			Alus Chalmr	44
			Gen. Electric	36½
			C.W. & S.	112
			West'hcElec.	79¼
			American Can	87½
			Col Gas & Etc	6½
			Addressograph	19¼
			El Bond & Sh	43¼
			Cont. Can. Pwr & Lt.	38¼
			N. American	20½
			Ingersoll Rnd	84¼
			Pac Gas & Etc	27¼
			Int. Harvester	56½
			Johns Manvle	73
			Am. Radiator	12
			Pub. Serv. N.J.	30
			Stan Gas & Etc	3¼
			United Corp.	27½
			J.I. Case & Co.	78
			Un. Gas Imp.	10¼
			Amer. Tel.	129¼
			Internat. Tel.	9½
			West. Union	21½
			Ind. Rayon	18
			Colgate Palm.	8½
			Radio	5½
			B. Pref	50¼
			Eastm'n Kdk	156½
			Gillette	...
			Lambert Co.	11
			Loews	42¼
			20th Cen. Fox	22½

2. Utilities and Communications			5. Retail Trade, &c.	
Am. W'orks	8¼	8¼	Mont. Ward	32
Con. Edison	24½	22½	J. C. Penney	64¼
Col Gas & Etc	6½	6½	Sears Roebck	56¼
El Bond & Sh	7½	6½	United Drug	51½
Nat. Pwr & Lt.	7¼	6½	Walgreen	16¼
N. American	20½	18½	Woolworth	43¼
Pac Gas & Etc	27¼	26¼	Borden	16½
Pac. Lighting	37½	37¼	Gen. Foods	26
Pub. Serv. N.J.	30	28	Kroger Grey.	14
Stan Gas & Etc	3¼	3¼	Nat. Biscuit	22¼
United Corp.	27½	25½	Nat. Dairy	13
Un. Gas Imp.	10¼	10½	Stand. Brands	7½
Amer. Tel.	129¼	129	Am. Tob. B.	70¾
Internat. Tel.	9½	8½	Lig. Myers B.	91
West. Union	21½	20¼	Lotillard	16
Ind. Rayon	18	15½	Reyn. Tob. B.	37
Colgate Palm.	8½	8	Nat. Distillers	29
Radio	5½	5½	Schenley Dis.	167
B. Pref	50¼	48¼		

3. Extractive and Metal			6. Finance	
Am. Rol. Mill	16½	14¼	Comcl. Credit	32
Beth. Steel	47½	42¼	Atlas Corp.	6¼
Beth. Steel P.	88	87¼	Com. Inv. Tr.	35½
Republic St.	13	12½		
U.S. Steel	45½	41½		
U.S. Steel Pf.	97½	95¼		
Alaska J'neau	10¼	9¼		
Am. Metal	30	28¼		
Am. Smelting	37¼	32¼		
Anaconda	27½	23½		
Bohm Alum.	19½	18½		
Cerro de Pas.	35½	33½		
Int. Nickel	46½	43¼		
Kennecott	34	28½		
Patino Mines	9½	9½		
Tex. Glt. Sul.	31	29¼		
U.S. Smelt.	55	50		
Vanadium	16	13¼		
Atlantic Reig.	21½	20½		
Phillips Petr.	32½	31		
Shell Union	13	12		
Shell Un. Pf.	100½	100		
Sococo Vac.	13½	12		
Stan. Oil Cal.	27	26¼		
Stan. Oil N.J.	47½	45¼		
Texas Corp.	37	35½		

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937		Prices, Year 1938 Jan. 1 to May 25, inclusive		Name of Security	Price, May 25, 1938	Change since May 18, 1938	Yield May 25, 1938	Prices, Year 1938 Jan. 1 to May 25, inclusive		Last Two Dividends			Name of Security	Price, May 25, 1938	Change since May 18, 1938	Yield May 25, 1938
High-est	Low-est	High-est	Low-est					High-est	Low-est	(a) %	(b) %	(c) %				
British Funds																
841 1/2	73 1/2	79 1/4	71	Consols 2 1/2 %	74 1/2	...	4 1/2	13 1/2	12 1/2	3 1/2	3 1/2	...	Dist. Bk. of Aust. 50-	12 1/2	...	4 1/2
113	105 1/4	111 1/2	107	Do. 4 % (aft. 1937)	110 1/4	...	3 1/2	13 1/2	11 1/2	5 1/2	5 1/2	...	Common Bk. of Aust. 50-	13 1/2	-2 1/2	4 1/2
101 1/2	94 1/4	100 1/2	96	Conv. 2 1/2 % 1944-49	99 1/2	...	2 1/2	12 1/2	10 1/2	9 1/2	9 1/2	...	Hambros 10 1/2 % 1937	9 1/2	...	5 10 8
103 1/2	97 1/2	102 1/2	99	Do. 3 % 1948-53	102 1/2	...	2 1/2	10 1/2	9 1/2	10 1/2	10 1/2	...	London & Lanc. 6 1/2 %	9 1/2	...	3 14 4
106 1/2	99	104 1/2	98 1/4	Do. 3 1/2 % after 1961	101 1/2	...	2 1/2	10 1/2	9 1/2	10 1/2	10 1/2	...	Lloyds 4 1/2 % 1937	6 1/2	-6 1/2	4 0 0
108	105	106 1/2	104 1/2	Do. 4 1/2 % 1940-44	104 1/2	...	2 1/2	13 1/2	11 1/2	9 1/2	9 1/2	...	Martins 12 1/2 % 1937	7 1/2	...	4 0 0
117 1/2	111 1/4	115 1/2	112 1/4	Do. 5 % 1944-64	111 1/2	...	3 1/2	12 1/2	10 1/2	8 1/2	8 1/2	...	Midland 1 1/2 % 1937	8 1/2	+1 1/2	3 15 6
92 1/2	89	91 1/2	87 1/2	Fund. 2 1/2 % 1956-61	90 1/2	...	1 1/2	8 1/2	7 1/2	6 1/2	6 1/2	...	Nat. 5 1/2 % 1937	3 1/2	...	4 3 3
96 1/2	89 1/2	97 1/2	85 1/2	Fund. 2 1/2 % 1952-57	96	...	1 1/2	8 1/2	7 1/2	6 1/2	6 1/2	...	Nat. of Egypt 11 1/2 %	3 1/2	...	4 3 3
101 1/2	92 1/2	99 1/2	95 1/2	Fund. 3 % 1959-69	98 1/2	...	1 1/2	8 1/2	7 1/2	6 1/2	6 1/2	...	N. of Ind. 12 1/2 % 1937	3 1/2	-1 1/2	5 17 0
116 1/2	109	114 1/2	110 1/2	Fund. 4 % 1960-69	113 1/2	...	1 1/2	8 1/2	7 1/2	6 1/2	6 1/2	...	N. Prov. 4 1/2 % 1937	3 1/2	-1 1/2	4 1 6
99 1/2	96 1/2	100 1/2	94 1/2	Nat. D. 2 1/2 % 1944-48	100 1/2	...	2 1/2	10 1/2	9 1/2	9 1/2	9 1/2	...	Roy. Bk. of Scot. 4 1/2 %	45 1/2	...	3 15 15
114 1/2	107 1/2	112 1/2	107 1/2	Victory Bonds 4 %	111	...	3 1/2	12 1/2	11 1/2	48 1/2	48 1/2	...	Union Dis. 11 1/2 %	46 1/2	...	4 6 6
105 1/2	99 1/2	103 1/2	99 1/2	War L. 3 1/2 % aft. 1952	101 1/2	...	3 1/2	12 1/2	11 1/2	51 1/2	51 1/2	...	West. 4 1/4 % 1937	96 1/2	...	4 2 6
96 1/2	84 1/2	90 1/2	84 1/2	Local Loans 3 %	87 1/2	...	3 1/2	12 1/2	11 1/2	48 1/2	48 1/2	...				
102	99 1/2	101 1/2	99 1/2	Austria 3 % 1933-39	100 1/2	...	3 1/2	15 1/2	13 1/2	43 1/2	43 1/2	...				
72	62	67 1/2	61 1/2	India 2 1/2 %	66	...	3 1/2	15 1/2	13 1/2	43 1/2	43 1/2	...				
85 1/2	74 1/4	81	75	Do. 3 %	79 1/2	...	3 1/2	15 1/2	13 1/2	43 1/2	43 1/2	...				
98 1/2	87	94	88 1/2	Do. 3 1/2 %	92 1/2	...	3 1/2	15 1/2	13 1/2	43 1/2	43 1/2	...				
119 1/2	112 1/4	117	114 1/4	Do. 4 1/2 % 1958-68	115 1/2	...	3 1/2	15 1/2	13 1/2	43 1/2	43 1/2	...				
Dom. & Col. Govts.																
107 1/2	105	108 1/2	105 1/2	Austr. 5 % 1945-75	107	...	3 1/2	18 1/2	16 1/2	51 1/2	51 1/2	...				
105 1/2	101	104 1/2	100 1/4	Canada 4 % 1940-60	102	...	3 1/2	18 1/2	16 1/2	51 1/2	51 1/2	...				
118	114 1/2	115 1/2	111 1/2	Nigeria 5 % 1950-60	115	...	3 1/2	18 1/2	16 1/2	51 1/2	51 1/2	...				
110	104 1/4	108 1/2	102 1/2	N. Zealand 5 % 1946	104	...	3 1/2	18 1/2	16 1/2	51 1/2	51 1/2	...				
103 1/2	97 1/2	101 1/2	94 1/2	Queens. 5 % 1940-60	104	...	3 1/2	18 1/2	16 1/2	51 1/2	51 1/2	...				
114 1/2	110 1/2	112 1/2	110 1/2	S. Africa 5 % 1945-75	111	...	3 1/2	18 1/2	16 1/2	51 1/2	51 1/2	...				
Foreign Governments																
103	93	96 1/2	89	Arg. 4 1/2 % 1929	92	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
105 1/2	97 1/2	100 1/2	94	Austria 4 % 1929	98	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Do. 4 1/2 % 1934-59	95 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Belg. 4 % red. by 1970	97	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Bulgaria 7 1/2 %	93 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Brazil 5 % 1914	98 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Chile 6 % (1929)	91 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	China 5 % (1912)	91 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Do. 5 % (1913)	91 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Czechoslovakia 8 %	91 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Denmark 3 %	91 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Egypt United 4 %	101	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	French 4 % (British)	101 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Ger. 7 % Dawes Plan	48	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Do. 5 1/2 % Young Plan	48	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Greek 6 % 1926	29 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Hungary 7 1/2 %	34 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Japan 5 1/2 % 1936-65	53	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Do. 6 % (24) red. 1959	53	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Norwegian 4 % 1911	117 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Peru 7 1/2 % 1922	45	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Poland 7 %	66	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Roum. 4 % Con. 1922	12 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	L.K. & Arg. C. 3 %	80	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
Corporation Stocks																
118	111 1/2	115 1/2	110 1/2	Corporation Stock	112 1/2	...	3 1/2	19 1/2	17 1/2	51 1/2	51 1/2	...				
118 1/2	112 1/2	117 1/2	112	Bristol 5 % 1948-56	114 1/2	...	3 1/2	19 1/2	17 1/2	51 1/2	51 1/2	...				
101 1/2	95 1/2	100 1/2	92 1/2	L.C.C. 3 %	95 1/2	...	3 1/2	19 1/2	17 1/2	51 1/2	51 1/2	...				
104 1/2	100 1/2	105 1/2	101 1/2	Midx. 3 1/2 % 1957-62	104	...	3 1/2	19 1/2	17 1/2	51 1/2	51 1/2	...				
Investment Trusts																
103	93	96 1/2	89	Arg. 4 1/2 % 1929	92	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
105 1/2	97 1/2	100 1/2	94	Austria 4 % 1929	98	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Do. 4 1/2 % 1934-59	95 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Belg. 4 % red. by 1970	97	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Bulgaria 7 1/2 %	93 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Brazil 5 % 1914	98 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Chile 6 % (1929)	91 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	China 5 % (1912)	91 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Do. 5 % (1913)	91 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Czechoslovakia 8 %	91 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Denmark 3 %	91 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Egypt United 4 %	101	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	French 4 % (British)	101 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Ger. 7 % Dawes Plan	48	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Do. 5 1/2 % Young Plan	48	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Greek 6 % 1926	29 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Hungary 7 1/2 %	34 1/2	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2	98 1/2	90	Japan 5 1/2 % 1936-65	53	...	4 1/2	17 1/2	15 1/2	51 1/2	51 1/2	...				
102 1/2	94 1/2															

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Con-versions	New Money
May 28	Nil	Nil	Nil
To the Public	319,114	...	400,510
By S.E. Intro.	250,000	...	252,500
By Permis. to Deal	608,124	...	649,798
Sav. Certs. w/e	150,000	...	...

Year to date	Including Conversions	Excluding Conversions
1938 (New Basis)	88,651,614	74,848,761
1937 (New Basis)	296,249,552	263,593,010
1938 (Old Basis)	63,644,557	51,091,799
1937 (Old Basis)	193,793,478	163,738,889

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1938 (New Basis)	53,479,670	18,099,862	2,429,229
1937 (New Basis)	221,550,283	41,059,387	1,153,140
1938 (Old Basis)	33,575,930	15,116,745	2,399,124
1937 (Old Basis)	152,606,285	11,132,854	Nil

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	41,210,019	5,990,012	27,648,730
1937 (New Basis)	137,151,021	16,309,927	110,102,062
1938 (Old Basis)	33,287,766	2,478,496	15,325,537
1937 (Old Basis)	124,152,423	10,140,315	29,446,131

NOTE.—"Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

BY STOCK EXCHANGE INTRODUCTION

Electrical Distribution of Yorkshire—Particulars of issue of £500,000 3½ per cent. debenture stock, taken by Messrs. Kitcat and Aitken at 93½, less ½ commission. Redeemable at par June 1, 1965, or at 101 from 1955 on notice. No charge to be created in priority to this issue.

PRIVATE PLACINGS

Hawker Siddeley Aircraft Company—A block of 436,224 £1 5 per cent. first cumulative preference shares has been placed privately.

ISSUES TO SHAREHOLDERS ONLY

Gaskell and Chambers—Issue of 20,109 new £1 ordinary shares at 65s. to ordinary shareholders registered as at May 2nd (one new for four held).

Northampton Gaslight—Issue of £48,984 consolidated stock (5 per cent. maximum) at 110. To rank as from July 1, 1938.

Owen (Thomas)—Issue of 1,000,000 1s. ordinary shares at par (one new for four ordinary shares held).

Transport Services—Issue of 400,000 5s. ordinary shares at 6s. to preference and ordinary shareholders as at May 18th (one new ordinary share for every two ordinary shares held).

Colonial Gas Association—Issue of 75,021 8 per cent. £1 preference shares at 23s. English and 28s. 9d. Australian currency.

Tindals Gold Mines—Issue of £25,000 10 per cent. five year convertible notes at par.

SHORTER COMMENTS

Company Results of the Week—The rise in the net profits of PRIMITIVA HOLDINGS, from £78,646 to £80,829, is due to larger receipts from the Primitiva Gas Company of Buenos Aires, who made an exchange loss which—though heavy—was less severe than in the previous year. Another utility holding company, WHITE-HALL ELECTRIC INVESTMENTS,

interested chiefly in Greece and Spain, have earned slightly less than in 1936-37, at £228,680, but after paying the preference dividend, the surplus is added to the carry-forward. The week's rubber company results show very high rates of progress. Thus net profits of UNITED SIA BETONG are £219,613 against £132,436, while TELOGOREDJO UNITED earnings are more than doubled at £78,140. A setback has been experienced by PORRITTS AND SPENCER, the felt and textile manufacturers, whose net profits of £90,337 compare with £113,671. The 10 per cent. dividend is maintained, however, and is covered by earnings. W. J. BUSH AND COMPANY, the manufacturing chemists, have also been unable to maintain their profits, though the decline shown is small. Even after charging depreciation and obsolescence, the 13 per cent. dividend is covered three times by earnings. The first accounts of SCOTTISH MACHINE TOOL CORPORATION since introduction to the public show net profits for the 54 weeks to March 31st last of £69,526, and an 8 per cent. dividend is being paid. The traffic handled at the wharves of BEIRA WORKS rose by no less than 47 per cent. last year, and net profits amount to £176,750 against £132,282, and a dividend of 13.8 per cent. (against 10 per cent.) is being paid. Stable conditions are indicated by the report of ADVANCE LAUNDRIES, whose net profits of £56,965 are practically unchanged. The 7½ per cent. dividend is payable on the increased capital. Total profits of CHLORIDE ELECTRICAL STORAGE COMPANY, at £435,724, are £3,300 higher than in 1936-37, but the additional provision of £15,000 to inaugurate a pension fund for subsidiaries' employees brings net profits below the previous year's level. The dividend is, however, raised from 15 to 20 per cent. through the doubling of the cash bonus.

MISCELLANEOUS

Beira Works, Ltd.—For year to March 31, 1938, revenue increased by £160,057 to £674,304 and expenditure by £82,807 to £293,476, leaving net revenue £77,250 higher at £380,828. Dividend, 2s. per 14s. 6d. share against 1s. 5.4d. To contingencies, £80,000 (same).

Armstrong Whitworth Securities—Net income for 1937 £6,089. A dividend of 2 per cent. is payable on the first preference shares. Carry-forward reduced from £15,116 to £1,206. It is proposed to repay all the £2,100,000 issued preference capital out of cash resources.

Pye, Ltd.—Profits for year to March 31, 1938, fell by £21,570 to £106,030. Deferred dividend 25 per cent. (equal to the 125 per cent. paid in the previous year on the lower capital). Carry-forward £97,819.

Cole (E. K.), Ltd.—Profit for year to March 31, 1938, £40,468 against £113,527 for 10 months to March 31, 1937. To staff fund £5,000 as before. To depreciation £19,515 (£23,510). Ordinary dividend 10 against 30 per cent. Carry-forward reduced from £29,615 to £25,044.

Park Gate Iron and Steel—Trading profit for year ended March 31, 1938, was £251,180. To depreciation £70,000 (£40,000). For tax and N.D.C. £65,000. Ordinary dividend raised from 3½ to 5 per cent. To reserve £30,000 (£15,000). Carry-forward £13,680 higher at £42,484.

Pease and Partners, Ltd.—Total income for year to March 31, 1938, £538,312 against £302,777. To plant depreciation £140,000 (£65,000). Debenture services £34,656 (£20,702). To tax reserve £100,000 (nil). Preference dividend absorbed £62,500 against £29,264. Ordinary dividend raised from 5 to 10 per cent. Carry-forward raised from £185,480 to £240,303.

United Siam Betong Rubber Estates—Profit for 1937 £219,612 against £132,436. Ordinary dividend raised from 13½ to 17½ per cent. To general reserve £20,000 (same). Also £7,500 for N.D.C. To estates reserve £30,000. To depreciation reserve £6,000. Carry-forward raised from £46,647 to £61,281.

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

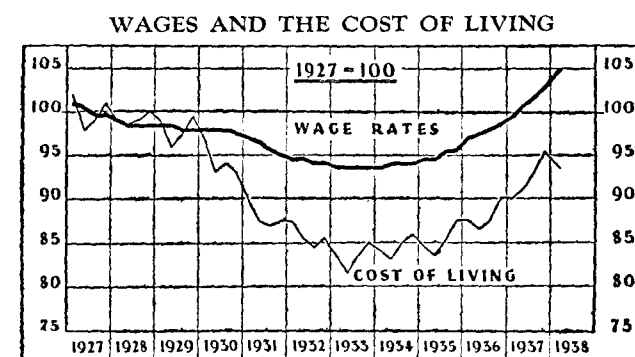
Company	*Int. or Final	Total	Pay-able	Prev. Year
RAILWAYS				
Bombay Baroda, etc.	3½	...	...	...
BANKS				
Bank of Nova Scotia	3*	...	July 2	3*
Barclays (D.C.O.)	3*	...	June 16	2½*
Com. of Scot. (A & B)	8*	...	July 1	8*
Imperial of Iran	4½	...	...	6½
Standard of S. Africa	10½	15	...	14
INSURANCE				
Sun Life	10*	...	July 1	10*
TEA & RUBBER				
Bagracote Tea	10½	15	June 17	12
Cachar & Doars Tea	10	10	June 15	5
Caledonian Rubber	12½	18	June 25	16
Chandapore Tea	12½	18	June 25	16
Chota Rubber	10½	15	June 21	14
Chulsa Tea	17½	22½	...	12½
Dekhari Tea	12½	17½	June 24	12½
Doom Dooma Tea	12½	17½	June 24	12½
Gordon (Malaya) Rbr.	15	15	June 9	5
Java Para Rubber	10	10	June 23	10
Lookan Tea	15½	20	...	22½
Moran Tea	7½	10	...	6
Nedem Tea	10½	15	...	12½
Rajah Ali Tea	10½	15	...	10
Rungjung Tea	12½	17½	...	7
Sialang Rubber	...	5	...	8
Straits Plantations	...	7	...	7
Sungei Rinching Rub.	9½	12	June 11	10
Sylhet Tea	...	4	...	4
Tremelby Rubber	10½	17½	...	13½
United Planters	...	...	...	...
United Siam Bet Rbr.	10½	17½	...	13½
MINING				
Bechuanaand Expln.	...	5	...	6
Cons. Gold of S. Africa	6½*	...	June 22	6½*
Frontino Gold	43½*	...	July 1	43½*
Geevor Tin	15	...	...	35
North Broken Hill	10*	...	June 28	30*
Willoughby Cons.	5½	...	June 10	5
Zinc Corpn. Ord.	4/6ps†	85	July 1	60
Do. Pref.	4/6ps†	42½	July 1	30
INDUSTRIALS				
Albion Drop Forgings	7½*	...	July 1	7½*
Alliance Box	...	15	...	9
Allied Newspapers	...	28	...	25½
Anderson's Rubber	...	2½	...	12½
Anglo-Egyptian Oil	...	12½	...	3*
Army & Navy Trust	3*	...	June 16	3*
Banister Walton & Co.	15½	25	...	22½
Bassett (Geo.) & Co.	12½†	617½	...	20
Booker Bros., etc.	4*	...	July 1	5*
Bowmaker	3*	...	June 1	3*
Brickwood & Co.	5*	...	...	5*
Brit. Amer. Tobacco	4½*	...	...	4½*
Brit. Bedaux	6½	...	...	12
British Tyre, etc.	3½*	...	June 8	3½*
Brookes (W. J.) & Sons	...	5	...	8
Brotherhood (Peter)	...	24	...	30
Brown (E. G.) & Co.	6*	...	May 31	5*
Callender's Cable	15†	20	...	20
Carreras (A & B)	15*	...	June 18	15*
Cole (E. K.)	...	10	...	30
Cory (Wm.) and Son	15†	20	...	20
Cummins and Scotts	3†	10½	...	5½
Dental Mfg.	...	10	June 14	10
First Scot. Amer. Tst.	14†	20	June 17	20
Fourth Brit. Fixed Tst.	8-20d.	...	...	9d.
Edmundson's Electry.	5†	9	...	9
Freming	3†	...	...	3*
Great Universal Stores	230†	250	...	50d
Hawker Siddeley	215*	...	June 16	15*
Hyderabad (Deccan)	2/-ps.	...	June 9	13
Investment Trust	8†	13	...	6
Java Investment	5†	7½	...	6
Keith Blackman	5†	20	...	20
Leeds, etc., Breweries	4*	...	June 30	4*
Marston Valley Brick	10†	17½	...	20
Masson Scott	5†	10	...	10
Met. Assn. (Dwellings)	2½†	5†	June 30	5†
Neill (Wm.) St. Helens	9½†	14½	...	5*
Northampton Brewery	5*	...	June 30	5*
Nth. British Linoleum	...	5	...	...
Pennsylvania Water	3*	...	July 1	3*
R.P.D. Co.	3*	...	June 1	20
Regional Properties	4†	8	...	9
Reynolds Brothers	9†	12½	July 15	9
Rhodesia Klys. Trust	11†	15	...	5†
Royal Dutch Co.	3†	6	...	16½
S. Martins Le Gd. Pty.	2½*	9	June 30	2½*
Sena Sugar	...	9	...	6
Shell Transport, etc.	12½†	22½	July 7	20†
Skoda Works	...	4	June 21	4
South African Lighting	...	5	June 30	2½
South Hetton Coal	3½†	6	...	7*
Spicers and Pond	5†	...	June 1	5*
Tadcaster Tower Bwy.	4½*	...	June 15	4½*
Tate and Lyle	...	10	...	10
Taylor's Eagle Bwy.	...	6	...	5
Telephone Properties	6†	10	June 23	10
Telephone Rentals	2½†	5	...	12½
Vavasseur (J. H.) & Co.	15†	22½	...	22½
Venezuelan Oil	10†	15	June 30	15
Watkins (Eustace)	...	5	June 30	5
Wiggins and Co.	...	5	June 15	5*
Wenlock Brewery	5*	...	...	5*

† Free of income tax. (a) Paid on larger capital. (b) Ten months equal to 21 per cent. per annum. (c) Also share bonus of 10%.

Industry and Trade

The Cotton Enabling Bill.—In Lancashire cotton trade circles there has been keen interest in the speech of Mr Oliver Stanley, the President of the Board of Trade, in the House of Commons on Tuesday. He made an urgent appeal to the leaders of the industry to produce proposals for the reorganisation of the trade which would command the general assent and support of the whole of the industry. The difference between the promoters of the scheme and the opposition, however, is on a question of principle and the opponents have condemned the Enabling Bill as a whole. A member of the Opposition Committee on Wednesday said: "I do not think that any approach will be made by our side. The Joint Committee and the opposition group are as far apart as the poles. We have considered the proposals in the Bill and do not agree with them. If the Joint Committee wish to bring forward a fresh scheme then we will consider it. I am convinced that the Bill is designed to drive small firms out of business so that the large combines can remain in business and eventually rule the whole industry. It is important to point out that some of the most up-to-date and best managed concerns in the trade are in opposition." It is understood that the Joint Committee is anxious that the Government should, without delay, say definitely what points in the scheme they approve and what proposals they cannot agree to. If this is done, then there is a possibility that the leaders of the industry can formulate amended proposals on which a ballot of the firms concerned could be taken. The urgency of the matter is being accentuated by the severe depression which now exists in Lancashire.

Wages and Prices.—The accompanying chart shows the trend of wage rates and the cost of living, quarterly, since 1927, on the basis of the official indices:—



During the past year, it will be seen, the index for the cost of living rose faster than the figure for wage rates. The purchasing power of wages has thus tended to decline, a development which has found reflection in a fall in the volume of retail sales. The tendency of the cost of living to rise faster than wage rates, however, was arrested in the first quarter of this year, when the former showed an appreciable decline. In part, this movement was due to seasonal influences, but it was accentuated by the decline in world prices which led to a cheapening of British imports.

Precarious Pig Iron Situation.—Reduced consumption and substantial stocks of pig iron, combined with uneasiness over the future trend of demand, are causing anxiety to British blast-furnace operators. About a score of furnaces, the greater part turning out foundry grades, have been blown out since the beginning of this year. The stoppages are fairly evenly distributed over the various producing districts, the only areas which have not yet been

affected being Scotland, Durham and Northumberland, Wales and South and West Yorkshire. Recently, however, the Cleveland district had to bear the brunt of the recession. The following table shows changes in the number of furnaces in blast, in production and in output per furnace. The output per furnace, it will be seen, has more than doubled since the war.

	Average in blast	Output 000's tons	Output per furnace
1913	337.7	10,260	7,596*
1929	158.3	7,589	11,989*
1932	65.0	3,574	13,750*
1936	110.8	7,721	17,414*
1937	124.5	8,493	17,051*
1937, first quarter	115.3	1,935	16,778
1937, second quarter	123.0	2,076	16,878
1937, third quarter	129.7	2,170	16,735
1937, fourth quarter	133.7	2,316	17,326
1938, first quarter	124.0	2,169	17,492

* Quarterly averages.

The possibility of further stoppages, especially in Cleveland, has given rise to renewed pressure on the Government for the establishment of a pig iron reserve for emergency purposes. The delay in arriving at a decision on this plan suggests that opinion is not unanimous. Meanwhile, the Foundry Pig Iron Producers' Association decided, last week, to extend the present price agreement beyond June 30th. Prices for hematite and basic pig iron used in the manufacture of steel are fixed until the end of this year, the respective producers' associations being affiliated to the British Iron and Steel Federation.

Wages in Engineering.—Britain's skilled engineers are in the news because of their key importance in quickening re-armament. Accordingly, it is perhaps not inopportune to recall their economic record in recent years. Since 1935 engineering has been notably active, and this activity has been reflected in improved rates of wages in shipbuilding and repairing as well as in engineering proper. The following table, prepared by Mr E. C. Ramsbottom, shows the movement of wage rates for all workers, skilled and unskilled, in these industries:—

	1924	1926	1928	1930	1932	1934	1935	1936	1937
Engineering*	100	102	104	104	101	101	104	107	113
Shipbuilding and Repairing†	106	106	108	110	108	108	108	112	121

* Including railway engineering shops. † Time workers.

Even before last year's marked increases in weekly wages, recognised rates of wages for certain categories of work had moved sharply upwards:—

Level of Rates of Wages at	Engineering (Average of 16 principal centres)			Shipbuilding (Average of 8 principal centres)		
	Fitters and Turners per week	Pattern-Makers per week	Iron-Moulders per week	Shipwrights per week	Ship-joiners per week	Ship-fitters per week
July, 1914	38.11	42.1	41.8	41.7	40.5	40.5
Dec., 1924	56.6	60/11	60/0	55/10½	58/3	58/3
Dec., 1932	59.1	63/4	62/4	60/0	60/0	60/0
Dec., 1935	60.9	65/1	64/2	60/0	60/0	60/0
Dec., 1936	64.1	68/3	67/1	62/0	62/0	62/0

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Individual wage increases in 1937 in engineering were 4s. a week, and in shipbuilding there were increases amounting to 4s. a week for men on time work and 8 per cent. for pieceworkers.

* * *

Employment in engineering also markedly improved up to the end of last year, though the numbers of unemployed have moved upward again this year:—

	Dec., 1928		Dec., 1932		Dec., 1937		April, 1938	
	Nos. Insured	Nos. Unemployed	Nos. Insured	Nos. Unemployed	Nos. Insured	Nos. Unemployed	Nos. Insured	Nos. Unemployed
Engineering	744.2	72.3	725.1	215.8	822.4	46.0	822.4	55.9
Shipbuilding	202.4	61.3	181.9	115.4	172.8	39.6	172.8	35.3

The April figures show a distinct setback in engineering, and data for the allied trades of motor vehicles, cycle and aircraft construction and repair, notably important in view of the concentration of immediate defence needs on the air arm, show a similar falling away. The numbers insured in these trades have risen from 234,800 in 1928 to 351,600, but the number of unemployed, which was 17,900 last December, rose to 21,000 on April 4th. It should not be beyond the wit of employers and unions to-day to devise plans whereby the urgent calls of national security might be utilised to preserve the appreciable gains to labour which the current recession in business threatens to whittle away in rising unemployment.

* * *

Copper Under Pressure.—After remaining fairly stable between £38 and £40 per ton during the past four months, the price of copper fell below £33 this week, thus reaching the lowest level since 1935, when a restriction scheme was introduced in order to regulate supplies. Although consumers' demand on this side of the Atlantic has been very poor for some time, the serious setback of prices was due mainly to the depression in the United States. Since January 28th the three large American concerns had strenuously endeavoured to maintain the price at 10 cents per lb. But domestic sales in the United States have fallen below 20,000 short tons per month. As a result the price was reduced to 9 cents per lb. on May 19th, a development which forced the London Metal Exchange to follow suit in order to prevent the copper market outside the United States from being glutted with exports from that country. The reduction of the American price below 10 cents per lb. is a serious development, for this level has long been regarded as the minimum necessary to cover the cost of production and normal depreciation of the American copper industry. During the last slump, too, producers in the United States unsuccessfully endeavoured to defend the 10 cents limit, but as soon as prices fell below this level, the resistance of the market was broken and quotations took a downward plunge. Whether developments will be similar this time is impossible to predict. But producers in the United States feel that they have lost a vital battle, while consumers continue to hold back in anticipation of a further decline in prices. The European market is once again completely at the mercy of the course of events in the United States, in spite of its favourable statistical position; with visible stocks in that country above 356,000 short tons, it cannot afford to let the New York export price rise above the domestic quotation in the United States. This suggests that a reduction

in the output of the restricting countries, which is predicted in London metal circles, is unlikely to bring about a lasting improvement in London copper prices. The course of prices in the London market during the next few weeks will thus depend more on developments in the United States than elsewhere; and the outlook across the Atlantic is at present unpromising.

* * *

U.S. Customs Smelters and Copper Exports.—It is widely believed that the vulnerability of the London copper market to developments in the United States has been exaggerated because exports from that country are limited under an agreement between the companies adhering to the restriction scheme and the American industry. The details of this gentlemen's agreement have never been made public, but it was understood at the time of its conclusion early in 1935 that the limit for American exports of domestic copper was fixed at 8,000 tons per month. It is not known whether the American producers feel themselves still bound by these arrangements, but even if they did, the agreement can by no means be regarded as watertight, for it was accepted only by the large American producers, but not by the American Customs smelters. In the past these smelters, which do not own mines, but only refine ore and scrap, have always proved dangerous sellers in times of a difficult market. The breakdown of the copper price in April, 1929 (which was the beginning of the end of the Copper Exporters Inc., the most comprehensive world cartel in the history of the copper trade) was primarily due to distress sales of customs smelters. Moreover, the large exports from the United States in 1934 which brought about a collapse in the London copper price, came mainly from the customs smelters. Should the European copper market prove more attractive than the American, it is quite possible that the customs smelters may again make heavy shipments to Europe. As the customs smelters earn as a rule only the smelting charges, which are more or less the same whether copper prices are high or low, they have no incentive to store their copper for a long time, especially as they have to take up and finance their new supplies of ore.

* * *

Wholesale Prices again Lower.—The past fortnight has witnessed a rather heavier fall in British wholesale prices. The *Economist's* complete index has fallen by 1.4 per cent., and the primary products index by 3.5 per cent. The decline in primary products prices is paralleled in the United States, where the *Economist's* index has fallen by 3.3 per cent., but the Irving Fisher index for all commodities registered last week a small increase since the end of April. French wholesale prices have risen by 4.2 per cent., this movement reflecting the institution of the Daladier franc.

SEPTEMBER 18, 1931=100

Date	The Economist Indices			Price of Gold (sterling)	U.S.A. Irving Fisher	France, Statistique Générale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsanstalt
	British Complete Index (sterling)	Primary Products						
		British (sterling)	American (dollar)					
1936 Dec. 30th	131.3	163.9	187.3	166.7	128.8	113.0	116.3†	95.4
1937 Jan. 27th	134.2	164.2	184.5	167.0	131.0	115.9	124.3	95.7
Feb. 24th	136.3	168.2	185.5	167.4	131.8	116.8	126.2	96.2
Mar. 31st	144.3	181.9	199.7	167.4	137.3	121.8	128.7	97.5
Apr. 28th	142.0	169.9	183.5	165.4	135.6	120.5	130.4	97.0
June 2nd	142.7	170.2	178.9	165.6	134.3	119.8	133.2	97.5
June 30th	139.5	165.9	176.8	165.7	134.1	119.8	134.2	97.5
July 28th	140.2	167.1	171.8	164.5	133.8	130.8	137.1	97.9
Aug. 25th	137.9	164.4	165.3	164.2	133.0	133.3	137.1	98.1
Sept. 22nd	136.0	164.0	166.3	165.1	133.7	130.4	137.7	97.6
Oct. 20th	133.6	156.2	152.3	165.1	129.5	138.8	141.6	97.3
Dec. 1st	127.5	145.4	138.9	164.8	125.1	134.0	143.3	97.0
Dec. 29th	127.8	147.4	135.3	164.2	120.5	135.8	143.8	97.0
1938 Jan. 5th	128.9	148.2	136.8	164.5	120.6	137.4	143.6	96.9
Jan. 19th	127.8	146.5	137.7	164.3	120.9	138.1	143.5	96.9
Feb. 2nd	126.6	144.4	135.4	164.5	119.8	137.9	142.9	97.0
Feb. 16th	125.0	141.7	136.8	164.5	119.5	138.1	142.4	96.9
Mar. 2nd	125.1	143.1	138.7	164.5	120.3	138.1	142.5	97.2
Mar. 16th	123.9	140.8	134.8	164.5	119.3	139.9	142.5	97.2
Mar. 30th	122.7	137.0	129.3	164.6	117.7	139.4	141.7	97.1
Apr. 12th	122.6	137.8	130.6	164.6	117.6	139.9	141.5	97.0
Apr. 27th	121.4	137.8	127.5	164.3	116.9	139.9	142.8	97.0
May 11th	121.3	137.0	126.1	164.6	117.1	145.3	143.8	96.9
May 25th	119.6	132.2	121.9	165.9	118.0*	145.8*	143.8	96.9

* These figures relate to May 18th. † Monthly average.

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The following table shows the movement of the various groups comprised in *The Economist* index number:—

	The Economist INDEX (1927 = 100)			
	Sept. 18, 1931	June 2, 1937	May 11, 1938	May 25, 1938
Cereals and meat...	64.5	93.6	87.5	88.3
Other foods	62.2	68.6	59.8	58.9
Textiles	43.7	73.2	53.2	52.1
Minerals	67.4	110.0	91.8	89.0
Miscellaneous	65.8	86.7	76.1	75.0
Complete index	60.4	86.2	73.2	72.2
1913 = 100	83.1	118.5	100.8	99.4
1924 = 100	52.2	74.5	63.3	62.4

Grain and bacon prices are lower than a fortnight ago, but there have been advances in meat and potatoes. Tea and coffee are cheaper, and butter has turned downwards after its previous rise. Cocoa is dearer. Textile

prices are almost all lower, and there has been a general fall in non-ferrous metals. In the miscellaneous group, Swedish timber, petrol, linseed oil, tallow, rubber and creosote have all fallen in price.

* * *

India's Economic Adviser.—The decision to create the post of Economic Adviser was announced in the Indian Legislative Assembly some time ago. It was then stated that the purpose of this appointment was, firstly, to obtain for the Government expert advice on current economic and financial problems and, secondly, to provide facilities for investigations of a more general character. It was also hoped that, under such an Adviser, a succession of young Indian economists would be trained in the methods and practice of economic research. The establishing of a new organisation of this type and the development of its functions is an arduous and responsible work, and the Government of India are fortunate in having secured the services of Professor T. E. Gregory.

INDUSTRIAL REPORTS

REPORTS from the principal industrial centres this week do not indicate any change of the trend of business activity. Demand for coal in both export and home markets is declining and some collieries are working short time. In the heavy sections of the iron and steel industry, orders on hand will take some time to complete, but the volume of new business remains small, and the situation in the lighter sections is less favourable. The South Wales tinplate industry remains very quiet, particularly for export, shipments last week totalling only 2,934 tons, compared with 7,630 tons in the corresponding period last year. Business in the cotton trade remains depressed and sales of yarn are below current output. Demand for raw wool is fairly strong, though consumption is below normal. In contrast to the decrease in general activity, retail sales in April show an increase of no less than 11.4 per cent. over the corresponding month last year, according to the figures published in this week's *Board of Trade Journal*. Although this is partly due to the fact that Easter fell in March in 1937, the increase is somewhat greater than was generally expected. Developments in the main branches of activity are discussed in greater detail in the *Trade Supplement* which accompanies this issue of *The Economist*.

Coal

Sheffield.—The market remains quiet, and some of the collieries are not working full time. Prompt delivery of all grades is obtainable, and there is little forward business. Industrial coal is moving less freely, and gas coal is in rather poor demand. With the lessening demand for domestic fuel graded brands are abundant, the lower prices having proved no great attraction. There is a moderate call for blast-furnace coke, but other grades are easy, as supplies are plentiful. Prices generally are maintained.

A slightly better export inquiry is reported, but actual business is slow. Foreign consumers are holding back in hope of better terms. Supplies of steam coal are well in advance of demand.

Newcastle-on-Tyne.—The market retains the easy tone which has been ruling during the last few weeks. Prospects are not good for the summer months and idle time already experienced by some collieries is likely to become more general. A certain amount of business continues to be booked with countries where trading agreements exist, but the slowness in home industrial demand is the primary cause of the uncertain outlook. Patent oven coke, whilst receiving more inquiry from abroad, is still a dull market and makers are compelled to stock.

*

Glasgow.—Conditions remain dull, with demand declining in most of the principal outlets. With the exception of certain home industrial needs inland consumption is slow; the public utilities are reducing the rate of acceptance of contract supplies and the domestic absorption is curtailed by the advance of the season and also by the expectation of price concessions. Despite an easier tendency of quotations foreign orders remain scarce, and weekly shipments are now under the 200,000 ton mark. The decline in the aggregate this year to date is fully 750,000 tons.

*

Cardiff.—There are no signs of an improvement in the state of the South Wales coal trade. Current inquiries continue very scarce, and the owners' chief problems are those of the regulation of output and supply and the co-ordination of prices. The French import restrictions are now in full force and exporters are also complaining of a slackening of purchases for Italy owing to the condition of the new coal account under the revised Trade Agreement with that country. Quotations, however, are unaltered and the majority of owners are reluctant to revise the permitted prices in view of the contraction in world demand for coal and the renewed severity of German subsidised competition. Shipments in the foreign and coastwise trades at the South Wales docks last week totalled only 342,400 tons, compared with 414,500 tons the previous week, and 239,695 tons in the corresponding week last year, which was a short week owing to the Whitsuntide holiday.

Workington.—The coal trade is easier. Irish needs have diminished and local landsale is slack. All the small coal that can be raised goes to the coking plants which are working to capacity for the hematite pig-iron producers. Prices are steady.

Iron and Steel

London.—Lethargic conditions rule in the iron and steel markets, but large tonnages of steel continue to pass into consumption against existing contracts, says the official report of the London Iron and Steel Exchange. In most departments of the market considerable stocks exist, which are being absorbed rather slowly.

In the pig iron section the volume of new business remains on a small scale. It is anticipated, however, that the decision of the foundry pig iron producers to retain their prices unaltered when the period of stabilisation expires at the end of the half-year will release a certain amount of business. Most buying is limited to supplementary parcels, and consumers' requirements are satisfied by deliveries against old contracts. The heavy stocks of steelmaking iron which have been accumulated are causing concern and new production is being gradually curtailed.

Business in semi-finished steel is restricted by the stocks of imported steel at consumers' works. These are being slowly liquidated, but in the meantime new business in British material is severely limited.

Irregular conditions continue to rule in the finished steel department; but most of the heavy steelworks have orders in hand which will take some time to complete. The situation in the lighter branches of the industry is not so good and in some departments operations have been slowed down. Export trade is quiet for most types of iron and steel.

*

Sheffield.—The announcement that forge and foundry prices will remain unchanged as from July 1st has had little effect on the iron market, and the only business is for limited parcels for early delivery. Forward buying is very small, users seeing no advantage in

BRITISH WHOLESALE PRICES

	May 18, 1938	May 25, 1938
CEREALS AND MEAT		
RAIN, Etc.—		
No. 2, N. Man. 496 lb.	45 0	45 0
Eng. Gaz. av., per cwt.	8 0	8 0
Liv. May, per cental	6 8	6 5
lour, per 280 lb.	32 0	32 0
Straights, d/d London	33 6	33 6
Manitoba, ex store	35 0	35 0
arley, Eng. Gaz. av.	10 10	10 6
ats, "	8 3	8 4
La Plata, landed, 480 lb.	36 0	36 0
ice, No. 2 Burma, per cwt.	8 9	8 9
MEAT		
Beef, per 8 lb.—	4 4	4 8
English long sides	4 4	5 4
Argentine chilled hinds	4 6	4 6
Mutton, per 8 lb.—	3 8	4 4
English wethers	5 4	6 0
N.Z. frozen wethers	2 10	2 10
Lamb, per 8 lb.—	4 10	4 10
N.Z. frozen	5 8	5 8
Pork, English, per 8 lb.	6 0	6 0
BACON (per cwt.)		
English	100 0	98 0
Danish	102 0	98 0
Dutch	96 0	93 0
Irish	94 0	91 0
HAMS (per cwt.)		
Canadian	100 0	100 0
United States	90 0	90 0
OTHER FOODS		
BUTTER (per cwt.)		
Australian	127 0	123 0
New Zealand	130 0	126 0
Danish	130 0	128 0
CHEESE (per cwt.)		
Canadian	77 0	77 0
New Zealand	71 6	70 0
English Cheddars	52 0	53 0
Dutch	60 0	60 0
COCOA (per cwt.)		
Accra, f.f.	23 0	22 6
Trinidad	46 0	46 0
Grenada	38 0	38 0
COFFEE (per cwt.)		
Santos sup. c. & f.	30 0	30 0
Costa Rica, medium to good	48 0	46 0
Kenya, medium	46 0	46 0
EGGS (per 120)		
English (15-15½ lb.)	12 0	11 3
Danish (15½ lb.)	10 6	10 6
FRUIT		
Oranges, Jaffa	14 3	11 0
" Brazilian	23 6	20 6
Lemons, Malaga	17 0	16 0
" Sicilian	28 0	25 6
Apples, Amer. (var.)	10 0	10 9
" (var.)	10 0	10 9
Grapes, Almeria	10 0	10 9
Grapefruit, Jaffa	14 6	14 3
LARD (per cwt.)		
Irish, finest bladders	56 0	56 0
U.S.	46 0	48 0
PEPPER, per lb.—		
Black Lampong (in Bond)	0 25 0	0 25 0
White Muntok	0 25 0	0 25 0
POTATOES (per cwt.)	8 6	8 6
King Edward	9 0	10 0
SUGAR (per cwt.)		
Centrifugal, 96%, prpt. shipm.	5 11 2	5 0
REFINED—London	18 4½	18 3
Yellow Crystals	22 7½	22 6
Cubes	23 1½	23 0

* Weeks ended May 12th and 19th

	May 18, 1938	May 25, 1938
SUGAR (per cwt.)—cont.		
Crushed	18 10½	18 7½
Granulated	18 7½	18 6
Home Grown	18 10½	18 9
TEA (Auction Average) (per lb.)		
N. India	14 25	14 33
S. India	14 78	14 73
Ceylon	15 27	15 15
Java	12 86	14 06
Sumatra	11 84	12 87
Africa	12 76	12 98
Total	14 51	14 54
TOBACCO (per lb.)		
Virginia stemmed and unstemmed, common to fine	2 6	2 6
Rhodesian stemmed and unstemmed	0 9	0 9
Nyasaland stemmed and unstemmed	0 7	0 7
East Indian	0 5	0 5
TEXTILES		
COTTON (per lb.)		
Raw, Mid-American	4 76	4 63
Sakalardis, F.G.F.	7 54	7 58
Giza, F.G.F.	6 94	6 98
Yarns, 32's Twist	9 8	9 12
" 40's Twist (Egyptian)	10 7	10 14
Cloth, 32 in. Printers, 16 yds.	17 4	17 2
" 36 in. Shirtings, 75 yds.	23 6	23 3
" 38 in. ditto, 38 yds.	10 0	9 11
" 39 in. ditto, 37½ yds.	9 1	9 0
" 16 in. 84 lb.	6 5	6 4
FLAX (per ton)		
Livonian ZK	65 0	64 0
Pernau HD	67 0	64 0
Slater Medium, 1st sort	87 0	87 0
HEMP (per ton)		
Italian PC	69 0	69 0
Manila, May-July '42	21 10	21 10
JUTE (per ton)		
Native 1st mks, c.f. H.A.R.B.	17 15 0	17 12 6
May-June	17 2 6	17 3 9
Daisee 2/3 c.f. Dundee, May-June	16 0	16 0
SILK (per lb.)		
African, May-July	16 0	16 0
Canton	7 3	7 3
Japan	7 3	7 3
Italian, raw, fr. Milan	7 3	7 3
WOOL (per lb.)		
English, Southdown, greasy	13 12	12 12
" Lincoln hog, washed	11 12	11
Queensland, scd. super combg.	23 12	23 12
N.S.W. greasy, super combg.	13 12	13 12
N.Z. greasy, half-tred 50-56	12 12	12
Tops	27 12	27
Merinos 70's average	26 12	26
Crossbred 48's	16 12	16 12
" 46's	16	16
MINERALS		
COAL (per ton)		
Welsh, best Admiralty	19 6	19 6
Durham, best gas, f.o.b. Tyne	20 6	20 6
Sheffield, best house, at pits	22 0	22 0
IRON AND STEEL (per ton)		
Pig, Cleveland No. 3, d/d	209 0	109 0
Bars, Middlesbrough	265 0	265 0
Steel rails, heavy	202 6	202 6
Timplates	21 6	21 6
NON-FERROUS METALS (per ton)		
Copper—		
Standard cash	37/11/3	33/5/0
Three months	37/12/6	33/6/3
Tin—		
Standard cash	161/15/0	162/15/0
Three months	162/0/0	163/5/0
Lead, soft foreign	162/10/0	163/15/0
Cash	14/2/6	13/15/0
English, pig	16/5/0	16/0/0
Spelter, G.O.B.—		
Spot	12/12/6	12/10/0
Aluminium, ingots and bars	12/15/0	12/12/6
" rolling billets	100/0/0	100/0/0
Nickel, home and export	102/0/0	102/0/0
Antimony, Chinese	180/0/0	180/0/0
Wolfram, Chinese	60/0/0	60/0/0
Platinum, refined	612/6	612/6
Quicksilver	12/10/0	13/18/0

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

	May 18, 1938	May 25, 1938
GOLD, per fine ounce		
SILVER (per ounce)—	140 0	140 3 5
Cash	1 6 7	1 6 7
MISCELLANEOUS		
CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to ton (free, non-returnable)—		
4-ton loads and upwards	42s.	per ton
CHEMICALS—		
Acid, citric, per lb., less 5%	1 0	1 0
" Nitric	0 2	0 2
" Oxalic, net	0 6	0 6
" Tartaric, English, less 5%	1 1½	1 1½
Alcohol, Plain Ethyl	12 0	12 0
Ammonia, carb.	20/0/0	20/0/0
Sulphate	7/14/0	7/14/0
Arsenic, lump	35/0/0	35/0/0
Borax, gran.	13 6	13 6
" powder	15 0	15 0
Nitrate of soda	8 0	8 0
Potash, Chlorate, net	0 4	0 4
Sulphate	0 4½	0 4½
Soda Bicarb.	11 0	11 0
Crystals	5 0	5 0
Sulphate of Copper	18/5/0	18/5/0
COPRA (per ton)		
S.D. Straits, c.f.	12/1/3	11/5/0
HIDES (per lb.)		
Wet salted, Australian	0 4½	0 4½
West Indian	0 2½	0 2½
Cape	0 4½	0 4½
Dry and Dried Cape	0 6½	0 6½
Market Hides, Manchester	0 4½	0 4½
best heavy ox and heifer	0 4	0 4
Best cow	0 4½	0 4½
Best calf	0 6½	0 6½
INDIGO (per lb.)	5 6	5 6
Bengal, gd. red-vio. to fine	6 0	6 0
LEATHER (per lb.)		
Soie bends, 8/14 lb.	1 0	1 0
Dark Tanned Sole	2 10	2 10
Shoulders from DS Hides	0 6	0 5½
" Eng. or WS do.	0 8	0 7½
Bellies from DS do.	0 5	0 5
" Eng. or WS do.	0 6	0 6
Dressing Hides	1 2	1 2
Ro. Eng. Calf, 20/35 lb. per doz.	3 6	3 6
PETROLEUM PRODUCTS (per gall.)		
Bunker Spirit, No. 1, London	1 6	1 6
Petroleum, Amer. rid. bri. Lond.	0 10½	0 10½
Fuel oil, in bulk, for contracts	0 3½	0 3½
ex instal. Thames	0 4½	0 4½
ROSIN (per ton)		
American	13/15/0	13/5/0
RUBBER (per lb.)	5 4	5 2
Lat. ribbed smoked sheet	0 5½	0 5½
June hard Para	0 5½	0 5½
SHALLAV (per cwt.)	38 6	37 0
TIN Orange	41 6	40 0
TALLOW (per cwt.)		
London town	18 6	18 0
Swedish u/s 3x8	22/5/0	22/0/0
" 2½x7	21/15/0	21/10/0
Canadian Spruce, Dis.	23/5/0	23/0/0
Fitchpine	11/0/0	11/0/0
Rio Deals	35/0/0	35/0/0
Honduras Mahogany logs c. ft.	27/0/0	27/0/0
English Oak Planks	0 6/0	0 6/0
English Ash Plank	0 7/0	0 7/0
VEGETABLE OILS (per ton net)		
Linseed, naked	23/12/6	22/10/0
Rape, refined	33/0/0	33/0/0
Cotton-seed, crude	18/0/0	17/10/0
Coconut, crude	16/12/6	16/0/0
Palm	13/15/0	13/5/0
Oil Cakes, Linseed, Eng.	9/15/0	9/5/0
Oil Seeds, Linseed	11/13/9	11/11/3
La Plata, May	12/10/0	12/5/0
Calcutta	2 4	2 4
Turpentine	32 0	31 3

COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)

District	Week ended	Jan.-Apr.
	May 14, 1938	May 14, 1938
Northumberland	254.2	273.7
Durham	666.8	675.5
Yorkshire	857.8	846.1
Lancs, Cheshire and N. Wales	353.5	351.8
Derby, Nottingham & Leicester	611.9	583.9
Staffs, Worcs, Salop & Warwick	390.0	402.4
South Wales & Monmouth	667.0	756.3
Other English districts	104.5	106.6
Scotland	589.7	597.7
Total	4,495.4	4,594.0

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)

Variety	Week ended	Total Deliveries
	May 13, 1938	May 20, 1938
American	22.0	18.2
Brasilia	3.3	3.4
Peruvian, etc.	1.1	1.7
Egyptian	5.5	6.5
Sudan Sakel	2.2	1.3
East Indian	6.4	4.0
Other countries	2.4	1.6
Total	42.9	36.7

Metals

SALES ON LONDON METAL EXCHANGE

	Week ending	From Jan. 1 to May 18, 1938
	May 18, 1938	May 25, 1938
Copper	5,650	13,350
Tin	1,195	1,225
Lead	6,000	8,300
Spelter	4,075	5,225

U.K. STOCKS

	May 14, 1938	May 21, 1938
Copper (Br. official w'houses):		
Refined	7,493	7,647
Rough	24,499	25,369
Tin (London and Liverpool)	5,278	5,639

Foods

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

From	Week ended	Season to
	May 14, 1938	May 21, 1938
N. America	458	403
Argentina and Uruguay	127	166
Australia	657	359
Russia	30	11
Danube and dist.	37	62
India	15	1,154
Other Countries	4	1,769
Total	1,324	1,001
U.K.	348	205
" Orders "	504	248
France	1	19
Belgium	57	50
Holland	31	19
Italy	4	5
Greece	7	45
Scandinavia	22	21
Austria, etc.	23	18
Other European Countries	22	53
Ex-European Countries	305	318
Total	1,324	1,001

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL ('000 quarters)

From	Week ended	From Apr. 1 to May 21, 1938
	May 14, 1938	May 21, 1938
Argentina	131	116
Atlantic America	496	678
Danube Region	244	154
S. & E. Africa	5	125
Indo-China, etc.	5	22
Total	876	973

SALES OF BRITISH CEREALS

	Week ended	From Aug. 1 to May 21, 1938
	May 14, 1938	May 21, 1938
Wheat...cwt.	185,405	175,439
Barley...cwt.	9,059	9,344
Oats...cwt.	18,638	21,641

OTHER FOODS

	Week ended	
	May 14, 1938	May 21, 1938
BACON:		
Arrivals in London (bales):		
Danish	12,816	13,023
Canadian	6,135	6,171
Dutch	2,251	2,081
Lithuanian	1,497	1,376
Polish	2,358	2,501
COCOA:		
Movements in Lond. (bags):		
Landed	6,675	2,790
D/d for home consumption	3,096	9,349
Exports	54	145
Stocks, end of week	89,995	83,291
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed	171	...
D/d for home consumption	26	212
Exports	...	...
Stocks, end of week	2,988	2,776
Central and S. American:		
Landed	14,407	9,313

placing contracts at present prices in view of the heavy supplies available. In spite of the reimposition of the duty on foreign iron this material is still competitive. Makers of hematite report fair inquiries, and special qualities are well sold. Finished iron is unchanged, common and marked bars being the best features.

Although there is some quietness in the steel market, the outlook is regarded with confidence. There is steady buying of basic and acid billets, and the call for stainless steel is maintained. Wire rods are fairly active. Prices are unchanged.

Industrial conditions are easier, especially in the lighter branches. The heavy steel branches are fully employed, and the heavy engineering sections have plenty of work in hand. The basic steel furnaces are working continuously, but the Siemens acid plants are not quite so busy as formerly.

★

Middlesbrough.—The output of heavy finished steel for all purposes continues at a very high rate, but business remains dull. Deliveries are being made against contracts booked some time ago, but replacement orders are not coming to hand. Constructional steel and shipbuilding material is readily specified, but orders for lighter material and for semi-finished steel would be welcomed. The market in heavy steel scrap is quiet, as the supply is plentiful, but users are restricting deliveries.

The decision of the foundry pig iron makers association to maintain the present prices has not resulted in any further buying. The output of Cleveland foundry pig iron is reduced, but consumers have sufficient stocks to last for some time. Some East Coast hematite pig iron is being consumed in producers' own steelworks but deliveries to the Midlands are curtailed and makers' stocks are increasing. Official prices are maintained, but there is no new home or export business.

Blast-furnace coke is in good demand, the price of 32s. 6d. per ton f.o.t. at the ovens being in force until the end of June, but a reduction is expected after that date. Imports of foreign ore into the Tees continue at a high level.

★

Glasgow.—Conditions are very much the same as a week ago. While steelmakers are still very busy, specifications have been slow to come forward this week. There is much new work in prospect and the feeling is general that good tonnages will be placed shortly. In the sheet trade, the home demand is exceedingly good but export business is quiet and no improvement has so far followed the reduction in prices of black sheets for export which took place at the beginning of the week. A considerable amount of employment has been provided for West of Scotland firms in connection with the building of light structures and other work for the Government Defence programme.

★

Cardiff.—Official returns show that the production of pig iron in South Wales in April was only 59,400 tons, compared with last year's peak figure of 85,300 tons in December; of steel ingots 124,400 tons, compared with the 1937 highest monthly production of 235,700 tons; and of tinplate, terneplate, and blackplate in the March quarter only 178,600 tons as against 245,000 tons in the December quarter

of 1937. The tinplate business is very quiet, particularly for export, but prices are unaltered. Figures for production, shipments and stocks are given in the accompanying table.

Tinplate Industry Statistics				
Production—Per cent. of capacity	Week ended			
	May 15, 1937	May 7, 1938	May 14, 1938	
.....	67.01	33.92	35.59	
Shipments	Week ended			
	May 18, 1937	May 12, 1938	May 19, 1938	
.....	Tons 7,630	Tons 4,375	Tons 2,934	
Stocks (warehouse and in vans)	Week ended			
	May 18, 1937	May 12, 1938	May 19, 1938	
.....	Tons 5,738	Tons 5,610	Tons 6,412	
Shipments	Twenty Weeks ended			
	May 18, 1937	May 19, 1938	May 19, 1938	
.....	Tons 164,253	Tons 105,347		

★

Workington.—There is no improvement in the North-West Coast hematite pig-iron trade, and no immediate change is expected. The steelworks are operated only five days a week and occasionally they are idle for a week. Later they are to work two or three weeks in four. Though stocks are heavy reduction of output is being delayed but may be compelled early in the second half of the year. Prices are unchanged and steelmakers view their prospects with little encouragement. The rolling of rails is virtually completed this month and thereafter the mills will have to depend almost wholly upon the demand for bars. Native ore, at 24s. 6d. f.o.t., is in vigorous local request.

Textiles

Cotton (Manchester).—Conditions have not been favourable for a revival of trade and spinners and manufacturers have reported a restricted turnover, practically all the contracts being for retail lots. European tension has been a discouraging factor, merchants being cautious in placing orders. Raw cotton prices have touched a new low level and bearish sentiment has been pronounced. Demand remains very limited and more cases have been reported of spinners wanting to resell raw cotton. Latest weather reports from the American belt are favourable, and there is every indication of plentiful supplies during the next twelve months.

The yarn market has continued sluggish and only a small turnover, less than the production, has taken place. Some mills that recently worked alternate weeks are now running only one week in three. The Price-Fixing Committee in the Egyptian section has increased selling rates for white hosiery yarns by 1d. to 1½d. per lb. Makers of cloth have experienced another very unsatisfactory week, certain manufacturers accepting ridiculous prices in order to keep looms running. A fair inquiry has come through for India and irregular buying has taken place in dhooties and bleached shirtings for Calcutta, light whites for Madras and Karachi and dyed fabrics for up-country. There are hopes of some concessions being obtained with regard to the new tariff in Egypt. Clearances of stocks in West Africa remain slow. Plain cloths have attracted a fair amount of attention for the home trade and some special Government orders have been placed in fine fabrics for the Air Ministry.

★

Wool (Bradford).—Demand improved during the second half of the

auctions at the third series of Colonial sales. There is a fairly strong market for the raw material, with values generally firm and intact, but consumption is still very much below normal. At Sydney this week selling brokers have cancelled sales till June 2nd, brokers being unable to submit full catalogues owing to growers' unwillingness to offer. Japan seems to be the chief buyer at the present time in Australia, though good support is still forthcoming from the Continent.

At the recent London sales the home trade was credited with purchasing 30,500 bales, the Continent 28,500 bales, and the carry-forward is 57,000 bales. The next series begins on July 12th.

THE COMMODITY MARKETS

THE downward trend in the prices of primary products was sharply accentuated this week. The belief is growing that recovery in the United States is unlikely to get under way before the autumn. And, since the trend of consumption in this and many other countries is also downwards, consumers have no incentive to cover their requirements for long periods ahead. While there is a possibility of a technical rally following the sharp decline in prices, the long-term trend remains unpromising.

The majority of sensitive commodities were marked down sharply. Among non-ferrous metals tin, exceptionally, was slightly firmer, but copper prices slumped heavily following the reduction of the price to domestic consumers in the United States. Rubber, linseed oil, and cotton were all cheaper than a week ago, and wheat, raw sugar and coffee also registered a fall in price.

The decline in prices was not confined to this country. Thus, Moody's index of the prices of staple commodities in the United States (December 31, 1931 = 100) declined from 136.5 to 132.7 during the week ended last Wednesday. A month ago the index stood at 138.7 and a year ago at 207.3.

Metals

Copper.—Copper prices have suffered the worst setback since last autumn. The standard cash price closed at £33 5s. per ton, a loss of £4 6s. 3d. on the week, and reached the lowest level since the autumn of 1935. The main reason for the slump was the reduction in the United States domestic price from 10 cents to 9 cents per lb. This step forced the London market to mark down prices accordingly in order to prevent a rise in United States exports. The copper position and copper outlook are discussed in a special industrial note in this issue.

★

Tin.—Consumers' buying continued at very low levels and the statistics, which have come to hand this week, were discouraging. According to the International Tin Research and Development Council, the world's apparent consumption of tin in the first quarter of this year has declined to 40,700 long tons, compared with 51,000 long tons in the corresponding period of last year. Moreover tin stocks in official warehouses of the L.M.E. reached a new high level of 5,639 long

(Continued on page 517)

COMPANY MEETINGS

THE SLAVIA MUTUAL INSURANCE BANK

BANK'S STRONG FINANCIAL POSITION

SUCCESSFUL RESULTS OF THE YEAR

The seventieth ordinary general meeting of the Slavia Mutual Insurance Bank was held on the 12th instant in Prague. The chair was taken by President Joseph Hucl, and there was a large attendance of members.

The Chairman gave a brief survey of economic developments over the past year, and as regards the activities of the Slavia Bank itself said: The past year's operations brought a considerable increase in the claims which the bank had to meet in respect of the policies it had issued. Claims paid in the life and other departments increased, as compared with 1936, by almost Kc. 5,600,000 to a total of more than Kc. 106,000,000. More than 40 per cent. of this sum represented life insurance, by which the individual is protected and assisted in the accumulation of the amount he aims at, in a manner which is possible under no other form of saving. Since the setting-up of an independent Czechoslovak currency in 1919 the total of matured endowments and claims by death amounted to more than Kc. 1,441 millions; since the foundation of the institution to more than Kc. 1,614 millions.

From the economic point of view the year has brought a further increase in the means and financial strength of the Slavia Bank. Including pension funds, the total of reserves and contingency funds approached a figure of Kc. 1,167 millions; if the funds of re-insurers administered by the bank are included they exceed Kc. 1,326 millions. Thus the bank can without exaggeration be described as one of the pillars which support the economic structure of Czechoslovakia. The responsibility of the bank in managing these large sums is increased by the fact that for the most part it is acting, as it were, in a trustee capacity, so far as the technical reserves (that is, those set aside for a specific purpose) are concerned.

If, on the one hand, the year under review has witnessed a considerable increase in claims by death and by maturity, and in the financial strength of the bank, it has, on the other hand, seen a not less noteworthy and important step forward in the scale of the bank's business. For the first time the total premium income (including re-insurances) exceeded Kc. 250,000,000, reaching a total of Kc. 256,000,000, an increase of Kc. 10,000,000 on the previous record and of Kc. 12,000,000 as compared with 1936. Only when it is remembered that the premium income affords a measure of the protection offered to the community, that it forms the equivalent (part savings and part payment for risk-bearing) of the obligations undertaken by the insurer, and, in addition, covers the incomes of all engaged in the insurance industry, can the magnitude of the success achieved by the Slavia Bank in its expansion during the past year be fully appreciated. You will undoubtedly allow me to thank, in the name of the management committee, not only all those employed both on our office and on our outdoor staff, for their loyalty to the bank, for their steadfast work and the energy, initiative and enterprise devoted to their tasks, but also all our members, of whom there are several hundreds of thousands, and many of whom have been our faithful friends for decades.

Gentlemen, we can regard the economic and commercial results of the past year with all the more pleasure in that they are bound up with two important anniversaries, the twentieth anniversary of the recovered independence of the Czechoslovak nation and the seventieth anniversary of the first step which led to the formation of the Slavia Bank. If it is desired to measure in figures the achievements of the bank in the period from 1919 to 1938, we can say that in the space of nineteen years our premium income has increased by 600 per cent., premium reserves have increased eightfold, and the funds are fourteen times as large as in 1919. From it arises also those amounts with which the bank contributes either directly or indirectly to increasing the income of the State and of public bodies, and which certainly amount to hundreds of millions of kroner; through it is rendered possible the granting of thousands of millions in credits to the State and to private enterprise, and the protection of cultural values, as also of humanitarian and social interests. The success of any institution is the result of human work; inevitably it brings in its train a further increased field of opportunity for work. If the employees on the indoor and outdoor staff of the bank number

more than 6,000, it contributes, by virtue of that very fact, to an increase and extension of the social basis of the citizens of the State who are engaged actively and productively. A survey of that which has been performed in these nineteen years would be incomplete, even in this very general form, if it did not emphasise that the bank has endeavoured since the year 1918 to extend beyond the borders of the Republic, in that it established reinsurance connections based on the mutual giving and receiving of insurance risks. The acquisition of these connections, by which an important role is assured for the companies of the Western States, represents a definite service for our Republic.

If, simultaneously with the anniversary of the recovery of political independence, we think also of the Jubilee of the Slavia Bank's beginnings, there rises before our eyes the proud flag of economic liberty, which, as the symbol of greater and many-sided objectives, showed the way to the founders and their successors. Faithfully and solemnly we have taken over the power entrusted to us. The results attained prove that, where work is guided by a higher purpose, where it is based on the old Bohemian honour and faith, where it did not permit itself to be affected by non-Bohemian foreign influences, a way was paved which led to security of the basis of the State and fulfilment of its tasks. The results achieved make it possible, precisely in the present difficult times, to devote, with your approval, a sum of Kc. 1,000,000 as a contribution to the defence of our country. In view of the fact that the necessary means for this purpose have been created by the conscientious self-sacrificing and hard work of our staff of employees and agents, you will certainly gladly note that we have thought of them and of their families, in that, in commemoration on the 20th anniversary of the renewed independence of the Czechoslovak Republic we have contributed to their pension associations a sum of Kc. 1,000,000 each.

We are living through a period of historical significance for our country and our people. To-day it is not the call to action which is needed, but action itself; not the call for unity, but actual effective unity; not the advantage of the individual or of a group or class, but the commonweal is the interest of all. There is hardly any other people whose history has been so filled with injustice and sufferings. There is no people whose children have for centuries been so systematically and deliberately driven into exile and deprived of their nationality, whose culture it has been sought so to destroy in its very foundations, and whose pride, spirit and character such planned and malicious efforts have been made to demolish, as has been the case with the Czechoslovakian people for centuries. And yet the core of this people has withstood all trials and has remained hard and clean. Whoever thinks that the world order is built up on crude physical force is in error, as are those who would erect castles in the air on lifeless ideological foundations. Within the borders of this State there is room for all its sons, bread for all industrious hands, recognition for all movements which flow out of the eternal springs of truth and justice. In the endless ranks of our intellectual workers, artists and great organisers, both of technical and commercial enterprises, can be observed that great wealth of creative power which is inherent to our people and which, equally with the magnanimity, the idealism and inflexibility of the great men of our history, are a guarantee of our progress and development in the future.

In closing I should like to repeat the words of that great champion of the basic rights of humanity; they are, "it is not in the power of the living to honour the glorious dead; but it is in their power to ennoble themselves through the noble lives of those who are departed." Perhaps there lies more in the power of the living: to maintain their memory through their work, through work not for themselves but for the community and for posterity; just as those worked, suffered and fought for the people—without thought of reward—who kept alive our language and culture and restored our political liberty.

What, in the present difficult times, can give us more strength, courage and determination, than the words and precepts of the statesman Dr Ant Švehla, to which I continually revert in my observations:

"We in the middle of Europe are the outermost bulwarks of Western democracy, we are like a sentry in the field. It may be said of our people: you stand in a dangerous place, this honour has been conferred upon you by history and by the soil. We all stand here in service; the task which fate has imposed upon us is a matter of world importance and a matter for thousands of years. There exists one single solution and certainty, that we must stand fast!"

All the proposals of the board submitted by the general manager, Dr V Peca, in particular the proposal of a bonus of the same amount and on the same basis as in the preceding year to the policy-holders in the life department of the bank, were unanimously adopted.

In the elections immediately following, Messrs Eng, Dr J. Botto, R. Halik, R. Malik and V. Hora were unanimously nominated in place of the retiring directors and Mr J. Pekarek was nominated as auditor.

GENERAL REFRACTORIES LIMITED

FRESH RECORDS ACHIEVED

CONSOLIDATED ACCOUNTS OF THE GROUP

The thirty-seventh annual general meeting of General Refractories, Limited, was held, on the 20th instant, at the Royal Victoria Hotel, Sheffield, Mr Frank S. Russell presiding.

The Chairman said this was the twenty-fourth consecutive year that he had presided. He warmly welcomed the help of the new managing director, Mr Kirkby, in the control of the group and assured him that he could count on every possible assistance from the staff and himself.

Consolidated accounts had been submitted as a preliminary to the period of consolidation and development of their acquisitions on which they were entering at the close of the period of expansion.

The profit was the largest ever shown, but, because of the different structure, was difficult to compare. The creditors were only £10,176 higher despite the heavier stocks and trading. Taxation reserves were already adequate, and there had been no need to transfer any of the profit to this account. Reserve accounts were £189,654 higher. The fixed assets were £29,914 higher and a new feature was a central obsolescence and depreciation reserve, to which £25,000 had been allocated from profits. Investments were increased by £119,125. Trade debtors were £72,050 higher, and advances to subsidiaries had increased by £233,530, largely expended on re-equipment. Stocks and cash were practically the same, and the balance sheet showed total assets of £1,461,623 against outside liabilities of £254,271, leaving £1,207,352 to set against the issued capital of £650,000.

CONSOLIDATED ACCOUNTS

The consolidated accounts showed a surplus of £450,612, but there must also be taken into consideration the depreciation reserves of £417,000, and another £100,000 arising from under-valuations. The advances from banks (many of which existed before the companies concerned joined the group) covered about thirty companies and mainly represented the cost of interests secured, or expenditure on their re-equipment. There was no issue of either debentures or preference shares; this item stood in the place of any such issue and its cost to the group last year was under £15,000, against trading profits of £166,436.

The national value of their organisation under one control was inestimable, and a great source of strength to the country. Export trade was three times higher than in 1936.

THE PROSPECTS

With regard to the prospects, these were difficult to forecast in an atmosphere full of unrest and lack of confidence, and could be no more than intelligent guesswork. There were too many incalculable factors, and if there was to be a reduced demand for steel it was impossible to foretell its effect, or that of the intensified armament programme, their cultivation of business outside the steel industry, and the economies arising from consolidation.

They did know, however, that some members of the group only assisted during part of the previous year and some not at all because they were not ready. The newly-equipped works were producing goods at reduced costs. These were more easily sold because of improved quality, and there was also a substantial reserve of undistributed profits in the subsidiaries. The average dividend paid by the company had been 9.4 per cent., and when he reviewed their facilities he felt he would be surprised if 1938 did not provide them with a satisfactory dividend.

The report and accounts were adopted and the final dividend of 8 per cent. was confirmed, making 16 per cent. for the year.

SUN INSURANCE OFFICE, LIMITED

EXCELLENT FIRE AND ACCIDENT RESULTS

SIR WILLIAM GOSCHEN'S ADDRESS

The annual general meeting of the Sun Insurance Office, Limited, was held, on the 24th instant, at its head office in London.

Sir William H. Goschen, K.B.E., referred to the valuable services rendered by local directors at home and abroad, and mentioned that a member of the board in Sydney, Alderman Nock, had been elected Lord Mayor of that city, which this year celebrated the 150th year of its foundation.

He mentioned that the improved conditions in Great Britain and within the Empire in 1936 continued during a considerable part of 1937. The recession which had occurred at home in the latter part of the year was in his view caused by the growing political unrest in Europe. The efforts now being made by the Government towards appeasement in the political sphere had won the approval of the large majority in this country. In his opinion it was only through such appeasement, accompanied by trade agreements, that we could hope for a restoration of confidence or any improvement in the economic sphere. An increase in the volume of international trade and the removal of existing trading and currency restrictions were first necessities of the world to-day. Progress towards this end depended upon the creation of a spirit of good will among the leading nations of the world.

In the fire section the net premium increased by £19,890 to £2,233,871. The loss experienced both at home and abroad was favourable and the ratio of underwriting profit to earned premiums amounted to 12.97 per cent. In China the office had carried on an important business for many years. The outbreak of hostilities had affected this business, but the losses which had fallen upon the office as a result were not substantial.

ACCIDENT ACCOUNT

The total premium income obtained from all accident classes of business in 1918 amounted to no more than £174,390. In the past year the income from this source was £1,860,043, this being an increase on 1936 of £112,801, spread over practically the whole field of the "Sun's" operations. The growth of casualty business in the United States of America was still being carefully controlled, and the increase in premiums secured last year represented a natural expansion. They had every reason to believe that the Sun Indemnity Company was progressing on sound lines.

As regards motor business increasingly heavy awards were being granted in respect of third-party injuries, and the decision in July, 1937, in the House of Lords in the case of *Rose v. Ford* must have its effect on the business.

The net underwriting profit on the accident account was £134,823, representing 7.44 per cent. of the earned premiums. This was the largest profit ever earned in this section and was derived from the company's operations at home and abroad.

Marine premium income rose from £528,263 to £583,993, and the marine fund now stood at £1,004,504. Conditions in the marine market continued to be unsatisfactory, and as a matter of prudence no transfer had been made to profit and loss other than the net interest earned on the fund.

RECORD FIGURES

The transfers from revenue accounts to profit and loss exceeded £583,089, the aggregate underwriting profits obtained in the fire and accident branches constituting a record. In addition, there was net interest amounting to £112,436 not credited to revenue accounts. £100,000, as compared with £50,000 in previous years, had been carried to the pension fund and a further £50,000 to the head office premises account, making the total of that fund £225,000. As a precautionary measure, £100,000 had been added to the investment exchange and contingency reserve fund.

The total funds of the office had increased from £8,118,427 to £8,420,384. Despite the severe depreciation of Stock Exchange values, the market value of the company's investments still showed a satisfactory margin over and above the book value.

The board were recommending an increase in the final dividend, bringing the total dividend for the year up from 53½ per cent. to 55 per cent. This was well covered by the income from investments.

In conclusion the chairman referred to a statement, in a memorial dated 1736 by the founder of the office, Mr Charles Povey, that:—

"The Sun will have a Being, even to the last Period of Time." He thought it could be said with truth that at no time in the long history of the office had it shown greater strength and vitality than in this its 228th year.

The report was adopted.

ROYAL INSURANCE COMPANY, LIMITED

NINETY-THIRD ANNUAL MEETING

INCREASE IN TOTAL PREMIUMS

SATISFACTORY UNDERWRITING RESULTS

RECORD LIFE NEW BUSINESS

TOTAL FUNDS EXCEED £50,000,000

MR A. E. PATTINSON'S SURVEY

The ninety-third annual general meeting of the shareholders of the Royal Insurance Company, Limited, was held, on the 23rd instant, in Liverpool.

Mr A. E. Pattinson (the chairman) in the course of his address, said:—Our operations in the fire department continue to show satisfactory results. Net premiums at £5,538,000 show a slight advance on 1936, whilst claims amounted to £2,237,000 against £2,334,000 for the preceding year. After making provision for the usual 40 per cent. reserve, a profit of £628,000, representing 11.3 per cent. of the premiums, has been transferred to profit and loss. The fire fund amounts to £5,715,000.

At home, the sustained development of industrial and commercial activity created favourable conditions for the expansion of our business, and our anticipation of a moderate increase in the premium income was realised. We were fortunate, too, in seeing a continuance of the favourable loss experience witnessed during 1936.

In the United States, the year opened with fair prospects, and the improvement in commercial and industrial activity which had become evident during 1936 seemed likely to continue. Unfortunately, this favourable trend was not maintained, for, in the latter months of the year, there was a marked recession of trade. It must be remembered, however, that, in the United States, industrial conditions are apt to change quickly, and, with the great potentialities and resources which that country possesses, it may not be unreasonable to hope for a return to fuller activity before long.

SUCCESSFUL YEAR IN UNITED STATES AND CANADA

Apart from the generally restrictive effect of economic conditions, our own business in the United States has not been materially affected by any adverse factor of major importance. Competition has continued keen, but we have been successful in fully maintaining our important position among the leading companies. Premiums show a further advance, whilst the maintenance of a favourable loss experience makes it clear that, in the competition for business, there has been no relaxation of our strict underwriting practices.

Mr Warner and his colleagues in the United States have been unsparing in their efforts on behalf of the company, and we are grateful to them for the conspicuous success which has attended their work. We look forward to seeing Mr Warner over here later in the year.

Our fire premiums in Canada have shown an increase, the first for several years, while losses have continued moderate, and we are able to report a satisfactory underwriting profit from our operations there.

AUSTRALIA AND NEW ZEALAND

In Australia and New Zealand, where we have important interests, our business continues in a healthy state. Premiums have shown a moderate increase, and there has been a satisfactory profit in our fire department.

I am also glad to report a successful year's work in the general foreign field, although in a number of territories we still have to face some of the adverse and difficult trading conditions to which I have referred in recent years.

LIFE DEPARTMENT

In the life department, fresh records were made in 1937. For the first time in the history of the company we completed a net new business total of over £5,000,000, the new sums assured, after deducting reassurances, amounting to £5,158,000, against £4,924,000 for the previous year.

More than half of our new business consisted of policies under which the benefit becomes payable at death, and it is a good sign

that the advantages of protection for its own sake are so widely recognised despite the powerful attraction offered by the investment element of endowment assurances. Life assurance is not fulfilling its highest purpose if the relatively higher cost of endowment assurances is allowed to restrict the amount of cover attainable. The importance of securing adequate cover can hardly be over-emphasised, particularly in the case of the young family man where the need for maximum immediate protection is vital.

The life premium income at £2,037,000 shows an advance of £72,000 on the previous year. The figure has thus passed the £2,000,000 mark for the first time, and a fresh record is created.

Claims by death at £707,000 were £107,000 less than in 1936. The life assurance fund increased by over £917,000 and now amounts to £26,116,000, whilst the annuity fund at £2,712,000 is virtually unchanged.

ACCIDENT AND GENERAL INSURANCE ACCOUNT

The accident and general insurance account comprises all our transactions other than fire, life and marine and the premium income has reached the total of £5,945,000, an increase of £451,000 over the previous year's figure. The underwriting profit is £490,000, representing 8.2 per cent. of the premiums, a result which in all the circumstances may be regarded as satisfactory. The funds carried forward in the account amount to £5,878,000.

This account has now reached impressive proportions, and the premium income for the first time exceeds that in the fire department. It was so recently as 1906 that we took powers to transact accident business in all its branches, and, in 1907, our first accident account showed a total premium income of only £162,000, against the present-day figure of nearly £6,000,000.

The largest contribution to the account is from the United States. In that great territory results are apt to show considerable variation from year to year, and I am glad, therefore, to be able to report a highly successful outcome of our operations in 1937.

I am glad to report also continued progress in our accident department in other parts of the world, our business in these fields having continued to show steady expansion.

Of the constituent elements of the accident account, motor business is now the most important in size and it probably provides more than its proportion of problems. At home, the business continues to expand, but although we have again succeeded in showing a small margin of profit, the future cannot be regarded with equanimity in view of the constantly increasing cost of claim settlements. Since 1931, the average cost of motor claims has risen by over 50 per cent. and there are indications that it will mount still higher, particularly having regard to the fact that, following a recent legal decision, heavy damages for the loss of expectation of life are now being awarded in cases of fatal injury.

It is to be hoped that the thought and energy devoted to the problems of road safety by the Minister of Transport and the consideration which is also being given to the subject by a Select Committee of the House of Lords, will lead to the willing co-operation of road users in producing a marked diminution of the present toll of the road. It is much to be regretted that, according to the official returns, there was a slight increase in the number of deaths on the roads last year. On the other hand, there was an actual decrease in the total number of persons injured, and although the number of deaths was higher, the increase was smaller in proportion than the increase in the number of motor vehicles in use. It may be, therefore, that there are signs—admittedly faint—heralding some improvement in the future, but it seems to me that, to achieve real progress, what is needed is a conscious effort towards a more rational use of the roads by the whole community. The tragedy of the present situation lies not merely in the number of casualties,

but in the fact that so many of them could, with a little more care, have been avoided. The situation would be capable of control if each individual would exercise slightly more restraint, and it surely should not be beyond the bounds of possibility to achieve that end with the assistance, on the one hand, of regulations wisely conceived and firmly applied, and of voluntary co-operation on the other.

Workmen's compensation business is the next largest contributor to our accident account. Its growth since 1906 has meant much more than the mere accumulation of premium, for during the past thirty years we have been able to do our share in facilitating the smooth administration of an important measure of social legislation. Our larger volume of premiums reflects the greater activity in industry, but our results in this class have been slightly less favourable than for 1936, and we can hardly look for any improvement in this position if the rise in the cost of claims continues.

MARINE DEPARTMENT

In the marine department, the 1936 underwriting account has been closed with a profit of £40,000, which represents 5 per cent. of the premiums for that year. We are fortunate in having closed the account with a balance on the right side, but we cannot look to the future with any feeling of complacency in the present state of the marine market.

The 1937 marine premiums amounted to £926,000 and, after deducting £485,000 for first year settlements and expenses, £440,000 is carried forward. This represents 47.5 per cent. of the premiums and compares with 49.7 per cent. carried forward a year ago. I must add in connection with the 1937 account, however, that claims estimated but not paid at the end of the first year are considerably heavier than was the case in 1936. A year ago I remarked that the immediate prospect for marine insurance was one of increased liability, and this has proved to be true. The outcome of our 1937 operations will reflect the position when the account comes to be closed at the end of this year.

PROFIT AND LOSS ACCOUNT

The total underwriting profit brought into the profit and loss account amounts to £1,210,000, the year thus ranking as one of the best in the company's history.

Looking at the details of the profit and loss account, you will see that the items usually appearing in respect of expenses and directors' fees are no longer shown. These items have now been allocated to the respective underwriting accounts as is the case with other administrative expenses, a change which should simplify and clarify the form in which the accounts are shown. In accordance with our usual practice, £50,000 has been written off freehold house property, and £153,000 has been transferred to the superannuation funds.

Income tax calls for £200,000, and National Defence Contribution for £85,000. Although this is a severe burden, we are always ready to take our fair share in contributing to the country's needs and it is realised that the present level of taxation is related to a very necessary re-armament programme.

You will have observed recently in the Press and elsewhere references to the effect upon insurance companies (other than life) of the provisions of the 1937 Finance Act in regard to National Defence Contribution. As originally designed, the tax applied only to any increase in trading profits, and the Chancellor affirmed that it was definitely not an increase in income tax. Subsequent changes have, however, transformed the tax into one upon all trading profits, and further, it has been held that interest upon investments of general insurance companies is, exceptionally, to be considered as part of their trading or underwriting profits. Commercial, industrial and other companies are taxed upon trading profits and not upon interest derived from investments. This makes the tax upon insurance companies equivalent to an increase in income tax in 1937 and for four years following, whilst, as you are aware, a further 6d. has been added to the standard rate of income tax in 1938.

We had been hoping that the representations to the Chancellor in regard to N.D.C. would have met with some recognition in this year's Finance Bill, but when we read it last week we regretted to find no reference whatever to any adjustment of what we look upon as a legitimate grievance.

The balance carried forward is £2,450,000, showing an increase of £572,000 on that brought into the account.

As already announced, the directors recommended a similar dividend to last year, namely a final payment of 3s. 3d. per share, which, with the interim payment of the same amount in November last, makes a total of 6s. 6d. for the year. You will notice that the provision for the final payment gives effect to the increased rate of income tax.

The total sum required for the payment of the dividend amounts to £1,355,000. This figure does not perhaps convey much impression other than that of size, but it may acquire a new significance when it is borne in mind that our shareholders now number over 24,000, giving an average annual dividend of £56 per shareholder. I think we may justly claim that, with this widespread interest in the ownership of our shares, our business is a truly democratic one.

There are no changes of any importance to report in the balance sheet, but I would draw your attention to the fact that our total funds, including paid-up capital, have now, for the first time, passed the £50 millions mark.

REDEMPTION OF DEBENTURE STOCK

You will notice that the amount of redeemable debenture stock stands in the balance sheet at £597,000. The original amount issued in 1909 as part payment for the acquisition of the British and Foreign Marine Insurance Company, Limited, was £844,000, and the present figure, therefore, indicates that £247,000 of the stock has been redeemed in the meantime by purchase in the open market. In accordance with the terms of the trust deed relating to this issue, all debenture stock outstanding will be redeemed by the company at par on January 1, 1939, and timely notice will be sent to the stockholders asking for their formal discharge and the return of the relative stock certificates.

OUTLOOK

This concludes my review of our operations for the past twelve months. As regards the present year, so far as it has gone there is no particular comment that I would make. Insurance undoubtedly best thrives when the wheels of commerce and industry move freely. From a far wider point of view, however, I hope that the statesman-like efforts that are now being made for an elimination of the causes of international friction will meet with the fullest measure of success and will lead in their turn towards closer world economic co-operation and to a freer international exchange of commodities and services. This, in itself, as a contribution to prosperity, both in this and other countries, would best serve the cause of peace.

The report and accounts were adopted, and a final dividend of 3s. 3d. per share was declared, making 6s. 6d. per share, less income tax, for 1937.

EQUITABLE LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

The one hundred and seventy-sixth annual general meeting of Equitable Life Assurance Society was held, on the 25th instant, at 19 Coleman Street, London.

Mr H. L. M. Tritton (the president) said that the new business obtained exceeded last year's record, but the average sum assured by new policies in 1937 was only a little over £600, compared with over £1,000 in previous years. The new business was, taking every class of policy into account, the largest ever obtained by the society.

It was pleasant to draw attention to the fact that the rate of interest earned on the funds—namely, £4 4s. 5d. after deduction of tax—was a little more than it was in 1936.

The amount of the total holdings in the two reversionary societies had decreased by the repayment in January, 1937, of £140,000 of the debenture stock of the Reversionary Interest Society, nearly £62,000 of which was held by the Equitable. The society was in a position to carry out this transaction in consequence of the recovery during 1936 of an unusually large number of reversions. The Equitable now held the whole of the issued share capital and the whole of the debentures and debenture stock. The share capital of the Reversionary Interest Society, which stood in the books of the Equitable at £746,757, was acquired mainly in 1919. At the present level of dividends the yield on the book value was nearly £6 10s. per cent.

The consolidated stock of the Equitable Reversionary Interest Society, which stood in their books at £493,433, was acquired in 1920. The present dividend gave a yield of over £7 per cent. on the book value.

The book value of their investments in the shares and consolidated stock of the two societies amounted to nearly £1,250,000, and the present dividends gave a yield of £6 14s. per cent.

In addition, the Equitable's holding of the debentures and debenture stock had a total book value of £270,833 and they gave a yield of £5 10s. per cent. The total investment in stock, shares and debentures of both reversionary companies stood in the books at over £1,500,000 and yielded about £6 10s. per cent., a very satisfactory figure.

The report and accounts were unanimously adopted.

COMMERCIAL UNION ASSURANCE COMPANY LIMITED

SUCCESSFUL RESULTS

FURTHER RECORD IN NEW LIFE BUSINESS

MR HERBERT LEWIS'S SURVEY

The seventy-sixth annual general meeting of the Commercial Union Assurance Company, Limited, was held, on the 24th instant, in London, Mr Herbert Lewis (chairman of the company) presiding.

The Chairman, in the course of his speech, said: The first account is that of the fire department. The premium income of this department amounted to £5,450,648, which is an increase of £142,236 on the figure of 1936.

Both home and foreign business have contributed to this increase. The loss experience was again favourable both at home and abroad, the payments and provision for outstanding claims representing 39.5 per cent. of the premium income, a figure which is slightly better than that of the previous year. It is satisfactory to note that the loss ratio in the United States continued to be good, although somewhat higher than in 1936.

The net result of the operations of the year, after providing the customary 40 per cent. reserve, is a profit of £575,149. An amount of £575,000 has been transferred to profit and loss account, and the fire fund stands at £7,020,978.

MARINE DEPARTMENT

In the marine department, the net premiums were £703,575, an increase on the previous year of £94,059. The claims paid and outstanding amounted to £469,388. It is pleasant to be able to report to you that there is a marked disposition on the part of the market to work together in harmony. If this happy spirit continues, the Joint Hull Committee will be enabled to inaugurate further measures to put the hull business on a satisfactory footing, as there is little doubt that further increased premiums will yet be required.

It is greatly to be hoped that if and when the marine weatherglass shows set fair the market will not be flooded with a number of newcomers, and competition thereby increased.

A sum of £100,000 has been transferred from this account to profit and loss, leaving the marine fund at £1,208,078. The underwriting account for 1935 has now been closed and, while we may congratulate ourselves on the profit which it shows, I would remark that, owing to the serious losses which have occurred and the present cost of repairs, the profits of succeeding years are not likely to be so good.

ACCIDENT DEPARTMENT

In the accident department the premium income amounted to £8,173,227, an increase of £531,275. I am glad to say that good progress was made in practically every territory in which we are operating.

Claims paid and outstanding amounted to £4,312,368, and, after providing for unexpired risk, there is a profit of £362,257.

From this account the sum of £325,000 has been transferred to profit and loss, leaving the accident fund at £5,921,096.

We experienced another satisfactory year in the United States. I will not venture to predict what the trend of American conditions as they affect our undertaking will be in the immediate future, but a great deal has been done in recent years to improve the general quality of our business and the efficiency of our extensive organisation throughout the United States and, if no adverse contingency arises, the future results accruing from this should be to our advantage.

The substantial increase in the income indicates the ever-growing demand, both at home and abroad, for the many forms of protection and service supplied by this department.

LIFE DEPARTMENT

The favourable conditions of the year for the transaction of new life business are reflected in the increase of the net new sums assured by £543,312 to £6,076,523, a record total for the fourth year in succession. The premium income increased by £71,977 to £1,921,493, the single premiums being less by £14,936 and the annual premiums greater by £86,913. On the other hand, the consideration received for annuities, amounting to £379,768, showed a reduction of £81,639 as compared with 1936.

The claims by death increased by £22,932 to £587,879 and were 92 per cent. of the amount expected according to the A 1924-29 mortality table, which represents the recent experience of assured lives.

The expenses, including commission, amounted to £244,138. This represents 12.7 per cent. of the premiums, as compared with 12.8 per cent. for the previous year, a satisfactory figure in a year when a record amount of new business was transacted.

The fall in the rate of interest obtainable on suitable new investments and increased taxation are two factors which have adversely affected life assurance business, and though the interest income after deduction of income tax has increased by £12,795 to £969,650, the net rate of interest earned after deduction of income-tax has declined from £3 19s. 3d. per cent. to £3 16s. 3d. per cent., the fall being due partly to the two factors already mentioned, and partly to certain special taxation which fell with unusual severity into this year's account.

During the year the amount of the life fund increased by £1,274,010 and stood at £26,532,833 at December 31st last.

QUINQUENNIAL VALUATION

The quinquennial valuation was made as at December 31st last, and the results have already been published. These show that, after strengthening the reserves by changing the basis for the valuation of life assurance contracts from the OM table with interest at the rate of 3 per cent. per annum to the A 1924-29 table with interest at the rate of 2½ per cent. per annum, the surplus amounted to £2,485,420, of which the directors decided to distribute £2,167,116, the share of the policyholders being £1,931,255 (in addition to interim bonuses already received of £191,491), and that of the stockholders £235,861. These figures show an increase of approximately one-third over the corresponding figures of five years ago.

It is an eminently satisfactory result of the work of the life department during the last five years that it has been possible to make the valuation on a basis which is among the strongest adopted by life offices in this country and at the same time to maintain unaltered the minimum rate of cash bonus at a figure which is 25 per cent. in excess of the pre-war rate.

There is still a very substantial margin between the market value of the Stock Exchange securities and the lower figure at which they stand in the books. We do not bring this appreciation into account and we have, therefore, a useful inner reserve available to meet possible future depreciation.

PROFIT AND LOSS ACCOUNT

Passing now to the profit and loss account, you will notice that interest, dividends and rents, after deduction of income tax, amounted to £746,366, or £10,765 less than last year, a reduction more than accounted for by the greater amount of income tax paid as a result of the raising of the standard rate to 5s. in the £.

Transfers from departmental accounts amount to £1,000,000. Contributions from life and leasehold redemption profits remain practically unchanged at £92,912, while trusteeship and other fees are slightly higher at £2,898.

On the other side of the account the final dividend for 1936 and the interim dividend in respect of 1937 account for £1,086,333, and interest on debenture stocks, less income tax, requires £47,388. Income tax on profits is again higher by £15,074 at £238,331, mainly because of the higher standard rate of tax.

Provision for National Defence Contribution for nine months takes £75,000 and in a full year the appropriation will need to be in the neighbourhood of £100,000 on the basis of our present rate of profits. We feel strongly that there is unfair discrimination against insurance companies, but representations to the Treasury have so far failed to secure any redress.

The amount written off freehold premises remains the same at £25,000, and we have maintained the transfer to guarantee and pension fund at the higher figure of £100,000 to which it was raised last year.

The amount transferred to general reserve fund is £275,000, or £25,000 more than last year, and, finally, there is a balance of £585,712 out of which the directors recommend that a final dividend for the year 1937 of 4s. per £1 stock unit, less income tax, be declared. This will require £519,200, leaving £66,512 to be carried forward, against £47,055 last year.

A valuation of our Stock Exchange securities on December 31st last showed only a small depreciation equivalent to about one-half of 1 per cent. To provide for this we have earmarked from the general reserve fund £125,000, which is more than sufficient for this purpose.

In addition to the free general reserve fund of over £4,000,000, the departmental funds total £14,150,151, showing the substantial increase of £311,681, compared with last year.

I think you will agree that on the whole the picture which the accounts present is satisfactory, especially when you bear in mind the conditions under which the business of a company with world-wide ramifications is now carried on.

The report and accounts were unanimously adopted.

CENTRAL MINING AND INVESTMENT CORPORATION LIMITED

STRONG LIQUID POSITION

CONTINUED EXPANSION OF GOLD MINING ACTIVITY IN SOUTH AFRICA

MR F. R. PHILLIPS' ADDRESS

The thirty-third ordinary general meeting of The Central Mining and Investment Corporation, Limited, was held, on the 24th instant, at 1 London Wall Buildings, London, Mr F. R. Phillips, M.C., the chairman of the Corporation, presiding.

The Secretary (Mr R. A. Macqueen) having read the notice convening the meeting and also the auditors' report,

The Chairman, in the course of his speech, said:—The profit and loss account shows a credit from the year's operations of, in round figures, £794,000, which compares with £886,000 a year ago. This reduction will, I feel, be regarded as moderate in view of the almost unrelieved fall in market prices which occurred after the first quarter of the year, resulting in a contraction in our profits on share dealing.

On the other hand, I am pleased to say that our revenue from dividends and interest again showed an increase. The amount required to write down to market prices at December 31st last such stocks and shares as stood in our books at prices in excess of those ruling at that date has been provided out of the year's revenue, and no credit has been taken for any portion of the very substantial margin which exists between the aggregate market value and book value of the shares comprised in our portfolio. Before arriving at the gross figure of £794,000 in the profit and loss account we have appropriated £10,000 for contingencies account.

On the other side of the account you will see that our general expenses are down by £14,000, which is accounted for in the main by an increase in the administration and other fees received by us which, in accordance with customary practice, are utilised as an offset in arriving at the net total of our general expenses. This year we have to make provision for National Defence Contribution, which was levied as from April 1, 1937, and requires £35,000. We are left with a balance of £708,863 to be carried to the appropriation account, which, with the credit brought forward from the previous year, gives a total of £884,900 for disposal. The dividend on the preference shares takes £50,000, and the interim dividend on the ordinary shares of 8s. per share, already paid, £170,000.

DIVIDEND AND ALLOCATIONS

The board recommend the distribution of a final dividend on the ordinary shares of 12s. per share, amounting to £255,000. We also recommend the transfer to depreciation reserve account of the sum of £100,000. We make this recommendation not with a view to providing for any specific loss but because, after the end of the financial year, there was a further fall in market values, and we felt it would be desirable, therefore, to have such a fund which could be drawn upon if the necessity arose.

The provision for income tax is £25,000 higher at £100,000. After deducting the amount due to the directors under the articles of association—namely, £30,289, the balance carried to the balance sheet is increased by £3,573 to £179,692.

The balance sheet shows that the Corporation is in a strong and liquid position.

The book value of our investments is £7,062,000, which is £525,000 higher than last year. Of this amount £454,000 represents the net increase in our investment in South African gold mining shares. As stated in the directors' report, we have subscribed during the year to various issues of capital of gold mining companies. Of the mines in the development stage, the only new investment that I think I need mention is our substantial interest in the Blyvooruitzicht Gold Mining Company, Limited, which was floated in June, 1937. In the dividend-paying group, we have added to our holding of Durban Roodepoort Deep, Limited, which increased its capital during the year, and also of General Mining and Finance Corporation, Limited.

FIVE YEARS' PROGRESS

In reviewing the results of the South African gold mining industry in 1937, it occurred to me that it would be of interest to compare them with those obtained in 1932, the last year in which the currency of South Africa was on the gold standard. So remarkable a change has taken place in these five years that the enormous progress of the industry can best be seen in its true perspective if dealt with in this

manner. Dealing in round figures, the first point which strikes one is that, whereas in 1932 11,378,000 oz. of gold were recovered, in 1937 the number of ounces had only risen to 11,445,000, in spite of the fact that the tonnage milled increased from 34,906,000 to 50,725,000, a record in the history of the industry. The explanation, of course, lies in the fact that, as the price of gold rose from 84s. 10d. to about £7 an ounce, the mines were able to treat ore of much lower grade than before, the average mill grade in 1937 being 4.462 dwt., against 6.472 dwt. in 1932, a reduction of 31 per cent. In the matter of value, the gold output of 1937 was valued at £80,520,000, compared with £48,181,000, or an increase of 67 per cent.

EFFECT ON WORKING COSTS

Let us now look at working costs. In 1932 working costs totalled 19s. 2½d. per ton, and in 1937 they amounted to 18s. 11d. When South Africa departed from the gold standard the view was held, and has since been frequently expressed, that working costs must inevitably rise. In point of fact the figures which I have just put to you show that the contrary has actually been the case, although the decrease is very largely due to the great increase in the tonnage milled.

Working profits at £31,704,000 have risen by no less than 116 per cent., though they, of course, are subject to the heavy taxation which is levied by the Government. Nevertheless, what to holders of gold mining shares is perhaps more interesting is the amount which the industry was able to distribute in the form of dividends, and I find that while the amount in 1937 was slightly lower than in 1936, the total reached £17,015,000, or almost twice the amount paid by the industry in 1932. The change which has taken place in the number of employees is also instructive. At the end of 1937 white workers numbered 39,160 and native employees 288,962. In 1932 white workers numbered only 23,771 and natives 221,008.

To continue my comparison of the expansion in the gold mining industry during the past five years, I should like to give you one further figure which is of interest. The cost of stores consumed in all the gold mines of the Union, which in 1932 was just over £16,000,000, had increased last year to over £29,000,000, or 81 per cent. It may be noted that approximately two-thirds of this cost was expended on stores from the Union and Rhodesia. That this increase is not attributable to any important extent to the greater cost of the individual items but rather to the large increase in the scale of operations is shown by the fact that, taking the mines of our group alone, the cost of stores per ton milled only rose by 3.4 per cent.

NEW RECORDS

During the past year the Witwatersrand mines of our own group again established new records in the tonnage milled, namely 18,590,000 tons, an increase of 458,500 tons and in fathomage broken 1,320,282, an increase of 45,353. Development footage, however, at 693,555 ft., showed a decrease of 52,281 ft. This decrease is largely accounted for by the acute shortage of native labour during the latter months of the year. There was a further slight decrease in the yield per ton from 4.19 dwt. to 4.12 dwt., but owing to the increased tonnage milled, the working revenue at £26,921,008 showed an increase on the year of £262,280. Working costs showed a small increase of 1.2d. per ton milled.

Our report in dealing with the operations of our group, gives the total taxation for the year 1937, and compares it with the total for 1936. I should perhaps make it clear that the two figures are not strictly comparable, as that for 1936 was arrived at after making an adjustment in respect of taxation over provided for the year 1935. There was little difference between the two comparable figures. There were no important changes in the methods of mining or metallurgical treatment except that there is an increasing tendency to make more use of mechanical means for the handling of broken rock in place of hand labour.

THE FAR WEST RAND

On the subject of our new ventures, on the Far West Rand the Blyvooruitzicht Company has begun shaft sinking. Boreholes a

development results during 1937 in the extensive gold-bearing areas on this side of the Rand have increased our confidence in a successful future for this company. It is probably not generally realised that it is not only the increase in the currency value of gold that has enabled the development of this and other Far Western areas, under a thick covering of dolomite, to be undertaken, but, also, the fact that the problem of handling the large flows of water encountered in these rocks, which prevented the completion of a shaft on the Western Rand Estates in earlier days, has been solved by the use of the cementation process for sealing off water flows with cement. This process is now in general and successful use on the Far East Rand as well as the Far West.

EAST RAND DEVELOPMENT

On the East Rand active development work is taking place on the properties of Rietfontein (No. 11) Gold Mines, Limited, Holfontein (T.C.L.) Gold Mining Company, Limited, and Welgedacht Exploration Company, Limited, but so far values have been disappointing. The work accomplished to date on these three properties is, of course, very small when account is taken of their extent, and much further work will be necessary before sufficient information is available to judge of their prospects.

Witbank Colliery, Limited, acquired last year the adjoining property of Wolvekranz, upon which a large tonnage of excellent coal has been proved. As a result, the prospective life of the company has been very greatly extended.

IMPORTANCE OF NATIVE LABOUR SUPPLY

Towards the end of 1937 the industry began to experience a marked shortage of native labour. Since then the position has greatly improved, and in April a record number of natives was employed, but with the scale of operations increasing progressively as new mines are developed and brought into operation, requirements will be correspondingly higher. The vital importance both to the industry and to the country of an adequate labour supply for the mines is generally recognised, and steps are being taken to obtain permission to recruit in areas north of the Transvaal which have hitherto supplied only relatively small numbers of natives on an experimental basis.

NATIONAL REVENUE OF THE INDUSTRY

The industry still continues to make a very heavy contribution to the revenue of South Africa and for some years now the Union Government has been enjoying considerable surpluses in its annual Budget. Hitherto from the national point of view this satisfactory state of affairs has been achieved without serious detriment to the industry which has made the surpluses possible. But industrial progress and expansion are neither indefinite nor automatic. One of the major problems which confront the industry is the provision of fresh capital for new enterprises or for properties in the stage of semi-development. The fact is that the bulk of the new money required must come from the overseas investor. It is therefore, a matter for South Africa to consider whether the existing high scale of taxation is not now, or will not shortly become, a deterring and limiting factor.

WELFARE OF THE NATIVES

A visitor to South Africa cannot fail to be struck with the general air of well-being and contentment of the country, and should he be returning after a lapse of a few years he will be impressed with the signs of progress in practically all directions. In its government and administration the Union of South Africa need fear comparison with few, if any, countries, and an unbiased observer will note with satisfaction the real attempts to plan constructively for the future. In South Africa, as elsewhere where there is freedom of the Press and liberty of the individual, there exist vociferous sections expressing extreme views. In native affairs particularly is this manifest. The welfare of the natives is a matter of direct concern to every member of the community. It is especially a matter of vital interest to the goldmining industry upon which the economic structure and prosperity of the whole country is based and depends. Contrary to the belief in some quarters that the South African Government is either apathetic or illiberal in its attitude towards this complex problem, the measures that have been and are being adopted towards its solution are far-reaching in their importance and likely to be progressive in their effects.

AUSTRALIAN INTERESTS

I will now deal briefly with some of our other interests. In Australia the production of gold from properties controlled by the Gold Exploration and Finance Company of Australia, Limited, or in which that company holds a substantial interest, has continued. Of the eight properties from which outputs are reported five are making

distributions, the initial dividend of Gold Mines of Kalgoorlie, Limited, having been made in 1937. Although exploration in the Bendigo goldfield has been very disappointing, the operations in Western Australia of the Gold Exploration Company are meeting with success in many directions, and it is believed that a considerable total increase in production will be obtained during the current year.

The year 1937 has again established high records for both production and consumption of oil. Prices for crude oil, fuel oil, and refined products were maintained at a satisfactory level. Sales during the year were favourably influenced by improved trading conditions and the accumulation of oil reserves by various countries. During recent months, however, the demand for oil products has not reached the rate anticipated, due to general trade recession.

CRUDE OIL PRODUCTION AND PRICES IN THE UNITED STATES

The control of crude oil production in the United States has been well maintained through the action of State regulatory bodies, and there has been a steady increase in the use of petroleum products.

A feature in demand in America has been the increase in the use of oil for domestic heating, which has resulted in some excess of production of petrol and heavy fuel oil. While, therefore, production of crude has, in general, been kept in line with the demands of the refineries, there has been a tendency in the past few months for a weakening of the price structure of petrol and heavy fuel oil.

During the financial year ended June 30, 1937, the volume of oil handled and the profits earned by Trinidad Leaseholds, Limited, were the highest in the history of that company. The total dividends distributed for that year amounted to 30 per cent., as compared with 25 per cent. for the previous year. An interim dividend of 10 per cent. for the current year was recently declared.

The strike, which occurred in Trinidad last June and July, of labour on the sugar estates and in certain Government departments as well as on the oilfields, has resulted in a certain amount of unrest, and labour conditions have not yet returned to normality. There is little doubt that events of a political nature in various countries contributed to bringing about this strike, and that economic conditions alone were not responsible. Employers in the oil industry have expressed their willingness to redress grievances where they exist, and, provided labour does not endeavour to insist upon impracticable demands, it should not be difficult to arrive at a better understanding between them.

FURTHER GEOLOGICAL SURVEYS IN VENEZUELA

In Venezuela, exploratory drilling by the North Venezuelan Petroleum Company, Limited, in the Araucaria-Ricito area of its concession was abandoned when the third well failed to disclose the presence of oil-bearing sands. Further geological surveys are now being made in other areas. Production from the Cumarebo area, operated by the Standard Oil Company of Venezuela, was satisfactory and a substantial revenue accrued to the North Venezuelan Petroleum Company from its share of this oil.

The Ultramar Exploration Company, Limited, has obtained further exploration concessions over considerable areas in Venezuela, and is engaged in extensive geological and geophysical surveys. Drilling in various areas, owned by other interests, adjacent to certain of the company's concessions has demonstrated the existence of commercial oil deposits. These successful developments are considered to have a favourable bearing on the holdings and royalty interests of the company.

The Guarico Oilfields (Venezuela), Limited, was formed by the corporation and certain associates in May, 1937, to acquire from the Caracas Petroleum Corporation 50 per cent. of its interest in a concession from the Venezuelan Government in the State of Guarico. This new company has also acquired 100,000 shares in the Ultramar Exploration Company, Limited. After extensive geological and geophysical surveys a site was selected for the first well, and drilling was commenced in the middle of March.

THE SPANISH SITUATION

Turning to our interest in Spain, there is little of purely economic importance to tell you. The revenue of the railway has continued to grow both on civil and military account. The line, which is entirely in country controlled by General Franco, is in good order, and by the service it has rendered in recent times has most convincingly proved its essential value to the system of Spanish communications.

The Anglo-Spanish Construction Company has been unable to repay any further portion of its debenture liability. Part of its assets consist of a holding of Spanish Government Treasury Gold Bonds which has been immobilised in Madrid since the beginning of the civil war.

I hope that before I address you again the civil war, with all the suffering and destruction which it has involved, will be over, and that order and good government will prevail. When that time arrives

we shall then renew our endeavours to secure just treatment under the terms of the contract which governs our undertaking in Spain.

In the meantime, we must express our gratitude and admiration to all the staff and employees of the Santander-Mediterráneo Compañía who have served it so loyally and efficiently through the most trying times.

YUGOSLAVIAN RESULTS

The decrease in base metal prices during the latter part of the year has naturally affected the profits obtained by the lead-zinc producing companies in Yugoslavia with which we are associated. Production from Kopaonik Mines, Limited, commenced in June last, and by the end of the year over 12,000 metric tons of ore were being treated each month. This tonnage has since been increased. At Zletovo Mines, Limited, production is expected to start in the near future, and, given a reasonable price for lead, profitable operations may be expected at this property.

THE OUTLOOK

I come now to the outlook for the current year. In a business such as ours revenue depends upon two main sources, dividends from our shareholdings and profits from operations in market dealings. As far as it is possible to foretell, income from the former source seems likely to be satisfactory for the current year and to be comparable to the results incorporated in the accounts for the year under review. The policy of the board, as you are aware, has been, during the past few years, gradually, and as opportunity offers, to increase our revenue from dividends earned, and I am glad to say that this policy, to which we still adhere, has resulted in a steady increase of income under this heading. Operations in market dealings form, and necessarily form, an important adjunct to our business transactions.

During the year under review active and rising markets prevailed during the first quarter of the year, but thereafter, partly on account of what was known as the gold scare, with the resultant dislocation of business activity both here and in the United States as well as on the Continent, and partly on account of the growing international tension in Europe, confidence was sorely impaired and market activity with steadily falling prices, apart from a slight revival towards the end of the year, gradually declined and dwindled into almost slump-like proportions. During the current year these conditions not only continued but became greatly intensified. I make these observations to indicate that opportunities for profitable market operations so far this year have been greatly reduced.

Notwithstanding the somewhat unfavourable atmosphere in which we meet to-day, there are some directions in which we can regard the future with reasonable confidence. In the first place, our main product, gold, in spite of, or because of, the dislocations that have occurred, seems to be the one stable element in an unstable world. In our view, gold must retain its value, whether world conditions still further deteriorate, or whether, as we hope and believe, they will in the fullness of time gradually improve and ultimately become stabilised. It is fashionable in some quarters to take a defeatist view of world trade and political tendencies, thereby intensifying the very evils which it is in everybody's interest to avert and overcome, and to ignore or minimise the favourable factors that make for general appeasement and settlement.

FAVOURABLE FACTORS

A few of the favourable factors may be enumerated as follows: an increasingly strong United Kingdom, rendered the more so by the recent Irish agreement; a community of outlook of all the members comprising the British Commonwealth of Nations the strengthening of the ties, moral and material, between the Commonwealth and the United States of America; the dawning perception in the United States of the interdependence of nations and the breakdown of the conception of absolute isolationism; the practical invincibility of the "free" nations in a possible, though not necessarily probable, appeal to force; the signing of the Anglo-Italian Agreement, and the consequent relaxation of tension in the Mediterranean; the close friendship which exists and the identity of interests which prevails between ourselves and our friends across the Channel; the example in the Far East of the exhaustion brought about to both sides by protracted warfare; and finally the inevitable breakdown of uneconomic methods of national finance entailing the ultimate abandonment of ideas of self-sufficiency.

The moral from the above is that the appeal to force or threatened force will, or should in time, give way to the appeal to reason; and with the appeal to reason confidence must revive, so that with the immense weight of money awaiting investment both here and overseas many of the economic ills of the nations will be found capable of solution. In the meantime the policy of the corporation is necessarily one of caution and the avoidance under the prevailing circumstances of commitments which might be likely to strain our resources.

The report and accounts were unanimously adopted.

UNION CORPORATION, LIMITED

THE GOLD-MINING INDUSTRY

ANOTHER YEAR OF OUTSTANDING PROGRESS

DEVELOPING MINES AND THE FUTURE

MR P. M. ANDERSON'S REVIEW OF CORPORATION'S HOLDINGS

The ordinary general meeting of shareholders of the Union Corporation, Limited, was held, on the 10th instant in Johannesburg, Mr P. M. Anderson presided.

The Chairman, in the course of his remarks, said:—This is the fortieth occasion on which shareholders have been called together. Much has happened during those 40 years. At first we had many "ups and downs" but, on the whole and especially in the last 20 years, we have made steady and substantial progress. Thus, for five years to 1922 our net profits averaged about £200,000 per annum, and for the next five years to 1927 £355,000 per annum. Then the annual average for the following five years fell slightly to £315,000, but recovered handsomely in the last five years to 1937, when the average rose to almost £600,000 per annum.

THE NET PROFIT

The net profit for last year was £682,854, which was within two or three thousand pounds of the record set up in 1936. After placing £90,000 to the credit of exploration reserve account and providing for a final dividend of 6s. per share, making, with the interim dividend, 8s. 6d. for the year, a balance of £128,805 remains to be carried forward. The dividend distributions are the same as for 1936.

There are two features relating to the net profit declared to which I desire to draw your attention. That profit has been arrived at after charging £35,116 for "new issue expenses" incurred in connection with the increase of our capital, to which I will refer later. That expense is non-recurring.

EXPLORATION EXPENDITURE

The other noteworthy feature is that we have ceased to charge exploration expenditure directly to profit and loss account. The reasons for that change are explained in your directors' report. In effect, it amounts to this: In the search for profitable new business, considerable outlays are incurred on the prospecting of properties over which control is secured by option or otherwise. There is no regularity in the incidence of this expenditure.

In some years there may be great activity and in other years practically none, but whatever may be the expenditure it is generally unremunerative for a considerable number of years and at the time there can, from the nature of things, be no certainty as to the prospective value of the work. Time is required to make a fair appraisal. Hence the decision to charge such outgoings to exploration reserve account.

That account at the beginning of the year stood at £50,000. It was increased by £212,500, being part of the share premium received in November last, and £90,000 was appropriated out of profits of the year. Thus, at the end of the year there was a total of £352,500, from which had to be deducted £97,416, being the actual expenses incurred in exploration during the year. We thus enter the new year with the very respectable exploration reserve of £255,084, which should suffice to cover outlays on exploration for some time to come.

INCREASED HOLDINGS

Share and debenture holdings, after making the provisions referred to in your directors' report, show an increase of £417,373, and it may be expected that there will be further expansion of this item in the current year. Last year we increased materially our interest in the Grootvlei, Marievale Consolidated and Van Dyk Companies, and again this year, as a consequence of the offers which have been made to shareholders of the Grootvlei and Van Dyk Companies, we have been able to further augment our holdings in those companies.

In order to be in a position to make such purchases and similar investments without unduly depleting our cash resources, your directors decided to increase the issued capital of the corporation. Hence, in November last, shareholders were offered 140,000 new shares at £7 per share. The issue realised a gross sum of £980,000. The issued capital therefore now stands at £962,500 in 1,540,000 shares of 12s. 6d. each. The new and old shares will all rank alike after the payment of the final dividend of last year. This issue gave

rise to a share premium of £892,500, of which, as I have already mentioned, £212,500 was transferred to exploration reserve account; the balance of £680,000 was added to reserve account, which now stands at a round £2,000,000.

I mentioned last year that the whole of our profits is subject to United Kingdom taxation and, therefore, to the new National Defence Contribution. That contribution in its final form was modified so that it constitutes as from April, 1937, a charge of 5 per cent. of the profits computed in accordance with United Kingdom income-tax principles, and deductible as an expense in arriving at the profits subject to income tax.

THE RAND GOLD-MINING INDUSTRY

Coming now to the Witwatersrand gold-mining industry in general, it is pleasing to record another year of outstanding progress.

The tonnage milled has increased steadily and last year reached 50,000,000 tons, an increase of some 16,000,000 tons on the 1932 figures. The number of ounces produced, however, has not increased proportionately with the tonnage and last year's output of 11,445,087 ounces, although creating a new record, is only slightly in excess of the 1932 figure. This is due to the enhanced price of gold having permitted the profitable treatment of a much lower grade of ore than was possible prior to the abandonment of the gold standard, and accordingly the grade milled has dropped by approximately 2 dwt. per ton. The advantages of this policy are clear when it is realised that the life of the industry has been extended for many years and that the payable ore reserves have been more than doubled in the space of five years.

Working revenue, at approximately £80,000,000, represents an increase of nearly 4s. per ton on the 1932 figure, and this, coupled with a reduction of 3d. per ton in working costs, has enabled the industry to achieve a working profit of nearly £32,000,000, which is more than double the 1932 figure. Of this working profit some £17,000,000, or almost 100 per cent. more than in 1932, has been distributed in dividends, and nearly £14,000,000, representing a 200 per cent. increase, has gone to the government by way of taxation and share of profits from leased mines.

DEVELOPMENT WORK

As regards the amount of development work done, it is interesting to notice that in 1932 there were no "non-producing" developing mines, whereas at the end of last year there were no fewer than 16 such mines, of which one has just come into production and two are scheduled to start later in the year. The development work accomplished by these "non-producers" and the 37 "producers" last year amounted to 2,300,000 ft.—an increase of over 60 per cent. on the 1932 figure—while the 48,850 ft. of shaft sinking done during the year is nearly double the 1932 figure.

The developing mines are situated mainly in the Far East Rand, while the lesser number in the Far West is supplemented by the very large area on which deep boreholes are being sunk. If present conditions, particularly as regards working costs and price of gold, continue—and there seems no reason to think otherwise—these activities should serve to maintain mining activity on a substantial scale for a very much longer period than could possibly have been visualised only a few years ago.

In order to complete the programmes of the developing mines and to finance the new developments contemplated, very large capital funds will be required, which, for the most part, can only be provided by the investing public, both in South Africa and overseas. It is therefore essential that the confidence of the public should be retained, and there is no single step that could contribute to this end so fruitfully as a reduction in the present unnecessarily high rate of taxation of gold-mining profits.

LABOUR SITUATION

At the end of 1932 the industry had a native labour force of 221,000 and the number steadily increased until the latter part of February last year, when the record figure of 310,000 was reached.

The number of Europeans employed directly by the mines at the end of the year was 38,404, which is over 14,000 more than the number employed at the end of 1932. The satisfactory relationship existing between the industry and its European employees has been maintained and working and living conditions were further improved.

Towards the close of the year the industry received requests from the mining unions for certain additional benefits and, in particular, for a cost-of-living allowance equivalent to the amount by which the cost of living had increased since September, 1936. These requests, which were carefully considered, could not be agreed to and, instead, the industry is arranging to establish a savings fund into which the employers would pay, on behalf of the employees,

amounts equivalent to 5s. per week per man, which amounts would earn a reasonable rate of interest.

OPERATIONS OF THE COMPANIES

I now propose to review in some detail the operations last year of the companies under our administration, in which our major interests are centred. On the Witwatersrand our producing companies, Geduld and East Geduld, continue to do well, and the non-producers have made very substantial and satisfactory progress. In the cases of Grootvlei and Van Dyk, development results have been beyond expectations, and it has been possible to arrange for the erection of mills having crushing capacities considerably larger than originally projected. Marievale also is developing nicely. We shall soon be benefiting from the dividends which will accrue to us by virtue of our substantial holdings in the companies which are nearing the producing stage.

The chairman then dealt with the affairs of the above-mentioned companies and those of the Witbok Proprietary Company, Limited, and later those of South African Pulp and Paper Industries, Limited, all of which were fully reviewed in the addresses from the chair at the respective annual meetings held recently. He then proceeded: We also retain our substantial interests in various important companies that are at present developing large gold-mining areas situated in the far eastern section of the Witwatersrand district.

We have two drills still operating in the northern area of the Orange Free State. It appears likely that one more hold will complete the drilling programme.

A substantial portion of the northern area adjoining the property of Western Reefs Exploration and Developing Company, where the more encouraging results were obtained, is being retained, but a substantial portion of the remainder of the northern area has not been proved to be of economic value and has accordingly been abandoned.

Drilling is still proceeding on the farm Uitgevonden No. 99, Western Transvaal. Unfortunately a badly fractured zone has been encountered and great difficulty is being experienced in penetrating this zone.

While technically we have reason to be satisfied with our interest in San Francisco Mines of Mexico, as development results in depth and laterally are fully up to expectations, it is unfortunate that the Mexican Government places so many obstacles in the way of foreign enterprise. Thus, taxation is extraordinarily high and labour is encouraged to force upon the mining and smelting companies demands for utterly uneconomic wage scales and working conditions.

COPPER INTERESTS

Our copper interests are centred in Roan Antelope Copper Mines and Rhodesian Selection Trust. Such enterprises cannot expect to earn the steady profits to which we are accustomed in gold mining. We should, therefore, not be concerned if, in some years, revenue is disappointing, nor should be unduly elated if, in other years, expectations are exceeded. The basic factor is that we believe our copper interests to be well selected because we regard them as capable of producing the metal as cheaply as most of the world's great copper mines. In the long run we expect to do well out of them.

Similar comment is applicable to all our holdings in enterprises other than gold. Thus, we have faith in the future of Consolidated African Selection Trust, which has made excellent progress in its alluvial diamond operations in the Gold Coast and Sierra Leone fields. We recognise also that Selection Trust, in which we have an important holding and with which company we frequently collaborate, has valuable and well managed base metal, diamond, and other assets and is itself very efficiently administered.

Bay Hall Trust has suffered, in common with investment business generally, from the fall in the market prices of securities, but the earning power of its investments continues to be satisfactory, which, in the case of an investment trust, is the main consideration.

We have various other interests among our assets, but I think there is no need to deal in detail with these in this survey of our affairs.

The chairman then moved the adoption of the report and accounts, which was seconded by Mr P. Strakosch and carried unanimously.

HOTEL WESTMINSTER
FULL BOARD
From 27/6
Le Touquet

BRITISH AND CHINESE CORPORATION, LIMITED

EFFECT OF WAR ON RAILWAYS

MR D. G. M. BERNARD'S REVIEW

The fortieth ordinary general meeting of the British and Chinese Corporation, Limited, was held, on the 25th instant, at the registered office of the company, 3 Lombard Street, London.

Mr D. G. M. Bernard (the chairman) said: Gentlemen,—The tragic conditions in China make a distressing contrast with the promising outlook at the time of my address to you in May of last year on the occasion of our thirty-ninth ordinary general meeting.

In the department of railways, the improvement recorded in the latter half of 1936 was continued and substantially increased during the first seven months of 1937. Most of the lines in which our corporation is particularly interested showed considerably augmented, and indeed record, earnings with satisfactory reductions in the operating ratio. The supervision exercised by the Loan Service Committees, to which I referred at the last annual meeting, was also giving satisfactory results.

Advantage was taken by us of the visit to London of Dr H. H. Kung, the Minister of Finance, and Mr T. K. Tseng, the Vice-Minister of Railways, during the months of July and August to enter upon discussions relative to the construction of new railways. These resulted in the signature at the end of July of a loan agreement for the construction of the Canton-Meih sien Railway, in partnership with a syndicate formed by leading Chinese banks known as the China Development Finance Corporation. This transaction for the amount of £3,000,000 at 5 per cent. was welcomed by us as a return at last to the issue in London of sterling loans for railway enterprises in China, and we felt confident that this would prove to be the precursor of other loans for railway development on an increasing scale.

In addition to the Canton-Meih sien loan, our corporation entered upon an agreement with the Ministry of Railways in June for the supply of materials for the improvement and development of the Shanghai-Nanking Railway.

Within, however, a few days of the signature of the Canton-Meih sien and Pu-siang agreements the actual outbreak of hostilities destroyed the prospect of any early public issue of a loan. The situation became increasingly grave until it developed into the general undeclared war between China and Japan, which is now raging with the most serious effects on China's economy and on our interests in her railways.

A CHANGED OUTLOOK

The past year, gentlemen, has thus been one of violently contrasting aspects. It began and continued up to the end of July with the happiest prospects, but closed in disaster.

It is most deplorable that the growing confidence in business and financial circles in China's railway prospects should have been destroyed for the time being by the Sino-Japanese hostilities. It is not possible at this time to form any estimate of the total damage suffered by those railways with which we are concerned, but demolitions on the Shanghai-Nanking and Shanghai-Hangchow-Ningpo railways have been very extensive and there is reason to fear that a great deal of the rolling stock has been destroyed or carried away to other lines.

SHANGHAI-NANKING RAILWAY

We received news in August that Chinese troops had occupied the North Station and that the administrative staff were excluded from the offices. The permanent-way employees, however, continued work on repairs to tracks and bridges damaged by Japanese air raids until the retreat of the Chinese forces.

Subsequently, the newly completed and spacious administration building was reduced to a shell by bombardment. The North Station was in ruins when it was visited by a British party at the end of November.

Since the advance of the Japanese army to Nanking in December, this railway has been occupied by the Japanese military authorities. The British engineer-in-chief and the chief accountant, as well as the Chinese staff, have been refused access to the line. The strongest protests have been lodged in diplomatic quarters against the continued occupation of the railway, with the request that it shall be returned to its proper administration.

Apart from the extensive physical damages, the loss of revenue up to the end of December was computed to be over \$5,000,000, and the administration, without revenue from the line, has no resources and is in a difficult and precarious position.

Two coupons of the 1903 loan due December 1, 1935, and June 1, 1936, were paid in 1937, leaving three half-yearly coupons and eight instalments of amortisation in arrear.

SHANGHAI-HANGCHOW-NINGPO RAILWAY

Under the Loan Agreement of May, 1936, for the completion of this railway, good progress was made during the first seven months of 1937 in the work on the unfinished section of the line and on the construction of the important Chien Tang River bridge. Subsequent to the outbreak of fighting along the line, demolitions were carried out on an extensive scale by Chinese troops. Against this wholesale destruction we lodged a strong protest. The loss of revenue to the end of December was computed to be over \$1,500,000.

The open line section of this railway from Shanghai to Hangchow is also in the hands of the Japanese military authorities, and representations for its return to the proper administration were made simultaneously with those respecting the Shanghai-Nanking Railway. Claims have been put forward for compensation from the Japanese authorities for their continued use of these two lines. The two interest coupons due on June 15th and December 15th of last year were paid.

CANTON-KOWLOON RAILWAY

The loop line to connect the Chinese section of this railway with the Canton-Hankow railway was constructed off the line from the Canton-Hankow railway to Whampoa soon after the outbreak of hostilities at Shanghai. With this junction, the Canton-Kowloon railway is of the utmost importance to the Chinese Government for the transport of through goods from Kowloon to Hankow. The Chinese section has been subjected for some months past to almost daily air-raids, but the damages caused have been speedily repaired and, up to the present time, through traffic has been maintained.

There was a suspension for some months of the monthly payments due by the railway to the loan service reserve account, owing to funds being utilised to repair damage done by air-raids, but the managing director has ordered measures to be taken to make good the deficit. The cost of making good these damages from October, 1937, up to February 9, 1938, was just under \$300,000.

Payment of 2½ per cent. interest was duly made on June 1, 1937, in accordance with the terms of the debt settlement.

PEKING-MUKDEN RAILWAY

The portion of this line from Peking to Shan-hai-kuan remaining under the control of the Tientsin administration, has not suffered from war damages to permanent-way and bridges, although the old administration building at Tientsin was destroyed by the Japanese bombardments. The line was, however, for a considerable time, used entirely for Japanese military transportation, and, as no payment was made for this traffic, the railway got into financial difficulties and cash advances were made by the South Manchuria Railway for working expenses.

The revenue is now reported to be returning to normal, but there has been much interference with the administration by the Japanese, and officials from the South Manchuria Railway have been installed in all departments. All operations on the line are subject to the control of the Japanese officials. Payments on account of the arrears of the Shanghai-Fengching railway mortgage redemption loan, which is secured upon the revenues of the Peking-Mukden railway, have been suspended since August last.

Strong representations have been made to the Japanese Government in regard to this and to the interference with the duties of the British general manager and engineer-in-chief.

The monthly payments for the service of the 1899 loan have been made as usual.

CUSTOMS AND SALT REVENUES

Anxiety has naturally been felt as to the maintenance of the existing Customs Administration in the areas under Japanese control, and it is satisfactory to note that an agreement was reached in Tokyo on May 2nd between the British Ambassador and the Japanese Vice-Minister for Foreign Affairs, by which the foreign obligations secured upon the Customs revenue are provided for during the period of hostilities.

The salt revenue for the year 1937 was reported to be \$213,000,000, as against \$218,000,000 for the previous year. It is to be hoped that an agreement, similar to that for the Maritime Customs, will be arrived at to safeguard the Administration and ensure the remittance of the quotas for the foreign loans secured upon the salt revenue.

The report and accounts were unanimously adopted and the payment of a dividend of 10 per cent. on the paid-up capital (subject to tax) was approved.

The proceedings terminated with a vote of thanks to the Chairman and directors.

WANKIE COLLIERY COMPANY, LIMITED

ISSUE OF BONUS SHARES

SATISFACTORY POSITION AT THE COLLIERY

An extraordinary general meeting of the Wankie Colliery Company, Limited, was held, on the 23rd instant, at the Abercorn Rooms, Liverpool Street Hotel, London, for the purpose of considering and, if thought fit, passing resolutions authorising an increase in the capital, the capitalisation of certain reserves and the distribution of 1,330,000 bonus shares to the shareholders, the subsequent conversion of the whole of the issued shares of the company into stock, and authorising certain consequential alterations in the articles of association.

Sir Edmund Davis, J.P. (chairman of the company), presided.

The Chairman, in the course of his speech, said:—Except for the clause dealing with the directors' additional remuneration, these resolutions need no further explanation.

Under the present Articles the directors' additional remuneration is calculated upon 5 per cent. of the surplus profits remaining in any year after the payment of a 5 per cent. dividend for that year, such remuneration being restricted to a maximum total of £3,000. Should there be no alteration in the Articles, the members of your board would not be entitled to any additional remuneration till £83,125 had been distributed by way of dividend. This sum is 66 per cent. more than hitherto, thus leaving a much smaller surplus upon which the additional remuneration would be calculated. The alteration in Article 88, which you are now asked to approve, is intended to regularise the position so that the directors are not prejudiced by this increase in the capital of the company, and the suggested increase of the maximum figure is only due to the larger number of directors now participating than has hitherto been the case.

First and foremost, you will be interested to know that during our visit we settled contracts at reduced prices with the Electricity Supply Commission as well as the Bulawayo Municipality for the whole of their fuel requirements for a term of years. Since these contracts were arranged we have received many applications for similar long-term contracts, which we expect to complete at an early date.

SATISFACTORY CONDITION OF COLLIERY

With regard to the colliery itself, we were very pleased with everything we saw, but in order to meet future needs it has become necessary to incur large capital expenditure in connection with crushing capacity, washery, and screens at the No. 2 Colliery.

It was soon realised that on the estimated future increased trade a much larger supply of water would be necessary, and for this purpose 2½ miles of 10-in. pipeline are being laid, which, unless there is a sudden and unexpected increase in sales over our present estimates, should be ample for many years to come.

REDUCTION IN COAL PRICES

Coming now to the reduction in the price of coal, we are, in the first instance, negotiating long-term contracts with consumers of a minimum of 10,000 tons per annum. As soon as we have completed these negotiations we intend to give consideration to a reduction in the price to the general public, which is a matter we cannot do until we have fixed all the other contracts, so that we may then realise the effect of these on the future profits of the company.

I wish, though in no way committing my colleagues, to state that I estimate that sufficient profits will be made in our present financial year to warrant the distribution of a further dividend of 6 per cent. on your total holding—that is, on your present holding—as well as on the bonus of 1,330,000 shares. Such 6 per cent. would mean a distribution of £99,750, less tax, which, added to the interim dividends already paid, would make a total distribution of £219,450, compared with £199,500 for the previous 12 months, which ended at August 31, 1937.

The resolutions in each case were carried unanimously.

Replying to a cordial vote of thanks the chairman alluded to certain unpleasantness in Southern Rhodesia following a reference he made at the last annual meeting to a small coal proposition South of Wankie. In the Legislative Assembly a member, Sir Hugh Williams, who was interested in the coal proposition as a vendor, said "I saw a little paragraph saying the residence of Sir Edmund Davis had been burgled and pictures worth £50,000 had been neatly cut out of their frames. Well, my only regret about that was that the burglar did not cut his throat." (Cries of "Shame"). He did consider it to be a shame that a man should be allowed to say such a thing, and he proposed to send a full copy of the proceedings at the meeting to the speaker of the House of Assembly in Bulawayo and to the Prime Minister.

CABLE AND WIRELESS (HOLDINGS), LIMITED

NEW ERA IN RELATIONSHIPS WITH GOVERNMENTS

The ninth ordinary general meeting of Cable and Wireless (Holding), Limited, was held, on the 24th instant, at Southern House, London.

The Rt. Hon. Lord Pender (the Governor), in the course of his speech, said: The profit for the year is £265,000 higher at £1,208,246, to which must be added the balance of £188,000 brought forward from 1936. Your directors have paid the dividend on the 5½ per cent. cumulative preference stock, which absorbs £922,162, and they now recommend the payment of a dividend of four per cent. on the ordinary stock, which requires £275,324, and leaves £199,097 to be carried to 1938. Your directors are glad to be able to place before you to-day accounts showing such a marked improvement, and to be in a position to recommend a dividend of four per cent. on the ordinary stock.

On numerous occasions I have referred to the representations which have continually been made to the Governments concerned for some readjustment of the terms of the charter under which the communications services are operated by Cable and Wireless, Limited. I informed you last year that the various Governments of the Empire had recognised that the time had arrived for a re-examination of the position, and that the proposals submitted by the company were being investigated. The resultant negotiations have been prolonged and intricate, but I am glad to say that they have now been successfully concluded, with the results which were made known last month, which have been generally received with much satisfaction both in this country and overseas.

ALL-EMPIRE RATES SCHEME

A comprehensive all-Empire rates scheme is introduced which places Imperial overseas telegraphic communication on a new and simple basis. You are fully acquainted with the details, so that it is unnecessary for me to do more than remind you that from April 25, 1938, the new rates for telegrams between any two points in the British Empire were reduced as follows:—

Ordinary full rate	1s. 3d. a word.
Code rate	10d. a word.
Deferred rate	7½d. a word.
Letter telegram rate ...	5d. a word with a minimum of 25 words.

In order to facilitate this scheme, the Governments concerned have agreed to reductions in their terminal and transit rates where such rates exceed three-halfpence a word. The reductions, which are estimated to benefit the telegraphic public to an amount of nearly 500 thousand pounds per annum, would not have been possible without the special arrangement made by the United Kingdom Government. Moreover, the new tariffs will involve concessions of varying amounts on the part of overseas Governments and companies.

The directors hope and believe that the new arrangements will not only bring prosperity to Cable and Wireless, Limited, and place the company on a new and enduring basis, but will also prove advantageous to all parties concerned, the stockholders, the public and the Empire Governments, at the same time not overlooking the interests of the staff.

On this very important point, our figures for May have improved and we are justified in thinking that this is due to the new All-Empire Rates scheme and we have definite information that we are receiving a volume of fresh traffic which we have never had before. In our opinion the future is distinctly promising and if the international situation improves you may then indeed look forward with satisfaction to our interest in our great company.

You are aware that the originator of the Empire Flat Rate Scheme and the one on whose shoulders, from the company's standpoint, the burden of the prolonged negotiations has rested, is Mr. Edward Wilshaw, the Government-approved chairman of Cable and Wireless, Limited, the operating company, who presided last summer over a conference of the responsible heads of most of the Empire Telegraph Administrations and who, both before and after that time, played a leading part in these negotiations and was largely instrumental in bringing the proposed scheme to a successful issue.

The conditions which are to-day generally impeding the normal activities of trade and industry are clearly reflected on the Stock and Commodity Exchanges of the world. The future outlook must be largely dependent upon the leaders of the various nations—Democracies and Dictatorships alike—returning to a sound policy of mutual co-operation and goodwill, which alone will lead to universal peace and a restoration of general confidence and prosperity. The report was unanimously adopted.

IMPERIAL CONTINENTAL GAS ASSOCIATION

SATISFACTORY RESULTS

SIR THOMAS ROYDEN'S REVIEW

At the general meeting of the Association, held on May 27, 1938, the chairman, Sir Thomas Royden, Bt., C.H., said that political and industrial conditions in France had been very unsettled throughout the period under review, and there had been a complete lack of confidence in the future. The troubles of the franc, which had fallen within the last two years from 75 to 177 to the £, were the outcome, not of bear speculation, but of the inherent unsoundness of the economic position. France was suffering from under-production and the 40-hour week had so affected the potential output that consumption had far exceeded production, with the inevitable result of a continuous rise in prices and in the cost of living. If the bold step taken by the present Government in fixing a minimum value to the franc were followed by a resolute policy in connection with the working hours, the whole picture would change and we should see once more a prosperous and industrious France. The French Government seemed to have realised this, as they were now taking steps to provide cheap credit facilities and to modify the regulations governing the 40-hour week with a view to increasing production.

COMPAGNIE CONTINENTALE

The Compagnie Continentale reported an increase of just under 1 per cent. in its sales of gas and of 9.5 per cent. in the sales of electricity, but this had been accompanied by rising costs, the price of coal having increased by 67 per cent., and heavier taxation. Furthermore, public utility undertakings had been singled out to bear a special surtax on profits and 50 per cent. higher rates in respect of certain other taxes. Nevertheless, the average price the company was permitted to charge for electric current was less now than in July, 1935.

The Compagnie Continentale, whilst maintaining its ordinary dividend at the same rate as last year, had decided to make a special distribution from reserves amounting to Frs. 50 gross per share, which, in addition to the normal dividend, will be brought into the accounts of the Association next year. It seemed idle to retain within the company substantial cash resources awaiting permanent investment when neither economic nor political conditions in France seemed to warrant the permanent further locking up of funds there.

This was a somewhat depressing picture of the French situation, but comfort might be found in the relatively small percentage of the Association's French revenue: the investment in the Compagnie Continentale, which used to be our principal asset, had now fallen to fifth place in our interests, judged by the importance of the dividend received.

DEFENCE OF THE BELGA

Unfortunately, exchange speculators had recently directed their attention to the Belga. It was true that at the present moment Belgium was suffering from a recession of trade, but this was common to most countries. There was no reason to assume that because France and Belgium had a franc currency they were necessarily linked together, and the contention that the two nations were economically interdependent was largely unfounded. France bought only 8 per cent. of Belgium's output of manufactured goods. The sterling bloc bought 41 per cent. Belgium's future lay more within the orbit of the latter, whereas France, with her heavy tariffs and quotas, followed a more independent path towards partial self-sufficiency. On this account any modification, either up or down, in the price of Belgian goods would not greatly affect their sale in France. A further devaluation of the Belgian currency would solve no problems; neither those of balance of trade nor of budgetary equilibrium. Belgium was still in a strong position; the last devaluation occasioned a rise in gold values equivalent to 38 per cent.; the rise in the retail index numbers had only been in the neighbourhood of 22 per cent.

Prior to the recession of trade which began during the last quarter of 1937, Belgium enjoyed two years of great prosperity. This period had been taken advantage of by both the banker and the industrialist to strengthen their respective positions. Recent events showed that the banks were able to face considerable withdrawal of funds without serious inconvenience. The Belgian authorities had ample means with which to defend the currency, and they were prepared to go to extreme lengths for this purpose.

The industrialist had used a fair proportion of his extra profits for the modernisation of plant, and now, despite the scarcity of new

business, was engaged in reconstituting normal stocks, which had become exhausted owing to intensive demand. In France, on the other hand, little had been done in the way of industrial re-equipment.

Sales of gas in the Belgian companies showed increases varying from 3.5 per cent. to 10.2 per cent., while for electricity they varied from 5.9 per cent. to 16.5 per cent.

BELGIAN ELECTRICITY INDUSTRY

The electricity industry had been particularly free from any special measures of interference on the part of the Belgian Government, although a proposal had recently been brought forward to apply a special rate of tax to public utility companies. The moral of what had already been achieved in the field of electrical development as a result of the Belgian Government's policy of non-interference was worthy of emphasis. In Belgium, unlike Great Britain, there was no National Grid, no limitation of profits and no body, such as the Electricity Commissioners, to dictate to suppliers of electricity what they should do or what they should not do. The results were striking. In Belgium 89 per cent. of the population had a supply of electricity, as compared with 59 per cent. in Great Britain. The average price for current was 0.89 pence per unit, compared with 1.107 pence in Great Britain. This record of achievement in Belgium would not have been possible unless supply was for the most part in the hands of a few large well-managed undertakings. It was very much to be hoped that the Belgian Government would view this record with satisfaction and would be content to leave well alone.

The Association had a very considerable interest in the electrical industry in this country through its investment in Edmundsons Electricity Corporation. The example of Belgium might well be studied by the British Government with advantage, when the obvious conclusion would be drawn that the industry should be left to work out its own salvation.

THE ACCOUNTS

Turning to the accounts, it would be seen that there were only comparatively minor changes over the last twelve months. The fact that for the fourth year in succession there had been a diminution in the market value of investments, which was mainly attributable to the investment in the Compagnie Continentale, and that nevertheless the board was satisfied that their actual value was still higher than their book value (£9,545,192) showed the latent strength of the Association's balance sheet. The reduction in this figure of £139,000 was explained by the transfer of further holdings in the Belgian operating subsidiaries to Contibel, the Belgian holding company, but, on the other hand, the Association took up during the year its quota of new ordinary shares of Edmundsons Electricity Corporation, Limited.

Loans from bankers showed a considerable reduction at £61,000, despite the further investment in Edmundsons Electricity Corporation, and since the date of the balance sheet the bank loans had been cleared and there was a substantial sum in hand in anticipation of the dividend.

During the last five years cash to the extent of £1,700,000 had been repatriated from the Continent and, together with £900,000 taken from current assets available in 1933, had now found its way into permanent investments in England, so that 25 per cent. of the assets were now situated at home, compared with 8 per cent. in 1933.

Income from dividends had risen by nearly £35,000 in 1937-38, an additional £54,000 having been received from Belgian and £40,000 more from home sources, but French revenue showed a decline of £59,000.

The increase of £34,000 in expenditure was entirely due to taxation, and in particular to the National Defence Contribution. It was difficult to understand why public utility companies operating abroad, other than in the Dominions, should have been denied the exemption given to such undertakings in this country, but such was the case.

The net profit for the year at £427,686 differed by only a few hundred pounds from that of the previous year.

A final dividend of 6 per cent., less tax, making 10 per cent. for the year, was proposed, leaving the sum of £16,086 to be added to the carry-forward.

BEECHAMS PILLS, LIMITED

RECORD PROFIT

MR PHILIP E. HILL'S ADDRESS

The tenth ordinary general meeting of Beechams Pills, Limited, was held, on the 26th instant, at the May Fair Hotel, London.

Mr Philip E. Hill (the chairman) said that the profit of £600,908, although a record in the company's history and an increase over that of last year of £59,498, was disappointing in so far as the home sales were concerned. That was attributable entirely to the exceptionally mild winter experienced and the adverse effect it had had on the sale of the company's seasonal products. Under normal conditions the profits should have been greater. The result of the export business, however, was most encouraging and showed an increase over last year's figures of more than £20,000.

Some ninety years ago the business of Beechams Pills was founded by the late Thomas Beecham, and to-day the Beecham factory at St. Helens produced over 11 million pills per week, and that was entirely apart from the production of the Beecham factories in different parts of the world.

The directors had continued their policy of extensive advertising and general propaganda, and he thought they could safely congratulate themselves on the results. Their development fund was still fattening new products and their overseas trade. The directors recommended again bringing that reserve up to £100,000.

COMPANY'S PRODUCTS

The company owned and marketed the following proprietary articles:—Beechams Pills, Beechams Powders, Beechams Lung Syrup, Cassell's Tablets, Veno's Lightning Cough Cure, Cicfa, Dinnefords Magnesia and Tablets, Germolene Ointment and Soap, Holloway's Pills and Ointment, Iron Jellies, Lactopeptine, Nicocin, Phensic, Phosferine, Ashton and Parsons Baby Powders, Phyllosan, Sherley's Dog and Cat Foods and Medicines, Yeast-Vite Tablets, Amami Shampoos, and other products.

The proposed bonus issue of preference shares redeemed at average periods over the next ten years would require, with the premium on redemption, an additional £45,000 annually. That should be provided without imposing difficulties on the company in continuing the payment of a dividend of 85 per cent., provided, of course, that unforeseen events outside the control of the board did not arise.

The directors were of opinion that it would be of enormous value to their business if more of their customers could have a financial interest in the company and so benefit by its prosperity. Their existing 5s. deferred shares fluctuated in price during a year between, say, 50s. and 65s., a figure beyond the means of the small investor, who constituted the backbone of their business. The directors were exploring every channel to see whether it was not possible to devise a scheme whereby an interest in their company could not be offered in a unit with a market purchase price around 5s. He would not be misunderstood. No fresh issue of capital for cash was contemplated, and if a scheme was devised, it would be submitted to every shareholder for approval.

A BONUS ISSUE

The directors had felt for a long time past that the present share capital of the company did not represent the intrinsic value of the assets. Accordingly they had revalued the investments in their subsidiary companies, with the result that Messrs Price, Waterhouse and Company had advised the company that the value of such investments was not less than £2,500,000, and the value of such investments had accordingly been placed at that figure and the increase in value placed to a capital reserve account. From that account £300,000 had been transferred to general reserve, and it was proposed to capitalise that sum immediately into 5 per cent. redeemable cumulative preference shares of £1 each, which it was proposed to issue as a bonus credited as fully paid to the holders of deferred shares in the proportion of one such £1 share for each four deferred shares of 5s. each at present held. Those shares would be redeemed by the company out of profits on or before March 31, 1949, or by yearly drawings of 22s. per share.

They possessed a business which to-day was stronger than it had ever been, and under ordinary conditions should continue to make increasing profits.

The report was unanimously adopted, and a hearty vote of thanks was accorded to the chairman, directors and staff.

At subsequent meetings the capital proposals were approved.

W. J. BUSH AND COMPANY, LIMITED

FACTORS AFFECTING TRADE

The forty-first annual general meeting of the shareholders of W. J. Bush and Company, Limited, was held, on the 26th instant, at the Great Eastern Hotel, Bishopsgate, London, Mr J. M. Bush (chairman and managing director) presiding.

The Chairman said:—Gentlemen, subject to your approval, I propose to take the directors' report and statement of accounts for the year ended December 31, 1937, as read. The net profit is slightly below that of the previous year, which was the largest in the history of the company. The outlook for the current year indicates the probability that there will be a decline in our profits. The war in the Far East is seriously affecting our export trade, and our shipments to Japan and China during the first four months show a very considerable decline from the corresponding period in the previous year. The manifold restrictions controlling international trade in many countries still continue. In another direction a lot of our raw materials have increased in price without it being possible to increase the selling prices of our finished products.

During the past year we have appointed Mr William J. Thomas a director of the company. Mr Thomas is the manager of our Australian branch. He has been in the service of the company for fifty-six years and manager of our Australian branch for forty-three years, during which time the turnover and the number of employees in Australia have largely increased.

Your directors consider it desirable to continue the policy of writing down goodwill. We therefore recommend the appropriation of £50,000 for this purpose, thus reducing the valuation of this asset to nil. When the company was formed the goodwill item in our balance sheet stood at £132,115.

A conspicuous item in the balance sheet is the amount of expenditure on plant and machinery. Chemical processes are constantly being changed or modified, and we propose appropriating £5,000 against possible plant obsolescence. We also propose adding a similar sum to the reserve against buildings.

I take this opportunity of expressing the appreciation of the board of the loyal and able services of the managers and employees in England, in our branches abroad, as well as those employed by our subsidiary companies.

The report and accounts were unanimously adopted.

ODHAMS PRESS, LIMITED

SUCCESS OF THE WATFORD UNDERTAKING

The eighteenth annual general meeting of Odhams Press, Limited, was held, on the 26th instant, at the Connaught Rooms, London.

The Right Hon. Lord Southwood of Fernhurst (the chairman and managing director), who presided, said that the profit for the year amounted to £340,192 as compared to £351,553 for the previous year, a reduction of £11,361. That was chiefly due to the disturbance of trade consequent upon the Coronation celebrations. With regard to the trading account, the reduction of £42,700 in the trading profit must be taken in conjunction with the increase of £25,100 in dividends and interest receivable, which, in effect, represented trading profits derived from subsidiary companies.

Included under the heading of profit and loss appropriation was the sum of £29,000 in respect of the guaranteed preference dividend of Odhams (Watford), Limited, in which their company owned all the ordinary shares. That company was now trading on a satisfactory profit-earning basis and the guaranteed preference dividend was repayable to their company out of the future profits.

Copyrights showed an increase of £69,000. The greater part of that was represented by the expenditure on the launching last June of the new journal *Woman*. That publication had already proved to be very successful and had attained a weekly net sale of more than 500,000 copies, with a commensurate advertisement revenue. It was already the leading journal in the field of women's weeklies.

The facilities for rapid, efficient colour printing available at their Watford company's works had made it possible for this and other of the company's publications to set up a higher standard than that which had hitherto prevailed.

With regard to Odhams (Watford), Limited, the programme of extension foreshadowed last year had had to be extended to enable that company to handle the large volume of work available. The Speedy process of colour printing, of which that company had the sole British rights, was proving very successful. An issue of capital would be made shortly in order to finance those extensions to the factory and plant of that company. It was intended that preferential opportunities to subscribe would be offered to the shareholders of all the Odhams group.

The report was adopted and a final dividend of 7½ per cent., making 12½ per cent. for the year, was approved.

INDUSTRIAL AND GENERAL TRUST,
LIMITED

DIVIDEND INCREASED TO TWELVE PER CENT.

The fifteenth ordinary general meeting of the Industrial and General Trust, Limited, was held, on the 26th instant, in London.

Mr. W. Sandford Poole (the chairman) said that the revenue account showed results more satisfactory than he had felt justified in forecasting last year, when there were many circumstances prompting caution in estimating future prospects. It was gratifying, therefore, that the revenue figures, which reflected the improved commodity prices and the revival of home industry in the previous year, showed substantial expansion in spite of economic disturbance and world unrest and also larger levies for taxation.

The international situation had provided continual cause for anxiety during the year. The complete default by Brazil in the service of its external debt was an unexpected and nasty shock. Her conduct in this matter appeared inexcusable for there was no doubt that she could pay some part of the interest, if not the whole. If no move was made by the Government of Brazil before June 1st, he suggested that a meeting of the holders of Brazilian bonds should be held in July and that the Brazilian Ambassador be invited to attend. The re-armament of Great Britain, with the consequent restoration of its influence in international affairs, was a reassuring factor. The conclusion of the agreement with Italy was another. The spirit of realism which Mr Chamberlain had imported into our foreign policy held hopes for a better understanding abroad.

In the economic sphere the outstanding source of disturbance had been the business depression in the United States. At home the results of the past year had shown continued progress in both industrial production and profits. Our external trade, however, continued to show the need for an expansion of overseas markets. Trade returns in the early months of the current year had definitely indicated a downward trend, but the position of industry in this country was sounder than it had been five years ago.

The directors recommended a final dividend of eight per cent. less tax, making twelve per cent. for the year against eleven per cent. for the previous year.

The report was adopted.

MID-EUROPEAN CORPORATION,
LIMITED

INCREASED REVENUE

The fourteenth annual ordinary general meeting of this company was held, on the 23rd instant, in London.

Mr Norman Holden, the chairman, in the course of his speech, said:—During the last few years I have been able to tell you of the steady appreciation in the value of our securities so that while, in June, 1932, the total depreciation of the combined companies, including losses written off in Lothbury Continental Company, was about £1,050,000, by March last year it had been reduced to £290,924, on the whole a satisfactory result. But in one single year the depreciation has gone back to £827,159. A valuation made one month later showed that £68,118 of this amount had been recovered. Our net revenue, after debenture interest, income tax and N.D.C., has improved from £50,639 to £54,485.

The idea seems widespread that we are going back into a long-drawn-out depression. That there is a depression is obvious, but that it will result in continued decrease in trade and profits does not seem to be either proved or obvious. In some directions there are signs of a small recovery and the correct view may well turn out to be that there is really only a lag of a comparatively short period.

Probably many industrialists were frightened at the beginning of last year that there would be a shortage of materials and bought too heavily ahead to protect themselves against rapidly rising costs. But so soon as they reduce these stocks they will begin to buy again and business will expand once more.

International politics and the American situation are the two bug-bears. As to international relations I have nothing to say. As to America it is very largely a matter of internal politics and the position might easily improve in a comparatively short period.

Finally, your corporation has during the year reduced its bank overdraft from £102,944 to £28,928, and issued a further £37,024 of 4 per cent. debenture stock, making a total of £82,938 now in issue. This is a satisfactory accomplishment, and places the corporation in a reasonable position to take advantage of any recovery.

The report and accounts were unanimously adopted and a final dividend of 2½ per cent. on the ordinary stock, less income tax, making 3½ per cent. for the year, was approved.

LONDON COUNTY FREEHOLD AND
LEASEHOLD PROPERTIES, LIMITED

ANOTHER SATISFACTORY YEAR

The annual ordinary general meeting of the London County Freehold and Leasehold Properties, Limited, was held, on 25th instant, at 114/116, Park Street, London.

Mr Thos. J. Cullen (vice-chairman and managing director) presided in the absence through indisposition of the chairman, Sir William Burton, and moved the adoption of the directors' report, which stated that the net revenue for the year was £396,101, compared with £392,470 for the previous year. The directors recommended a final dividend of 4 per cent. and a bonus of 1 per cent., making the total distribution to the ordinary stockholders 11 per cent. for the year. It was the eighth successive year the total ordinary stock dividend and bonus had been maintained at that rate. The surplus revenue had steadily increased to the present figure of £94,756. The surplus of assets over all liabilities, including preference and ordinary stock, was £1,555,391.

The income from flats let at inclusive rentals for varying terms of years must of necessity suffer the incidence of increased outgoings until the rents could be adjusted, and, in view of the substantially increased burdens which property let at inclusive rents now had to bear, the result of the year's work was, in the opinion of the directors, satisfactory. Unrest of whatever kind had its effect in diminishing the number of prospective tenants willing to enter into relatively long-term commitments, yet their void percentage at March 31st last was still lower than the average percentage at that date for the past six years.

The company had acquired the site of Nos. 421/429 Oxford Street, and it was proposed to erect a really outstanding and efficiently planned building. Certain portions of the new building would be occupied by the company as its head office, and the remainder would be let to commercial interests on attractive terms. Although the building would not be completed until the Autumn, they had already received inquiries from prospective tenants. In their opinion, the new Keysign House in Oxford Street would soon become a well-known landmark and prove of mutual benefit to applicants, to tenants and the company.

The report was unanimously adopted.

TELEPHONE MANUFACTURING
COMPANY, LIMITED

INCREASED DEMAND FOR COMPANY'S PRODUCTS

The eighth annual general meeting of Telephone Manufacturing Company, Limited, was held, on the 23rd instant, in London.

Mr Fred T. Jackson (chairman and managing director) said that the net profit for the year amounted to £40,016, and it was proposed to pay a final dividend of 6½ per cent., making 9 per cent. for the year. The orders received in 1937 showed an increase of 8 per cent. as compared with 1936, and there had been an increase of 13 per cent. in the works output. During the first four months of the current year the orders received showed a substantial increase compared with the corresponding period of 1937. Although this increase might not be maintained during the remaining eight months, they were of the opinion that they would continue to have a satisfactory order book. The policy of the directors was firmly to establish the company's reputation on quality production at reasonable prices.

The bakelite plant had been working at full capacity for the whole of the year and was likely to be well employed during 1938. The condenser plant had also been well employed, and there was an increase in orders amounting to 66 per cent. The department devoted to the manufacture of A.C. synchronous clocks had made further progress, the increase in orders being 68 per cent. During the year they had put into production a new synchronous motor, which was proving very satisfactory. "Temco" electric clocks were most reliable and everyone should have at least one in their homes if only to set their spring-wound clocks to the correct time. In the marine department the order book again showed an increase, and there was every prospect that in the current year a record output would be achieved.

They were able to record that every year since they commenced manufacturing marine telephone apparatus that department had increased its turnover, and they were now in the position to claim that they were the leading manufacturers of such apparatus, including among their customers all the bigger steamship lines as well as the Admiralty. Orders for new telephone apparatus had increased by 59 per cent. and had expanded still further in the current year.

The report was unanimously adopted.

MADRAS ELECTRIC SUPPLY
CORPORATION, LIMITED

NORMAL BUSINESS EXPANSION MAINTAINED

The ordinary general meeting of this company was held, on the 25th instant, in London, Mr James Gray (the chairman) presiding.

The Chairman, in moving the adoption of the report and accounts, said: The normal expansion of the business was maintained last year, the total number of consumers connected having been increased by 9.1 per cent. and the number of units sold during the year by 18.7 per cent. The increase in units sold applied to every section of our business, indicating that the advantages of electricity are being more commonly recognised in Madras. Notwithstanding these increases, the table appearing in the report indicates a reduction in the balance on revenue account of £2,227. The reduced tariffs (which were granted to every class of consumer), came into operation in their entirety as from January 1, 1937.

There is a total available for distribution of £114,271. The directors recommend payment of a final dividend of 5½ per cent. (actual) on the ordinary shares, making 8 per cent. for the year, free of income tax, leaving £41,566 to be carried forward, as against £38,665 brought in.

The sum of £90,627 added to "capital expenditure" during the year is explained by the completion and setting to work on May 26th last of the 15,000 k.w. set; the installation of new high-tension switch-gear of higher rupturing capacity; additions to the equipments of various sub-stations to meet the increased demands for supplies of current; together with the augmentation of mains and expenditure on land and buildings.

The improvement reported at our last general meeting in the tramway traffic receipts was maintained during the year. The result of the Tramway Company's working for 1937 showed a gross profit of £36,920. After debiting interest and London office expenses, providing £8,450 for debenture service and transferring £12,500 to depreciation and renewal account, there remained a balance of £12,799. To this had to be added £8,500 brought forward, making a total of £21,299. The preference dividend absorbed £7,500, and a dividend on the ordinary shares of 5 per cent. for the year was declared, absorbing £3,875, leaving £9,924 carried forward.

The report and accounts were unanimously agreed to.

(Continued from page 502)

tons last weekend, representing an increase of 361 tons on the week. The market, however, was affected but little by these unfavourable figures, and after a relapse early in the week, the closing price at £162 15s. per ton showed a net gain of £1 per ton over last week's close. There are now more tangible prospects that the buffer pool question will be settled within the next few days. The I.T.C. is to meet on Thursday of next week and by then the Malayan attitude towards the pool is likely to be known.

★

Lead and Spelter.—Lead lost 7s. 6d. to close at £13 15s. per ton, while spelter declined by 2s. 6d. to £12 10s. per ton. The basic position of the two markets has not changed this week. In the United States stocks of lead have risen from 143,500 short tons at the end of March to the new high level of 156,700 short tons at the end of April. United States lead deliveries fell from 31,100 short tons in the preceding month to 26,000 short tons, while production increased simultaneously from 36,400 to 39,300 short tons.

Grains

The wheat market has been dull and prices, where changed, are somewhat lower; buyers are only covering their immediate requirements and are disinclined to buy forward. It is expected that Italy will have to buy considerable quantities to make good the failure of her wheat crop; on the other hand, the French Government is already seriously concerned by the prospects of a large

BATANG CONSOLIDATED RUBBER
ESTATES, LIMITED

DIVIDEND OF FOUR PER CENT.

The eighteenth ordinary general meeting of this company was held, on the 20th instant, at 19 Fenchurch Street, London.

Mr E. F. Slade (the chairman), who presided, said:—The profit for the year is £12,071, or approximately £200 more than for 1936. The selling price of our product was approximately ¾d. per pound more than last year, but costs work out at almost 1d. per pound more, the whole of which increase is accounted for by the increased cost of native labour and a higher Government duty. Our standard assessment for the present year has been reduced to 840,000 pounds, but what we shall be allowed to export it is impossible to say until the edict of the International Committee is known.

Our manuring programme has been continued with satisfactory results. The present programme covers the manuring of over 1,000 acres a year at the proper intervals up to 1942. One hundred and eighty-one acres of the oldest and poorest rubber on your property is at present in course of replanting. Felling and stacking has been completed over the whole area and already an area of 90 acres has been clean cleared. The greatest care is being taken to ensure first-class agricultural conditions. The greater portion of this estate was planted many years ago, and while it is still capable of producing rubber at a reasonable cost, yet what is really requisite is the acquisition of one, two or even three thousand acres of young well-planted rubber. Such an acquisition should make the company's profit-earning capacity secure in the future. Your directors have been, and are, constantly on the look out for a property or properties which would fill these requirements.

In all probability the necessity of writing down the capital of this company will arise and, when the time is ripe, your directors will have the acumen and the courage to put the matter before you fully and clearly. The forward sale made last year, covering 60 tons at 11½d. c.i.f. for this year, deliverable at the rate of five tons per month, is a great advantage to the company at this time, when the market for the raw material is in such a depressed state.

The directors propose to pay a dividend of 4 per cent. and there will be £10,638 to carry forward, subject to bonus to estate staff.

The report was unanimously adopted.

surplus of native wheat. The break in the drought brought a slackening in the demand for maize, but prices are little changed; the market for feeding barley has also been quiet.

Other Foods

Provisions.—The bacon market has been quiet, and prices have fallen by about 2s. per cwt.; Danish and English were quoted at the end of the week at 98s. per cwt. Prices have also fallen in the butter market; New Zealand and Danish were about 4s. per cwt. cheaper at 126s. and 128s. per cwt. respectively. The somewhat smaller supplies of beef and veal met a good demand and prices are a little higher; those of mutton and pork also tended to rise. The market for cheese was steady, while egg prices show a small decline.

★

Colonial Produce.—Sugar prices were reduced by 1½d. per cwt. early this week, since when the market has been steady. Coffee from Costa Rica has been cheaper than last week, but other varieties show no change. The cocoa market has been quiet, and quotations for medium and strong teas at the tea auctions have tended to fall.

★

Fruit.—The markets have been steady, with a good demand for all varieties, according to *The Fruitgrower*. Larger quantities of English strawberries are selling well; supplies of oranges are still light and demand is firm. There is a good inquiry for apples and prices are unchanged.

Vegetables.—New potatoes are coming in larger quantities, and the price of Jersey supplies has dropped to 20s. to 22s. per cwt. The demand for old potatoes is slackening, particularly for "seconds." Prices of spring cabbage and greens were somewhat lower over the weekend as the supply had increased, but supplies of cauliflower are still short.

Miscellaneous
Commodities

Oilseeds and Oils.—Extremely quiet conditions have prevailed in practically all sections, and prices have eased. Calcutta linseed for August shipment to Hull has been sold for £12 5s. or less; crushers have covered their immediate requirements and are showing no interest in futures. Egyptian cottonseed is selling quietly for immediate delivery. The price of linseed oil has again fallen, and is now £5 10s. less than at the beginning of March; refined cotton seed is quoted at £19 15s. per ton ex mill. The demand for oilcakes is poor and prices are lower.

★

Rubber.—Markets have been dull and the European crisis caused a drop in price over the weekend. Some of this was made good on Monday, but prices show a decline of ¾d. to 1½d. per lb. on the week. Consumption in America shows no sign of recovery and in fact appears to be slowly falling.

CURRENT STATISTICS

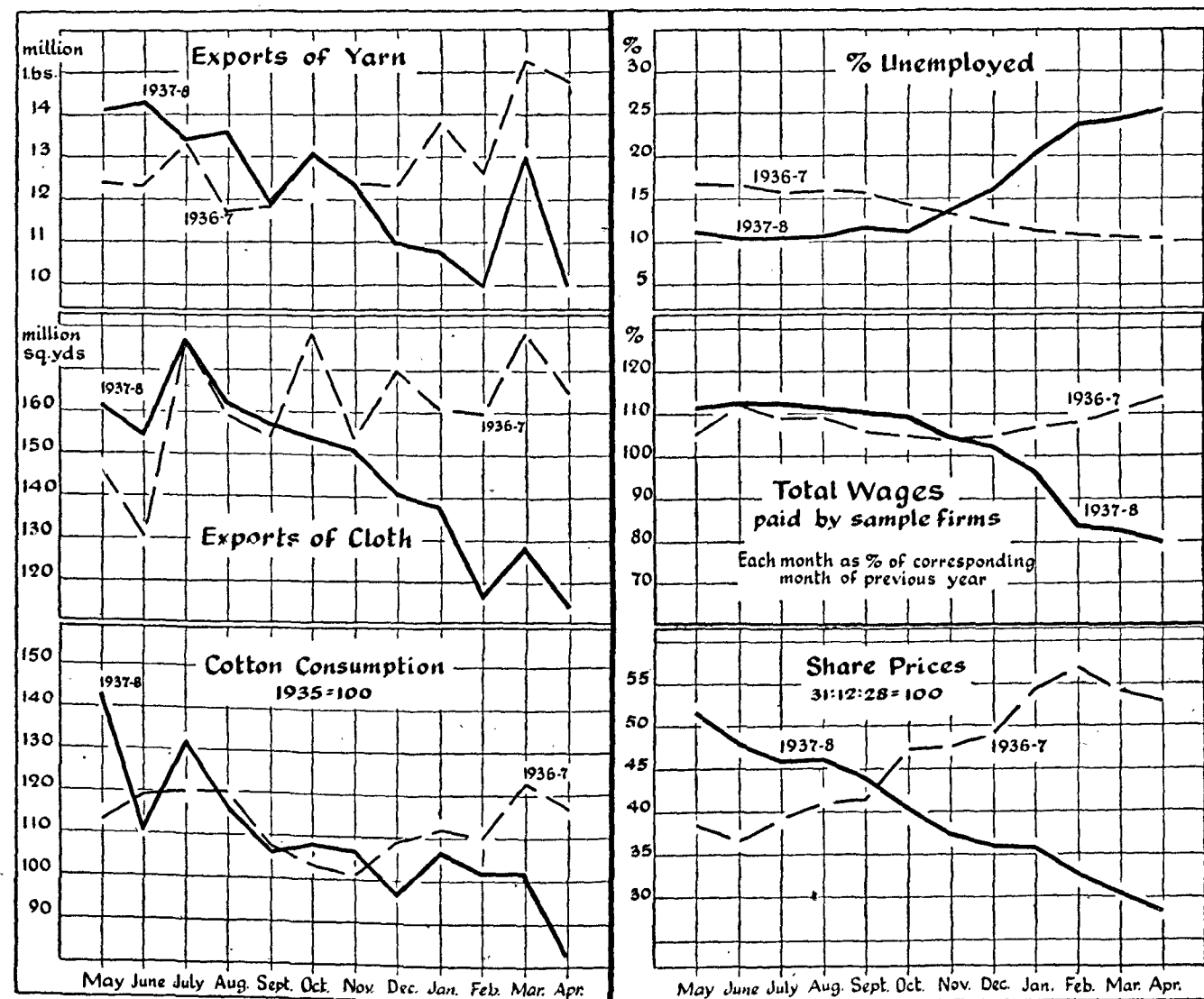
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

Depression in the Cotton Industry

In the following charts, which compare figures for the 12 months ended last April with the corresponding figures for the 12 months ended April 1937, we draw attention to the present situation of the cotton trade. The *Economist* index of raw cotton consumption shown on the left-hand side represents the volume of deliveries to mills; it is placed on a daily basis and corrected for seasonal fluctuations. On the right-hand side the unemployment percentages refer to insured persons aged 16-64 in Great Britain. For 1936-37 all the percentages are based on the numbers insured in July 1936 and for 1937-38 on the numbers insured in July 1937. In the latter case the figures have been adjusted upwards from October 1937 to allow for the change in the method of counting. This adjustment, which we make for purposes of comparison, in no case amounts to more than 0.7 per cent. and for last April we show a figure of 25.5 per cent., compared with 25 per cent. on the new basis. The figures of wages refer to firms reporting to the Ministry of Labour and are for one week in each month. To avoid confusion, owing to the fluctuations from month to month in the number of firms included, the wage bills of firms reporting in any one month are expressed as a percentage of the wage bills of the same firms for the corresponding month of the preceding year. For share prices we have used the Actuaries' Index.



Finance

GOVERNMENT RETURNS

For the week ended May 21, 1938, total ordinary revenue was £12,970,000, against ordinary expenditure of £12,902,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £39,403,000, against a deficit of £18,750,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1, 1937	April 1, 1938	Week ended May 21, 1937	Week ended May 21, 1938
ORDINARY REVENUE	11,573	10,369	4	5
Income Tax	3,700	4,680	370	410
Sur-tax	13,270	9,440	1,500	1,150
Estate, etc., duties	1,860	1,850	200	260
Stamps	...	930	...	170
N.D.C.	70	70	...	...
Other Inland Rev.	...	...	...	...
Total I. Revenue	30,473	27,339	2,074	1,995
Customs	30,985	29,620	3,342	4,062
Excise	17,300	17,100	5,900	6,100
Total Customs and Excise	48,285	46,720	9,242	10,162
Motor duties	4,151	4,139	...	...
P.O. (net receipt)	6,430	5,600	...	800
Crown Lands	160	150	...	...
Receipts from Sun. Loans	271	274	...	13
Misc. receipts	741	756	...	...
Total Ordinary Rev.	90,511	84,978	11,316	12,970
SELF-BAL. REVENUE				
Post Office and Broadcasting	6,820	8,000	1,400	900
Total	97,331	92,978	12,716	13,870

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1, 1937	April 1, 1938	Week ended May 21, 1937	Week ended May 21, 1938
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	38,804	39,020	397	501
Payments to N. Ireland	497	514	...	...
Other Con. Fund Services	334	344	...	51
Total	39,635	39,878	397	552
Supply Services†	69,626	84,504	5,950	12,350
Total Ord. Expend.	109,261	124,382	6,347	12,902
SELF-BALANCING EXPENDITURE				
Post Office and Broadcasting Votes	6,820	8,000	1,400	900
Total	116,081	132,382	7,747	13,802

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting.

After raising Exchequer balances by £220,192 to £2,849,135, the other operations for the week (as shown below, but excluding £240,000 issued to Sinking Funds), raised the gross National Debt by £393,000 to about £8,186 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES IN DEBT (£ thousands)		NET REPAYMENTS, ETC.	
Pub. Depl. Adv.	2,070	Treasury bills	2,097
Nat. Savings Certs.	150	P.O. & Tel. (Mon.)	300
		Acts	300
		N. Atlantic Shipping	30
			2,820
			2,427

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to May 21, 1938, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	124,382	Ordinary Rev.	84,978
Inc. in balances...	485	Gross borr. 40,674	
		Less:	
		New S.F.	785
		Net borrowing	39,889
	124,867		124,867

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1937						
Mar. 31	674.6*	23.5	...	698.1	...	...
May 22	530.0	141.0	26.5	697.5	167.5	...
Dec. 31	889.7*	39.4	55.7	984.9	...	...
1938						
Feb. 5	572.0	281.7	33.6	887.3	315.3	...
" 12	557.0	276.9	31.9	865.8	308.8	...
" 19	542.0	275.5	31.3	848.8	306.8	...
" 26	532.0	273.1	39.2	844.3	312.3	...
Mar. 5	522.0	282.4	39.8	844.2	322.2	...
" 12	517.0	283.8	38.9	839.8	322.7	...
" 19	512.0	288.5	35.6	836.1	324.1	...
" 31	828.7*	13.1	...	841.8	...	...
Apr. 9	512.0	304.9	30.6	852.5	335.5	...
" 16	522.0	306.8	28.6	858.9	335.4	...
" 23	532.0	296.1	27.2	855.3	323.3	...
" 30	545.0	288.6	36.5	870.2	325.1	...
May 7	560.0	281.6	35.9	885.4	317.5	...
" 14	570.0	278.1	39.2	887.3	317.3	...
" 21	570.0	276.0	41.8	887.8	317.8	...

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS

Date of Tender	Amount (£ millions)			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
May 21	40.0	78.7	40.0	s. d.	60
Dec. 31	50.0	80.5	50.0	10 11.58	47
1938					
Feb. 4	30.0	88.4	30.0	10 0.98	18
" 11	30.0	87.7	30.0	10 0.89	18
" 18	35.0	86.6	35.0	10 1.04	23
" 25	40.0	92.0	40.0	10 0.99	33
Mar. 4	45.0	97.8	45.0	10 0.94	30
" 11	45.0	92.1	45.0	10 1.35	36
" 18	50.0	82.3	50.0	10 1.54	54
" 25	50.0	84.6	50.0	10 1.31	55
Apr. 1	50.0	77.0	50.0	10 3.24	71
" 8	50.0	85.2	50.0	10 2.65	56
" 15	45.0	85.6	45.0	10 2.82	41
" 22	45.0	88.5	45.0	10 2.95	60
" 29	45.0	80.3	45.0	10 1.99	60
May 6	45.0	87.8	45.0	10 0.69	29
" 13	30.0	73.5	30.0	10 1.12	29
" 20	35.0	74.3	35.0	10 1.11	35

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On May 20th, applications at £99 17s. 5d. per cent. for bills to be paid for on any day except Saturday of the following week were accepted as to about 35 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Saturday at £99 17s. 6d. per cent. and above were allotted in full. £45.0 millions of Treasury bills are being offered on May 27th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
18 weeks to:—		
May 8, 1937†	12,428,796	9,321,596
May 7, 1938	12,207,007	9,155,254
Week to:—		
May 8, 1937	605,048	453,786
Apr. 30, 1938	642,972	481,929
May 7, 1938	719,334	539,500

† After adjustments to March 27th. N.B.—Net Exchequer receipts, week to May 7, 1938: Dr. £100,000.

BANK OF ENGLAND RETURNS

MAY 25, 1938

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt...	11,015,100
In circula.	480,200,077	Other Govt. Securities...	188,480,775
In Bnk. Department	46,209,876	Other Securities	493,516
		Silver Coin	10,609
		Amt. of Fid. Gold Coin & Bullion	200,000,000
	526,409,953		526,409,953

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. capital	14,553,000	Govt. Secs...	95,671,164
Rest	3,211,720	Other Secs...	9,527,760
Public Depts.*	26,477,229	Discts., etc.	19,419,276
Other Depts.	36,103,325	Securities	28,947,036
Bankers	91,248,476	Notes	46,209,876
Other	127,351,801	Gold & Silv. Coin	765,674
	171,593,750		171,593,750

* Including Exchequer, Savings Banks, Commis-sioners of National Debt, and Dividend Accounts.

THE WEEK'S CHANGES

Both Departments	Compared with	
	Amt. May 25, 1938	Last Week
COMBINED LIABILITIES		
Note circulation	480,200 + 1,608	4,981
Deposits: Public	26,477 - 2,025	1,613
Bankers	91,249 - 1,927	124
Others	36,103 + 134	1,376
Total outside liabilities	634,029 - 2,209	5,094
Capital and rest	17,765 + 11	25
COMBINED ASSETS		
Govt. debt and securities	295,167 - 2,425	1,035
Discounts and advances	9,528 + 1,773	4,663
Other securities	19,913 - 1,581	5,685
Silver coin in issue dept.	11 same	1
Gold coin and bullion	327,176 + 35	5,055
RESERVES		
Res. of notes & coin in banking department...	46,976 - 1,573	74
Proportion of reserve to outside liabilities—		
(a) Bankg. dept. only ("proportion")	30.5% - 0.3%	same
(b) Gold stocks to deposits and notes ("reserve ratio")	51.6% + 0.2%	0.4%

COMPARATIVE ANALYSIS

	1937		1938	
	May 26	May 4	May 11	May 25*
Issue Dept.:				
Notes in circ.	475.2	490.5	482.2	478.6
Notes in bank-ing dept.	46.0	35.9	44.2	47.8
Govt. debt and securities	194.7	199.8	199.7	199.5
Other sec.	5.3	0.2	0.3	0.7
Gold	321.3	326.4	326.4	326.4
Deposits:				
Public	24.8	10.7	36.6	26.5
Bankers	91.4	117.4	87.9	93.2
Others	37.5	36.0	35.5	36.0
Total	153.7	164.1	160.0	157.7
Bkg. Dept. Secs.:				
Government	99.5	117.8	105.7	98.3
Discounts, etc.	4.9	8.2	7.6	7.8
Other	20.2	19.3	19.4	19.4
Total	124.6	145.3	132.7	126.6
Banking dept. reserve	46.9	36.7	45.0	48.5
"Proportion"	30.5	22.3	28.7	30.8
Reserve ratio†	51.2	50.0	50.9	51.4

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £10,609, capital, £14,553,000; rest, £3,211,720.

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THE ECONOMIST

May 28, 1938

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of International Settlements for the week ending May 21st, 1938, is as follows: Argentina, 14th; International Settlements and Denmark, 14th; France, Australia, Bulgaria, Estonia, Finland, Greece, Latvia, Netherlands, New Zealand, Norway, Poland and Sweden of May 21st.

BANK OF SPAIN

Assets	May 25, 1938	July 25, 1938	Aug. 30, 1938	Apr. 30, 1938
Gold	2,228	2,202	2,202	1,606
Silver	676	656	650	549
Discounts	1,077	1,090	1,082	1,034
Credit balances & loans	1,603	1,666	1,747	1,936
Treasury bills	76	76	76	70
Securities	41	41	41	117
Public Treasury Acc.	128	126	120	9,160
LIABILITIES				
Notes in circulation	5,434	5,454	5,573	9,212
Deposits	1,058	1,157	1,170	6,171

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS	May 1938	Apr. 1938	May 1938	May 26, 1938
Gold cert. on hand and due from Treas.	8,838	10,642	10,640	10,639
Total reserves	9,146	11,103	11,063	11,060
Total cash reserves	296	452	414	412
Total bills discounted	16	8	1	9
Total bills in open mkt.	22	9	1	9
Total bills on hand	22	9	1	9
Industrial advances	2,252	2,564	2,564	2,564
Total U.S. Govt. secs.	2,570	2,590	2,589	2,590
Total bills and secs.	12,436	14,327	14,362	14,291
LIABILITIES				
F.R. notes in actual circulation	4,184	4,120	4,124	4,117
Aggregate of excess mkt. bank res. over reqts.	940	2,580	2,560	2,630
Deposits — Member bank reserve account	6,944	7,661	7,622	7,716
Govt. deposits	80	1,321	1,233	1,183
Total deposits	7,285	9,326	9,288	9,286
Cap. paid in and surplus	306	309	309	309
Total liabilities	12,436	14,327	14,362	14,291
Ratio of total res. to deposit and F.R. note liab. combined	79.7%	82.6%	82.5%	82.5%
U.S.F.R. BANKS AND TREASURY COMBINED				
RESOURCES				
Monetary gold stock	11,977	12,860	12,892	12,905
Treasury and Nat. currency	2,546	2,690	2,697	2,701
LIABILITIES				
Money in circulation	6,399	6,355	6,402	6,393
Treasury cash and deposits with F.R. Bks.	3,220	3,513	3,509	3,431

NEW YORK FEDERAL RESERVE BANK

Assets	May 1938	Apr. 1938	May 1938	May 26, 1938
Total gold reserves	346.2	471.8	465.9	469.8
Total bills discounted	8.1	3.2	6.1	0.2
Bills in open mkt.	2.0	0.2	0.1	0.2
Total U.S. Govt. secs.	725.0	745.8	745.8	745.8
Total bills and securities	741.0	752.9	752.6	752.7
LIABILITIES				
Member bank reserve account	306.8	4,363.6	3,552.5	3,640.9
Total res. to dep. and Fed. Res. note liabilities combined	84.2%	87.7%	87.6%	87.7%

FEDERAL RESERVE REPORTING MEMBER BANKS

Assets	May 1938	Apr. 1938	May 1938	May 26, 1938
Loans, total	9,540	8,567	8,517	8,451
Investments	12,665	12,227	12,325	12,359
Reserve with Federal Reserve Bank	5,359	5,813	5,943	6,001
Due from domestic bks.	1,783	2,051	2,266	2,277
LIABILITIES				
Deposits: demand (adjusted)	15,376	14,425	14,450	14,598
Time	5,201	5,218	5,226	5,207
U.S. Government	207	627	568	546
Inter-bank	5,722	5,593	6,048	5,994

† In this item, comparison between May 20, 1937, onwards and preceding weeks is affected by a revision of the statement.

REICHSBANK

Assets	May 1938	Apr. 1938	May 1938	May 26, 1938
Gold	22	14	23	23
Of which held abroad	68.5	70.8	70.8	70.8
Res. in foreign currencies	19.4	20.3	20.3	20.3
Bills of exchange and cheques	6.0	5.4	5.5	5.6
Silver and other coin	4497.9	5067.8	5229.3	5022.4
Advances	33.5	41.3	54.4	45.9
Investments	414.4	417.8	844.1	844.1
Other assets	772.5	1640.6	1244.3	1273.9
LIABILITIES				
Reserve	493.0	514.4	514.4	514.4
Notes in circulation	4437.6	5283.3	5803.7	5608.3
Other daily maturing obligations	778.9	1318.2	955.0	1007.5
Other liabilities	183.5	220.5	234.1	234.4
Cover of note circula.	1.67%	1.44%	1.30%	1.36%

NATIONAL BANK OF BELGIUM

Assets	May 1938	Apr. 1938	May 1938	May 26, 1938
Gold	3,126	3,101	2,801	2,734
Silver and other coin	52	50	51	54
Foreign exchange, etc.	1,132	1,132	758	718
Bills and securities	570	566	816	872
Advances	37	45	158	137
LIABILITIES				
Notes in circulation	4,389	4,366	4,244	4,128
Deposits: Govt.	38	43	40	15
Other	403	398	215	287

BANK OF CANADA

Assets	May 1938	Apr. 1938	May 1938	May 26, 1938
Reserve, of which	204.5	203.3	200.1	204.8
Gold coin and bullion	188.6	180.7	180.7	180.8
Securities	149.7	170.4	169.9	170.9
LIABILITIES				
Note circulation	131.0	153.4	157.4	157.5
Deposits: Dom. Govt.	21.8	24.4	8.8	16.7
Chartered banks	194.2	183.4	195.6	191.9
deposit liabilities	58.8%	55.8%	54.9%	55.5%

NATIONAL BANK OF CZECHOSLOVAKIA

Assets	May 1938	Apr. 1938	May 1938	May 26, 1938
Gold	2,578	2,658	2,656	2,655
Balance abroad and foreign currencies	121	464	410	400
Discounts and advances	2,081	2,619	2,856	2,876
State notes debt	2,017	2,007	2,007	2,007
LIABILITIES				
Bank notes in circula.	5,511	6,709	6,965	6,800
Deposits	573	659	528	731

BANK OF DANTZIG

Assets	May 1938	Apr. 1938	May 1938	May 26, 1938
Gold coin and bullion	29.57	28.38	28.38	28.38
Danzig subord. coin	4.62	3.51	3.27	3.85
Balance abroad and foreign bills	2.31	3.14	3.41	4.97
Discounts	12.80	13.49	13.27	13.47
LIABILITIES				
Notes in circulation	29.65	32.16	35.40	32.81
Deposits on demand	15.69	14.87	12.50	16.62

NATIONAL BANK OF EGYPT

Assets	May 1938	Apr. 1938	May 1938	May 26, 1938
Banking Department: LIABILITIES				
Capital	2.92	2.92	2.92	2.92
Reserves	2.92	2.92	2.92	2.92
Government deposits	9.47	7.78	7.87	8.12
Other deposits	20.53	18.44	19.06	18.31
Other accounts	3.42	3.51	3.69	3.14
ASSETS				
Cash: Notes	1.12	1.44	1.16	1.30
Gold, silver, etc.	0.64	0.72	0.75	0.80
Money at call, etc.	1.02	1.31	1.28	0.83
Investments	26.02	22.75	23.42	23.02
Advances	3.53	5.20	4.71	4.57
Bills	1.76	1.67	1.56	1.44
Other accounts	5.16	3.48	3.57	3.47
Note Issue Department: LIABILITIES				
Notes issued	22.00	21.60	21.10	21.20
ASSETS				
Gold	6.24	6.24	6.24	6.24
Brit. Treas. bills & bonds	6.54	6.14	5.64	5.74
British War Loan at par	7.72	7.72	7.71	7.72
Egyptian Govt. secs. at market price	1.50	1.50	1.50	1.50

NATIONAL BANK OF HUNGARY

Assets	May 1938	Apr. 1938	May 1938	May 26, 1938
Metal reserve:				
Gold coin and bullion	84.1	84.1	84.1	84.1
Foreign exchange	49.1	66.8	70.7	70.9
Token money	8.5	9.1	8.6	8.4
Int. bills, wts. & sec.	415.2	440.9	471.4	445.3
Advances to Treasury	104.3	118.5	118.5	120.0
LIABILITIES				
Notes in circulation	412.1	527.1	585.4	550.9
Current accounts, deposits, etc.	191.5	237.8	213.6	224.9
Cash certificates	92.9	69.7	69.7	69.7

BANK OF JAPAN

Assets	May 1938	Apr. 1938	May 1938	May 26, 1938
Coin and bullion: Gold	545.4	801.0	801.0	801.0
Other	45.1	35.2	36.0	36.9
Discounts and advances	769.7	515.3	568.8	507.6
Government bonds	701.7	1042.9	1176.2	1051.1
Agencies' accounts	117.8	115.9	132.3	114.5
LIABILITIES				
Notes issued	1399.4	1761.8	1986.3	1784.3
Current accounts, deposits, etc.	429.9	378.5	370.3	358.1
Notes: Government	62.6	107.6	89.8	103.0
Other				

RESERVE BANK OF INDIA

Assets	May 1938	Apr. 1938	May 1938	May 26, 1938
Gold coin & bullion	445	444	444	444
Rupee coin	546	586	587	587
Balances abroad	267	53	43	40
Foreign securities	803	788	788	788
Indian Govt. rupee securities	274	324	324	324
Investments	76	71	70	69
LIABILITIES				
Notes in circula.	1,956	1,810	1,783	1,779
India				
Burma	156	79	80	80
Deposits: Govt.	107	151	153	148
Banks	252	123	138	146
Gold and sterling liabilities	60.2%	57.5%	57.5%	57.5%

BANK OF JAVA

Assets	May 1938	Apr. 1938	May 1938	May 26, 1938
Gold and silver	126.88	136.37	135.22	135.89
Discounts, advances & other investments	73.45	75.56	75.39	76.80
Foreign bills	5.23	1.56	1.68	1.83
Other assets	78.83	60.58	54.24	49.03
LIABILITIES				
Notes in circulation	190.87	185.87	189.24	185.14
Deposits and bills	79.86	75.22	62.74	63.92

NATIONAL BANK OF JUGOSLAVIA

Assets	May 1938	Apr. 1938	May 1938	May 26, 1938
Cash reserve	1,664	1,785	1,824	1,826
Gold at home and abroad	714	404	389	396
Other foreign exchange	1,667	1,595	1,550	1,563
Discounts and advances	1,658	2,240	2,240	2,240
LIABILITIES				
Notes in circulation	5,445	5,857	5,898	5,951
Sight liabilities	2,021	2,627	2,649	2,563

BANK OF LITHUANIA

Assets	May 1938	Apr. 1938	May 1938	May 26, 1938
Gold	76.64	79.13	79.13	79.14
Silver and other coins	8.55	13.42	13.61	13.67
Foreign currency	2.72	1.25	1.88	1.94
Discounts: (a) Home	80.28	95.42	91.82	91.03
(b) Foreign	4.05	3.14	4.41	3.51
Advances	14.25	17.52	17.36	16.57
LIABILITIES				
Bank notes in circula.	106.52	130.64	129.42	124.39
Current accounts	50.80	70.02	59.82	65.20
Deposits	32.74	6.60	14.91	13.91

BANK OF PORTUGAL

Assets	May 1938	Apr. 1938	May 1938	May 26, 1938
Gold	17.2	17.2	17.2	17.2
Balances abroad	575.8	631.8	634.6	628.0
Discounts	321.8	325.1	329.4	331.0
Securities	104.4	120.6	120.6	120.6
Government loans	124.5	104.9	104.9	104.9
LIABILITIES				
Notes in circulation	2055.1	2098.7	2061.5	2041.1
Deposits: Government	572.3	500.7	497.5	494.9
Bankers'	69.6	64.2	65.9	68.6
Other	69.6	34.0	63.0	57.7
Foreign commitments	41.5	52.3	52.1	52.0

SWISS NATIONAL BANK

Million francs				
	May 22, 1937	Apr. 23, 1938	May 14, 1938	May 23, 1938
ASSETS				
Gold	2623.5	2882.5	2851.5	2838.5
Of which held abroad	534.5	1005.5	977.6	968.3
Foreign exchange	20.0	485.0	413.4	397.0
Discounts, etc.	12.6	7.9	6.3	6.3
Advances	30.1	21.9	21.1	20.9
Securities	15.9	27.9	95.1	95.1

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch.	May 19, 1938	May 20, 1938	May 21, 1938	May 22, 1938	May 23, 1938	May 24, 1938	May 25, 1938
London:—	Old Par	4-95½	4-96½	4-95½	4-94½	4-94½	4-93½	4-93½
60 days	New Par	4-96½	4-96½	4-95½	4-94½	4-94½	4-93½	4-93½
Cables	6-2397	4-96½	4-96½	4-95½	4-94½	4-94½	4-93½	4-93½
Demand	6-63	2-79½	2-79½	2-78½	2-77½	2-77½	2-76½	2-76½
Paris, Fr.	32-54	16-83½	16-84	16-83	16-83½	16-83	16-82½	16-82½
Brussels, Bel.	32-54	16-83½	16-84	16-83	16-83½	16-83	16-82½	16-82½
Switz'd. Fr.	8-91	5-26¼	5-26¼	5-26¼	5-26¼	5-26¼	5-26¼	5-26¼
Italy, Lira	40-33	40-17½	40-17½	40-15	40-11½	40-09	40-09	40-09
Berlin, Mk.	23-82	...	...	...	...	...	...	...
Vienna, Sch.	32-67	...	...	...	...	...	...	...
Madrid, Pt.	68-06	55-31½	55-35½	55-22	55-18	55-12½	55-06½	55-06½
Amst'dm. Gldr	22-17½	22-20	22-12½	22-10	22-10	22-10	22-05	22-05
Cop'h'gn. Kt.	145-37	24-95	24-97½	24-90	24-87½	24-87½	24-80	24-80
Oslo, Kr.	...	25-60	25-62½	25-59	25-52½	25-52½	25-45	25-45
St'p'lm, Kr.	1-29½	0-91½	0-91½	0-91	0-90½	0-91	0-90½	0-90½
Athens, Dr.	169-31	99-090	99-250	99-090	99-090	99-090	98-620	98-620
M'ntrel, Can. \$	84-40	28-96	28-96	28-94	28-87	28-87	28-79	28-79
Yokohama, Yen	...	23-25	23-06	23-00	23-12	23-00	23-00	23-00
Shanghai, \$	...	30-80½	30-82	30-74	30-72	30-70	30-62	30-62
B. Aires, Peso	11-96	5-90	5-90	5-90	5-90	5-90	5-90	5-90
Rio, Mx. P.	...	...	...	...	...	...	...	...

Source: T.T. * Dollars per £1. † Official. ‡ Offered.

IMPORTS AND EXPORTS OF GOLD AND SILVER
Week ended May 26, 1938

	Imports			Exports		
	From	Bullion	Coin	To	Bullion	Coin
GOLD						
British S. Africa	1,457,303			Switzerland	138,047	24,500
Netherlands	1,125		37,229	Sweden	1,538,226	497
Belgium	1,826,358			Germany	...	4,558
France	19,021		17,981	Netherlands	...	441,798
Switzerland	48,931		25,601	France	2,305	255,053
Brazil	480,000			Syria	...	3,365
Uruguay	...	656,820		United States	470,450	470,450
Total*	3,923,731		755,131	Total*	2,155,878	730,121
SILVER						
British S. Africa	86			Cyprus	...	8,200
New Zealand	2,934			Mauritius & Dep.	...	3,250
Netherlands	...	146		Madras	2,450	...
Belgium	26,754		6,666	Sweden	1,850	...
Rijksfontein Cons.	...	3,503		Belgium	27,150	...
Switzerland	...	39		France	14,313	...
Ecuador	2,855			United States	91,880	860,000
Total*	34,702		8,555	Total*	142,110	874,069

† Under query. * Including other countries.

TRANSVAAL GOLD OUTPUT

Statistics for April, 1938 (on basis of £6 19s. 6d. per fine ounce)

Name of Mine and Group	Tons Milled	Output Fine ozs.	Net Estimated Value	Working Costs	Profit	Working Costs Per Ton
Anglo-American Corporation						
Bagkop Mines	136,000	...	248,250	144,088	104,162	s. d.
Daggafontein Mines	144,000	...	284,085	149,992	134,093	...
Spring Mines	164,400	...	161,103	317,285	161,103	...
West Springs	89,000	...	125,567	79,732	45,835	...
Central Mining—Rand Mines						
City Deep	102,000	20,498	143,111	...	20,077	24 1-5
Cons. Main Reef	158,000	29,280	204,249	...	46,418	19 11-8
Crown Mines	336,000	82,206	574,164	...	230,208	20 5-7
Durban Roodpt. Deep	103,000	21,206	148,024	...	34,769	21 11-9
East Rand Prop.	203,000	44,653	312,055	...	90,034	21 10-5
Goldenhuis Deep	62,700	9,406	65,689	...	15,042	16 1-8
Modderfontein B.	88,000	14,882	103,872	...	42,364	13 11-8
Modderfontein East	119,000	22,777	158,811	...	55,315	17 4-7
New Modderfontein	192,000	36,009	251,532	...	102,383	15 6-4
Nourse Mines	79,000	16,432	114,651	...	22,703	23 3-3
Rose Deep	72,000	12,134	84,741	...	15,101	19 4-1
General Mining						
Van Ryn Gold	61,000	...	57,557	...	6,570	17 0
West Rand Cons.	172,000	...	240,966	...	98,815	16 10

Transvaal Output, Employment and Working Profit.—Gold output, April, 1938: Witwatersrand, 957,543 fine ounces; outside districts, 25,421 fine ounces; total, 982,964 fine ounces. Value for purposes of declaration, £6 19s. 6d. Total output, March, 1938: 1,012,516 fine ounces. The number of natives employed at end of April was: Gold mines, 316,359; coal

mines, 17,138; total, 333,497. Total estimated working profit for April, 1938: Witwatersrand, £2,475,432; outside districts, £8,983; total, £2,484,415. Comparable figures for March, 1938: Witwatersrand, £2,606,758; outside districts, £9,364; total, £2,616,122.

* On basis of £6 19s. 6d. per fine ounce.

THE ECONOMIST WHOLESALE PRICE INDICES

III.—THIRD (CURRENT) INDEX, BEGINNING JANUARY, 1924

In *The Economist* of March 26th, page 725, we gave a record of the original *Economist* index, from 1851 to 1910. A record of the second index, from December, 1910, to November, 1928, was given in three instalments in *The Economist* of April 2nd (page 66), April 9th (page 126), and April 30th (page 282). Details of the third and current index were given in *The Economist* of December 15, 1937. The figures from January, 1924, to December, 1932, were given in last week's issue on page 461. The remainder is given below.

Basis, 1927=100	Complete Index				
	Cereals and Meat	Other Foods	Textiles	Minerals	Miscellaneous
1933—					
January	64.3	60.1	48.0	73.0	61.1
February	63.5	60.4	45.8	72.8	60.0
March	63.4	57.8	45.9	73.1	59.3
April	64.7	57.9	48.8	74.9	61.4
May	64.4	57.7	51.9	80.9	62.0
June	64.7	58.0	54.0	81.0	63.6
July	64.7	58.8	54.1	79.8	65.0
August	66.1	59.7	52.7	79.4	65.0
September	65.0	60.8	52.7	79.4	65.0
October	64.0	58.9	51.8	78.6	67.8
November	63.1	57.5	50.8	77.3	67.5
December	64.5	56.7	53.3	77.4	68.1
1934—					
January	66.7	57.2	57.5	77.8	68.9
February	65.7	59.5	57.5	78.4	68.9
March	64.7	59.3	57.2	78.4	68.9
April	66.2	59.1	54.6	79.0	68.3
May	67.6	59.4	52.7	78.1	68.5
June	68.4	58.8	52.9	77.0	69.2
July	73.3	58.3	52.6	75.0	69.9
August	76.8	59.3	53.5	76.1	69.4
September	74.1	57.9	51.3	76.0	69.1
October	69.2	59.5	51.5	76.2	68.6
November	66.4	59.6	53.3	75.8	68.8
December	69.9	60.2	54.3	75.8	69.4
1935—					
January	69.9	61.2	54.7	75.6	71.0
February	69.3	61.2	54.0	75.0	71.8
March	67.7	61.2	52.7	74.4	71.7
April	69.7	60.4	54.4	79.4	72.5
May	71.6	60.6	55.1	80.3	75.5
June	68.4	59.1	55.5	78.7	75.0

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended May 22 (£'000)					Aggregate Gross Receipts, 20 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Total Goods	Total Receipts	Passenger	Merchandise	Coal & Coke	Total Goods	Total Receipts
L. M. & S.—										
1937	577	437	215	652	1,229	8,793	9,721	5,495	15,216	24,009
1938	451	470	232	702	1,153	8,575	9,572	5,476	15,048	23,623
L. & N. E. (a)—										
1937	370	311	216	527	897	5,772	6,714	5,116	11,830	17,402
1938	288	317	221	538	826	5,595	6,669	5,152	11,821	17,416
Great Western—										
1937	234	173	74	247	481	3,682	3,879	2,273	6,152	9,834
1938	187	189	101	290	477	3,592	3,864	2,319	6,183	9,775
Southern—										
1937	278	57	25	82	358	5,662	1,206	658	1,864	7,526
1938	289	62	27	89	378	5,574	1,202	654	1,856	7,430
Total—										
1937	1,557	976	530	1,508	3,063	23,908	21,520	13,542	35,062	58,971
1938	1,215	1,038	581	1,619	2,834	23,336	21,307	13,601	34,908	58,244

(a) Week ended May 21.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+1,329	+1,187	+670	+359
Gross increase, second half 1937, over second half 1936	+1,443	+1,099	+647	+372
Gross increase, first half 1938, over first half 1937	—386	—186	—59	—96
20 weeks to May 22, 1938	—386	—186	—59	—96
Weekly Figures				
Av. weekly increase, 1st half 1938	—19.30	—9.30	—2.95	—4.80
Latest week compared with 1937	—76	—71	—4	—80
Latest week compared with average 1927-30	—353	—285	—164	—121

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended May 20 (£'000)			Aggregate Gross Receipts, 20 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belast & Co. Down—						
1937	2.7	0.5	3.2	38.4	9.9	48.3
1938	1.9	0.3	2.2	36.8	8.8	45.6
Great Northern—						
1937	10.7	9.7	20.4	171.6	180.9	352.5
1938	8.0	9.3	17.3	172.7	174.2	346.9
Great Southern—						
1937	37.3	34.6	71.9	588.8	844.1	1,432.9
1938	27.9	36.4	64.3	594.6	793.1	1,387.7

AMERICAN RAILROADS

Company		Month of March, 1938	Compared with March, 1937	3 Months 1938	Compared with 3 Months 1937
		\$	\$	\$	\$
Baltimore and Ohio	Gross	10,549,000	— 5,363,000	30,501,000	— 5,00270
	Net	421,000	— 2,821,000	Dr. 203,000	— 7,265,000
Erie	Gross	5,492,000	— 2,366,000	15,722,000	— 5,648,000
	Net	17,000	— 1,877,000	Dr. 289,000	— 4,464,000
New York Central	Gross	24,202,000	— 10,631,000	70,057,000	— 23,968,000
	Net	Dr. 37,000	— 6,322,000	Dr. 1,789,000	— 14,983,000
Pennsylvania Railroad	Gross	28,919,000	— 11,788,000	82,905,000	— 31,794,000
	Net	3,468,000	— 3,856,000	7,125,000	— 10,748,000
Southern Pacific	Gross	15,749,000	— 3,811,000	44,692,000	— 11,480,000
	Net	Dr. 225,000	— 2,614,000	Dr. 1,458,000	— 8,661,000
Union Pacific	Gross	10,258,000	— 3,367,000	30,282,000	— 7,389,000
	Net	669,000	— 1,163,000	2,082,000	— 1,312,000

† Net operating income.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Deben- ture Interest	Amount Available for Distribu- tion	Appropriation					Corresponding Period Last Year		
					Dividend			Carried to Reserve, Deprecia- tion, etc.	Balance Forward	Net Profit	Divi- dend	
					Prefce. Amount	Ordinary						
						Amount	Rate					
Breweries		£	£	£	£	£	%		£	£	%	
Chesters Brewery	Mar. 31	70,468	124,900	195,368	17,021	85,977	25		20,000	72,370	135,846	25
Electric Lighting, etc.												
Kalgoorlie Electric Power	Dec. 31	10,890	27,848	38,738	...	14,062	7½		13,213	11,463	23,622	7½
Financial Land, etc.												
Brit. Col., etc., Holdings	Mar. 31	8,080	Dr. 2,943	5,137	...	1,350	5		...	3,787	2,854	10
Canada Company	Dec. 31	5,037	191	5,228	...	...	...		...	5,228	6,029	Nil
City of London Real Prop.	Apr. 12	211,786	319,998	531,784	37,439	236,000	4		40,541	217,804	317,612	4
City & W. End Properties	Mar. 25	23,713	63,942	87,655	15,356	36,090	6 8½		12,131	24,078	61,463	7½
Metropolitan Housing	Mar. 31	10,070	85,914	95,984	22,969	41,844	7		20,806	10,365	94,361	8
Primitiva Holdings	Apr. 30	123,843	80,829	204,672	10,939	60,447	3½		10,000	123,286	78,646	3
Telephone Properties.....	Dec. 31	19,120	42,741	61,861	17,312	17,875	6		...	26,674	38,735	5
Whitehall Elec. Investments	Mar. 31	316,873	228,680	545,553	187,500	...	...		...	358,053	231,614	Nil
Gas												
Associated Gas and Water	Mar. 31	10,271	59,419	69,690	31,145	20,981	5		...	17,564	37,621	5
Hotels, Restaurants, etc.												
Grand Hotel, Harrogate ...	Mar. 31	1,182	4,448	5,630	...	3,262	3		1,000	1,368	(a)	(a)
Lyons (J.) & Company	Mar. 31	42,203	1,011,000	1,053,203	490,353	417,661	22½		...	145,189	1,010,877	22½
Iron, Coal and Steel												
Armstrong Whitworth Secs.	Dec. 31	15,116	6,089	21,205	20,000	...	...		...	1,205	15,116	Nil
Beardmore (William) & Co.	Dec. 31	Dr. 686,406	145,619	Dr. 540,787	...	...	...		...	Dr. 540,787	143,919	Nil
Madeley Collieries	Mar. 31	684	22,948	23,632	9,844	...	...		...	9,057	12,619	Nil
Park Gate Iron, etc.	Mar. 31	28,804	251,181	279,985	...	72,500	5		165,000	42,485	108,108	3½
Pease and Partners	Mar. 31	185,480	480,000	665,480	62,500	122,676	10		240,000	240,304	254,757	5
Rubber												
Dalkeith (Ceylon)	Dec. 31	9,903	18,568	28,471	...	15,320	10		2,806	10,345	7,617	4
Matale Ceylon	Dec. 31	Dr. 1,748	2,075	327	...	...	...		...	327	889	Nil
Sabrang	Dec. 31	7,201	19,881	27,082	...	15,000	6		7,500	4,582	12,038	4
Telogoredjo United	Dec. 31	9,208	78,140	87,348	...	40,142	6½		23,053	24,153	38,229	5
United Sui Betong.....	Dec. 31	46,647	219,613	266,260	...	141,478	17½		63,500	61,282	132,436	13½
Tea												
Borbheel	Dec. 31	7,178	9,644	16,822	...	8,880	40		...	7,942	6,127	27½
Galaha Ceylon	Dec. 31	4,424	41,412	45,836	3,600	23,360	8		14,500	4,376	27,539	6½
Haydella	Dec. 31	163	1,749	1,912	...	1,000	5		700	212	765	3½
Pabbajan	Dec. 31	28,774	21,404	50,178	...	21,250	17		...	28,928	17,287	15
Textiles												
Armitage (Sir Elkanah)	Apr. 2	9,170	11,538	20,708	...	7,250	4		...	13,458	14,186	3½
Porritts and Spencer	Mar. 31	25,075	90,337	115,412	16,537	52,433	10		17,869	28,573	113,671	10
Tramways												
Maidstone and Dist. Motor	Mar. 31	22,815	112,958	135,773	13,000	84,375	11½		15,000	23,398	114,570	11½
Trusts												
Indian & Gen. Investment	Apr. 30	11,271	26,045	37,316	8,275	14,928	13½		...	14,113	26,117	13½
Monument Property Trust	Mar. 31	5,546	37,957	43,503	9,615	9,062	5		18,667	6,159	34,903	5
Nineteen Twenty-Eight Inv.	Mar. 31	10,243	44,356	54,599	28,532	11,111	3		5,000	9,956	44,967	3
Other Companies												
Abdulla & Company	Dec. 31	20,508	58,833	79,341	20,000	37,500	12½		...	21,841	71,550	12½
Advance Laundries	Mar. 31	7,106	56,965	64,071	22,209	24,050	7½		8,842	8,970	56,607	10
Allied Newspapers	Dec. 31	260,883	903,057	1,163,940	280,389	145,000	8		377,000	261,551	992,526	9
Beira Works	Mar. 31	22,600	176,750	199,350	...	60,000	13-8		123,896	15,454	132,282	10
Brush Electrical	Dec. 31	Dr. 101,879	1,896	Dr. 99,983	...	...	...		...	Dr. 99,983	(a)	(a)
Bush (W. J.) & Company	Dec. 31	115,826	110,588	226,414	6,250	32,500	13		73,102	114,562	115,335	13
Callender's Cable, etc.	Dec. 31	397,817	607,989	1,005,806	56,000	224,783	20		160,000	565,023	548,366	20
Chloride Electrical	Mar. 31	84,580	352,679	437,259	3,720	217,390	20		127,000	89,149	364,817	15
Cole (E. K.)	Mar. 31	29,615	37,468	67,083	24,010	13,514	10		4,515	25,044	111,027	30½
Finlay (James) & Company	Dec. 31	267,784	224,971	492,755	30,000	187,500	12½		...	275,255	181,004	10
Froy (W. N.) & Sons	Dec. 31	5,086	16,166	21,252	9,000	5,000	5		1,000	6,252	19,240	5
Glenfield & Kennedy.....	Mar. 31	65,174	78,259	143,433	10,032	44,687	15		54,872	33,842	95,817	15
Hill (R. & J.)	Mar. 31	Dr. 15,863	32	Dr. 15,895	...	...	...		...	Dr. 15,895	2,843	Nil
Inglis & Company	May 1	25,060	42,909	67,969	1,991	31,800	20 ½		8,555	25,623	40,710	20½
Lex Garages	Dec. 31	13,038	14,040	27,078	...	8,250	6		1,000	17,828	13,185	6
Mason and Burns	Mar. 31	432	7,732	8,164	...	5,437	15		...	2,727	4,932	12
Meters, Ltd.	Mar. 31	10,598	17,035	27,633	5,031	7,007	9		1,900	13,695	21,404	9
Pye, Ltd.	Mar. 31	33,289	119,030	152,319	12,938	33,568	25		47,000	58,813	139,600	(w) 125
Scottish Machine Tool	Mar. 31	...	69,526	69,526	...	23,200	8		34,312	12,014	(a)	(a)
Swan (John), and Sons	Apr. 30	14,604	16,912	31,516	...	5,600	10½		11,500	14,416	10,631	10
Triplex Foundry	Mar. 31	2,580	23,964	26,544	3,094	8,793	8		10,000	4,657	(a)	(a)
Vavasour (J. H.)	Dec. 31	15,530	Dr. 37,026	Dr. 21,496	5,000	15,000	5		Dr. 52,922	11,426	49,589	12½
Wolsley Sheep Shearing	Dec. 31	1,138	6,198	7,336	...	3,625	5		...	3,711	153	Nil
Total Profits, 1938, in £,000's:												
To May 21	1,112	44,060	159,278	203,338	26,307	82,826	...		46,329	47,876	140,554	...
To May 28	1,164	45,999	165,739	211,738	27,871	85,491	...		47,972	50,404	146,580	...

* For half year. † Free of Income Tax. (a) No comparable figure. (b) Equal to 9½ per cent., less tax, as interim dividend of 3 per cent. was paid free of Income Tax. (c) Also 10-8d. on proportional and "B" proportional profit shares. (d) Absorbed £23,000. (e) Ten months. (w) Absorbed £31,687.

Rio de Janeiro City Improvements.—Net revenue for 1937 £105,854 against £49,377. Tax-free ordinary dividend raised from 2½ to 4 per cent. Carry-forward raised from £43,490 to £73,006. The report states that owing to exchange restrictions it has not been possible to remit the amount available out of the second half-year's revenue under the drainage agreement with the Brazilian Government.

Great Universal Stores.—Profits for year ended March 31, 1938, £408,712, an increase of £45,353. Depreciation and fees absorb £22,227 (£20,075). Tax and N.D.C. require £111,524 (£85,788). Dividend maintained at 50 per cent. on capital increased by previous year's 10 per cent. scrip bonus. To general reserve £50,018 making it £780,000. Carry-forward raised from £11,452 to £12,181.

Triplex Foundry.—Report for year to March 31, 1938, shows profits of £23,964, after £9,682 tax and N.D.C., against £15,845 for seven months before £4,000 tax and including £3,955 earned before incorporation. Final ordinary dividend 5½ making 8 per cent. for year (against 7½ per cent. per annum for five months to March 31, 1937). To reserves: Tax, £5,000 (nil), general £5,000 (nil). Carry-forward £4,657.

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Perhaps the chief reason for this is that the Government, which has been unable to give adequate reassurances about the progress of the air programme, still refuses to change its attitude with regard to the setting up of a Ministry of Supply. We are told that plans are in existence for bringing such an organisation into being when war breaks out, but that the Government is not convinced—or perhaps we should say that it is unable to persuade the Service Departments—that it is right to do this now. One of the reasons given is that we have not yet reached such a state of emergency that the dictatorial authority exercised in the Great War by the Ministry of Munitions over every phase of the nation's industrial life would now be justified. Another obstacle undoubtedly is that the Services are unwilling to surrender authority to a civilian department which they feel might prejudice their complete control over the design and inspection of armaments.

These objections are unconvincing. The case for a Ministry of Supply is just as strong whether the purchasing authority acts by compulsion or by persuasion. The prevention of over-lapping, the standardisation of contracts and methods of profit control, the best allotment of such industrial resources as are available, the priority of deliveries not only from contractors but from sub-contractors, the timing of supply from the raw material upwards so as to give the best possible synchronisation of the flow of finished products—all these things can only be achieved through a properly organised civilian department, manned by persons with industrial knowledge and covering the whole field of armament supplies. There is a strong case for a single supply department as a permanent organ of Government. Indeed, as a result of war experience, a Bill was drafted for the establishment after the war of a department which would handle all the buying for all Government departments, civil as well as military. The project was abandoned only on grounds of economy, and because of the desire felt among all classes and in all countries to be rid of anything that savoured, however indirectly, of war-time conditions, and to return to pre-war conditions of freedom. This particular project was, therefore, killed; though it is arguable that on the long view it was wise and may yet be adopted as a measure of economical administration.

But if the device is one which might well be adopted permanently, it is surely desirable at a time when our armament expenditure is rapidly rising to an abnormally

high peace-time level. It is true that we are not yet producing munitions or aeroplanes on a war scale, and our experience twenty years ago shows that a stupendous output can be achieved by mass production methods when once the Government takes full industrial control. For example, the fact has more than once been stated that over 30,000 aeroplanes were produced in this country in the first ten months of 1918, whereas four years previously, when the Expeditionary Force had gone to France, there were barely a score of serviceable aeroplanes left in England, and in the whole year 1914 less than 200 were produced. The increased production in four years in the face of rapidly-changing design and a multiplicity of new types was a very great industrial achievement. But in the next war we shall not have four years in which to work up to full output; accordingly, full production should spring into existence in a very short space of time. The shadow factory scheme is designed to achieve this. But greater preparation is necessary than merely to tell manufacturers in advance what they must produce. A great organisation, such as a Ministry of Supply will be in the next war, cannot leap from the ground at a moment's notice; but it can enlarge very rapidly if it is already operating on a small scale with at least a skeleton cadre of experienced personnel, who are familiar with the procedure, problems and staff of other departments, and whose functions are so clearly defined that it would be unnecessary to waste precious weeks in inter-departmental argumentation. The wrangles of 1915, and the hasty improvisations that were then inevitable, are powerful arguments for starting now on a scale appropriate to peace time.

Finally, Mr Churchill has more than once made clear how to hold the balance between the claims of those concerned with the perpetual improvement of design and those who are responsible for the rapid increase of production. Industrial considerations tend always to be overlooked by the Services in times of peace, and there is more than a suspicion that they are still not being given their due weight. If this is so, it can only be corrected by Cabinet authority, and the only way in which this can be done is by a decision at this stage to set up forthwith a Ministry of Supply. In industrial circles, in the House of Commons, in the country generally there is widespread opinion that this change is already overdue. There is certainly no more effective step the Government could take to satisfy the country that it is getting the best possible result for the sacrifices which it is being called upon to make.

Our Colonial Responsibilities

AT the beginning of this week it seemed that the trouble in Jamaica, which began with a strike of waterside workers, was at an end. Mob violence had been firmly put down; and after the release of their chief spokesman on bail the strikers accepted a compromise offer by the employers, singing "God Save the King" to demonstrate their loyalty. Since then, however, the news has grown worse; for riots have broken out in other parts of the island. It is not yet clear from the cabled despatches whether these outbreaks are the handiwork merely of hooligans or whether they are connected with the more responsible and widespread agitation in the colony for higher wages and better working conditions. But it is significant that the Public Works Department has chosen this occasion to raise labourers' wages, that other subordinate Government workers are demanding higher pay, that the strikes have affected a very wide variety of industries, and that regular trade unions are reported to be in process of formation in many parts of the island. The disturbances of the past two weeks certainly appear to represent the culmination of a far-reaching sense of economic

discontent among the poorer people of Jamaica—an island which has not only had in recent times to grapple, in common with the rest of the world, with trade depression, but has experienced a long-drawn-out change in the economic status of one of its chief products.

A similar conclusion about the state of affairs in Trinidad was reached by the Royal Commission which inquired into the disorders in that colony a year ago. Apart from their criticism of the manner in which the local Government handled the situation, the Commissioners found that the riots were chiefly due to general dissatisfaction which had no adequate means of expression, to delay in adjusting the earnings of the workpeople to the rising cost of living, and to the belief that a strike was the only means of redress, coupled with irresponsible agitation by an unruly element of the population. There is a good deal to suggest that, if a Commission were now to visit Jamaica on a similar inquiry, its verdict would be very much the same.

One aspect of the situation at least is clear. The people of Great Britain, through Parliament and the Ministers of

the Crown, are finally responsible for the conduct of Government throughout the dependent Empire. Yet as a whole they remain completely ignorant of social, economic or even political conditions in the Crown Colonies, until some such violent episode as has just occurred in Jamaica arouses and informs them. Through occasional incidents like the Trinidad riots they are suddenly confronted with knowledge of conditions which would profoundly disturb their conscience if it were pricked more continuously. It is idle to expect the British electorate, or even Parliament, to be informed about the details of affairs in all the dependent colonies; at best, it can exercise only a general vigilance. But the fact remains that official and unofficial channels through which information about the Colonial Empire is conveyed to the public are alike inadequate to the responsibilities that we have assumed as trustees for peoples "not yet able to stand by themselves in the strenuous conditions of the modern world."

Moreover, the Trinidad episode awakened a suspicion in many minds, of every shade of politics, that even the Colonial Office itself was, possibly, insufficiently informed about the economic condition of the Colonial peoples; or that if its information was ample, its resulting action was inadequate. The Trinidad Commission sharply attacked the existing health administration in the colony, and recommended that a separate Public Health Division should be created, staffed by full-time qualified medical officers. It also recommended the establishment of a Labour Department and an Industrial Court. The grounds for these and other proposals were, fundamentally, the wretched condition of many of the workers. Disease, malnutrition, overcrowding and bad housing were prevalent; one British company was censured for "failing to realise the claims of the workpeople to the common decencies of home life," and the employers generally were described as indifferent or hostile towards collective organisation of their workpeople. Had the Secretary of State been aware of these conditions he would surely have been stimulated into taking, in advance, some of the measures which were eventually recommended by the Royal Commission. Perhaps the most important Government action on the Commission's report has been the appointment of a Labour adviser to the Colonial Office, with a roving commission. It is to be hoped that his reports will be made available for Parliament and the general public.

It is not only in the West Indies that economic discontent has recently disturbed administrative calm. In West Africa, the past year has seen a remarkable movement of co-operation among native cocoa growers to withhold their crops from the market, as a means of combating what they

considered to be the monopolistic control of prices by a few large trading companies. This "producers' strike" has hastened the adoption of new marketing methods.

In other parts of Africa the most urgent economic problems are of a different order. Almost everywhere, from the Cape to the Nile, in consequence usually of ignorance in the face of new conditions, land is being impoverished by bad cultivation, overstocking, the settlement of formerly nomadic peoples, and the destruction of forests, with consequent alteration of moisture conditions and soil erosion. Impoverishment of the soil means impoverishment of the native cultivator, who, at the same time, inevitably feels the gradual penetration of more advanced ideas of comfort and living standards. The contrast between falling means and rising demands tends to be enhanced where the greater part of the best land has been alienated to white owners. Closely connected with this problem of agricultural impoverishment is the problem of native workers in the mines or other Western industries. Both the Rand and the Rhodesian copper-belt have recently felt the need of increased supplies of native labour. Sir Alan Pim's recent report on the economic affairs of Northern Rhodesia suggested that the conditions of life, including the social services and education, of the native workers in the copper-fields left a good deal to be desired. It is not long since that area itself underwent experiences of industrial disorder akin to those of Trinidad and Jamaica.

To generalise about so wide and diverse a collection of territories as the British dependent Empire must always be dangerous. But looking at these various instances from Africa and the Atlantic (and they could be paralleled, for example, in Fiji), one cannot help concluding that the colonial empire is passing through a phase of economic and social transition. The relations between white immigrants, or white capital, and native labour have always generated difficult problems; but these problems become more and more acute when difficulties accumulate, when general economic conditions bring about rising costs of living or falling standards of income, and when native workers acquire both European needs and knowledge of European methods of winning battles for the working classes.

We are witnessing in the Colonial Empire to-day, in short, a combination of a Chartist movement and a trade union movement. The outcome of this very proper effort to hasten the improvement in the standard of living, we may confidently expect, will be as favourable as that of the similar movements in Great Britain in the nineteenth century. But wise administration, both locally and from Whitehall, will be indispensable if this critical phase is to be passed without violence and misery.

Holidays for All

THIS week-end, vast crowds of holiday-makers will spend a few brief hours at the sea or in the country. Trains will be uncomfortably full, roads will be dangerously congested and lodging-houses and cafés will be taxed to capacity. The overcrowding always associated with the Whitsun and other Bank holidays has this year a new significance. A notable movement is under way to extend paid holidays of a week or longer to the main body of working people. Will the railways, the roads and the holiday resorts be able to cope with the swollen crowds?

Until recently the great majority of workers were compelled to confine their holidays to hasty family trips at Bank holiday week-ends. Even the more fortunate few are still very often constrained by the dates of school examinations and business custom to take their longer holidays within six weeks during August and September. The established holiday season is a comedy in three acts with inordinately long intervals. Six weeks separate Easter and Whitsun; and two or three months elapse between Whitsun

and the August rush. In consequence, the chief characteristic of British holidays is extreme congestion. The strain on transport facilities is already tremendous during the three holiday periods; and the cost of food and lodging is correspondingly enhanced.

This year some seven and a quarter million administrative and manual wage-earners will take paid holidays of a week or more. After 1941, if the recommendations of the Amulree Committee are fully passed into law, a further ten and three-quarter millions will be similarly provided. Already the Government has signified its intention to legislate on the basis of the Committee's proposals. On Thursday, the Minister of Labour announced that, as a first step, a Bill would be introduced to empower trade boards and agricultural wages committees to provide for holidays with pay. If the new exodus is to be crowded into the present brief holiday periods, the results may well be disastrous. Even this summer, when the first large-scale effects of holidays with pay are likely to be felt, grave diffi-

culties will be experienced. If the bulk of the new holiday-makers take their week with pay at the beginning of August, the railways may be unable to carry the Bank holiday traffic, in addition to maintaining their ordinary services. Seaside lodgings may be even more inadequate than railway rolling-stock. A widespread breakdown is not impossible; and, unless some drastic reorganisation of holiday seasons and facilities is carried through, the situation will be much worse in future years.

Even before the recent extension of paid holidays, proposals were rife to spread holidays more consecutively over the summer season between May and September. Now, it is clearly imperative to adjust the rhythm of industry and education in order to make it possible for transport and the holiday industry to cope with the growing crowds. Lancashire has shown the way in which this can be done. The planning of the "Wakes Weeks" of the larger towns of North-West England so that they follow one another in orderly succession throughout the holiday period has made possible the provision of adequate holiday facilities for the ten million inhabitants of Lancashire, Cheshire and the West Riding. The town of Blackpool, with a resident population of between 120,000 and 130,000, has grown up almost entirely to cater for the entertainment of these people; and it receives some seven million visitors annually. It should not be impossible in other industrial districts to arrange for the holidays of the various towns or industries to be taken in rotation over the period between May and September. The railways would be provided with a relatively even and continuous stream of traffic; and the wasteful and inefficient overcrowding of lodging accommodation for a few weeks each year, separated by long intervals in which hotels and boarding houses are much less than full, would be overcome.

To "stagger" summer holidays, however, will not, by itself, be sufficient to solve the problem of holiday congestion. To make it possible for the holiday industry to absorb the extra millions will involve an expansion of the industry's resources and the development of new facilities. It is true that this industry has notably grown in recent years. Since 1923, the number of insured persons engaged in the provision of entertainment and sports has risen from 60,050 to 139,620; and the number of insured persons in hotel, public-house, restaurant and boarding house services has simultaneously increased from 258,960 to 444,110. In 1937 these two groups of occupations together accounted for 4½ per cent. of the insured population, compared with only 2½ per cent. fourteen years before. Leisure and the economic capacity of the people to make use of leisure have

been rapidly growing. Nevertheless, the latest movement to provide holidays for all cannot be successful, unless all the existing holiday services are appreciably expanded and reorganised. Even in France, where there already existed a very large holiday industry, built up on the basis of the foreign tourist traffic, the institution of paid holidays for industrial workers in 1936 caused a considerable overloading of existing facilities.

Even if seasonal overcrowding and scarcity prices are eliminated by spreading working-class holidays in rotation over five months, the holiday industry in this country, as at present organised, is unfitted to cater for cheap holidays of a week or more for the bulk of Britain's families. The cost of holidays is too high for many working people. Apart from increasing the present provision of food, drink and shelter, as well as of piers and pierrots, in established holiday centres, it will be necessary to develop new and cheap ways of holiday-making. One enterprise already provides holiday camps at which every amenity of a popular holiday for all ages can be obtained for a low inclusive charge. Camps for schoolchildren have become the annual responsibility of many local education authorities. And, to facilitate the evacuation of three million people from London in the event of attack from the air, large-scale camps are to be established for children, to which they may become accustomed under happier conditions during their holidays.

Furthermore, the desirability of developing National Parks and other means of preserving natural amenities and making them accessible to the people have lately been widely discussed. Here, too, new ways of catering for the nation's new leisure may be discovered. In the thorough planning of the use of Britain's land which urban congestion and the need for fresh food will almost certainly make necessary very soon, opportunities for popular recreation cannot be ignored.

Until recently, our social and economic system has not made much provision for the leisure of the masses. In the near future, holidays for all will be an accomplished fact. Many other countries, faced with the same demand, have solved the problems of overcrowding and expense by regimenting their holiday-makers. In Britain, where democratic traditions still prevail, the method should rather be to organise holiday facilities. Public health, national fitness and considerations of social justice are the sponsors of the holiday movement. Only mechanical difficulties, which can readily be overcome by goodwill and ingenuity on the part of central and local authorities and private enterprise, stand in the way of its complete success.

Bread and Draftsmanship

THE London County Council, which provided entertainment a few months ago, by prosecuting an ice-cream man for standing still while he sold his ices, has done it again. This time it was concerned with bread, and its information was preferred against a Mrs Davis, who sold bread in London after 8 p.m.—contrary, it was alleged, to the Shop Acts of 1928. And again the L.C.C. lost its case.

What happened may be briefly stated. In 1928, Parliament ordained the closing of shops at 8 p.m., but declared (in clause (b) of section one of the first schedule) that the Act should not interfere with "the sale of newly-cooked provisions and cooked or partly cooked tripe to be consumed off the premises." Having made, no doubt, a careful study of the schedule, Mrs Davis decided to keep open for the sale of bread, excusing the action to herself by the subtle plea that her bread was new, that it was cooked, and that it was provisions. That was too much for the L.C.C., which, first in the police court and then before three judges in the High Court, did its utmost to demolish the lady's case.

Before approaching the judgments of their Lordships in this now leading case, let us turn for counsel to the dictionary. What has it to say of the meaning of newly-cooked provisions? Following the lead of Mr Pott's assistant on the *Eatanswill Gazette* (who looked up Chinese under China and metaphysics under metaphysics and combined the information), we shall look up newly under new, cooked under cook, and provisions under provision. Combining the information, we shall decide humbly whether we see eye to eye with the great lawyers of the bench or with the greatest municipal body in the history of the world's government. First, then, for "new":—

New nū adj. lately made; having happened recently recent modern; not before seen or known; strange different; changed for the better; not of an ancient family; a at first; unaccustomed; fresh from anything; uncultivated or only recently cultivated.

First round to Mrs Davis. Unless her bread was so incredibly stale that no human jaw might penetrate the crust

she comes home on one or other of these definitions. Even if it had not happened recently, the bread must have been modern, and whether or not changed for the better, it must have been fresh from the oven. Unquestionably, Mrs Davis wins on "new." Next, "cooked":—

Cook kook v.t. to prepare food; to manipulate for any purpose or falsify as accounts etc.; to concoct. v.i. to make the sound of the cuckoo.

Leaving on one side the sound of the cuckoo and the falsification of accounts, etc., both of which appear to be irrelevant to Section one of the first schedule to the Act of 1928, we may concentrate on the words "to prepare food." And as the L.C.C. argued that bread is not cooked, but baked, and that baking connotes a different process from cooking, we turn back to B and consult the dictionary on "bake":—

Bake bak v.t. to dry harden or cook by the heat of the sun or of fire; to prepare bread or other food in an oven; to harden as by frost.

Another round for Mrs Davis. Indeed, if Mr Nuttall had foreseen her action and arranged his definitions to assist her in the downthrow of the L.C.C. he could not surely have worded his sentences better. To cook is to prepare food, and to bake is to cook or prepare bread or other food in an oven. The bread was therefore newly-cooked; and if bread is provisions, then Mrs. Davis wins her case. Everything now turns on "provisions":—

Provision pro-vizhun n. act of providing; that which is provided or prepared; measures taken beforehand; a clause in a law or a deed; a rule for guidance; an appointment by the Pope to a benefice not yet vacant; previous agreement; a store of food; provender.

Store of food! Provender! The L.C.C. takes the count and Mrs Davis wins on a knock-out.

It is always a satisfactory thing when several trained minds, moving through different avenues of thought, arrive independently at the same conclusion. Mr Justice Branson, Mr Justice Humphreys and Mr Justice Du Parc will doubtless be glad to learn that *The Economist*, working at the problem from the literary or lexicographic angle, comes to the same decision that they reached along the dustier path of law. The dictionary and the rules of construction have spoken with one voice. But, strangely enough, although

the words "newly-cooked provisions" must include fresh bread, and although on their exact meaning the L.C.C. was bound to lose its case, it is as certain as may be that, on the intention of the draftsman of the clause, the L.C.C. ought to have won. It was never intended by those who were responsible for the Act that all bakers' shops should be allowed to stay open after 8 p.m.; and it never occurred, either to the draftsman or to the House of Commons, that the words "newly-cooked provisions and partly-cooked tripe" would cover bread in a baker's shop. What the House of Commons and its draftsmen had in mind was tripe and fish and chips; but, thanks to the difficulty of saying in the English language just what one means and nothing more, the door that was held open for fish and tripe was pushed far enough to let an unintended loaf gate-crash.

The truth is that English, admirable medium as it is for the epics of Milton, the lyrics of Shelley, the rhetoric of Burke and the leading articles of *The Economist*, is not an ideal vehicle for exact draftsmanship. What can a draftsman do with a language which permits hours of argument on the meaning of the verb "to cook" and the significance of the noun "provisions"? And as Parliament takes an ever-closer interest in the daily life of John and Mrs Bull, as laws become more intricate, more complicated and more concerned with trivial details, the work of covering everything in a set form of words, most of which have a dozen different meanings, tends to become practically impossible. The draftsman simply cannot find language that will be water-tight in every set of future circumstances. If any reader doubts this, let him read the judgment of Mr Justice Hilbery in *Chisholm v. London Passenger Transport Board*, and consider the extraordinary difficulty of deciding who must give way to whom under the Ministry's regulations at a pedestrian crossing. It looks almost as though a new technique of draftsmanship may have, in this complex state, to be adopted—a technique which will express the intention of Parliament and permit the bench to interpret the Act according to the intention, instead of following with pedantic care the exact and literal meaning of a set of words which, on an itemised analysis, will often legalise the very thing that Parliament and the draftsman meant to make illegal.

Topics of the Week

The Engineers' Decision.—Over two months ago the Government invited the employers and workpeople in the engineering industry to collaborate in the preparation of plans to facilitate the speeding-up of re-armament. On Tuesday, the annual conference of the Amalgamated Engineering Union, representing nearly 70 per cent. of the skilled engineers affected by the Government's invitation, decided that they would not tolerate any interference with their rights and privileges. The Union's decision was ostensibly taken on purely industrial grounds. The Executive had placed before the conference certain clear charges; that unemployment and short-time were on the increase among skilled engineers, especially in railway workshops and textile factories; and that military aircraft were still being exported in considerable quantities. In these circumstances, it was held that the need did not arise to dilute skilled labour in order to accelerate the output of war-like instruments. Moreover, the Prime Minister's statement last week in the Commons that the Government would not seek the power to dilute labour was adduced to show that the time had not yet come to contemplate the relaxation of union regulations. On the other hand, Sir Thomas Inskip had asked the Union to consider dilution; and the employers had gone still further in asking that union regulations should be relaxed in civil as well as military establishments.

The issue is, on the face of it, one of fact: can it be proved that alterations in important workshop practices are now necessary, if the defence programme is to be brought up to the level of speed and efficiency that is now generally desired? The A.E.U. have said No; and the growing recession in civil industry lends an appearance of force to their contention. Nevertheless, re-armament is, unhappily, more than a useful public work to wait upon the discarded resources of declining manufacture. If there is no immediate shortage of skilled men to make munitions, tools and equipment, there is likely to be such a shortage as soon as the accelerated defence programme is in full blast, whatever the state of civil industry. In the final resort, war preparation will be a full-time job for the engineering industry; and the A.E.U.'s latest decision, which has aroused considerable criticism in many quarters, can be regarded as no more than an interim statement, based upon facts which Government spokesmen are presumably prepared to dispute. The present attitude of the A.E.U. can perhaps be justified from current evidence. As a long-term policy it may prove to be wholly inexpedient. Indeed, it cannot be disguised that, though the Union's decision was taken for industrial reasons, it was motivated very largely by political preoccupations. For engineers to wish to know the probable destination of the shells and bombers they make is understandable; and it is no final answer to their fears to describe re-armament as designed for defence and therefore directed against no one.

Air Raid Measures.—The Government has been properly impressed by the criticism levelled against its defence plans. Greater activity in re-armament and food storage is now noticeable; and Wednesday's debate on air raid precautions revealed a determination to get on with the job in this department also. The Home Secretary seems to have been fully converted to the widely held view that high explosive bombs are the chief danger. An extensive survey of potential shelter accommodation is being conducted by local authorities. The provision of properly sited trenches and dug-outs for between 1,250,000 and 1,500,000 people on London's 8,261 acres of open spaces is being prepared; and other authorities are taking similar steps. Broadly, however, "our policy is one of dispersing the population"; hospital accommodation will be provided for London's casualties on the outskirts of the metropolis and as far afield as Oxford; and timetables have been drafted, with the aid of the railways, to move 3,500,000 people fifty miles or more from London within 72 hours. Doubts about anti-aircraft measures and complaints about local slackness and inefficiency persist in many quarters. Only half of the million volunteers for A.R.P. work have been recruited. But, if the nation must face the horrifying prospect of air attacks upon civilian centres, it will do so with the greater equanimity and courage the more it is convinced that new energy is being infused into the Government's plans.

Conscription and National Service.—On Monday night the Minister for the Co-ordination of Defence informed the Commons that plans for general conscription in the event of war had been prepared by the Government. His statement was taken to mean that a wholesale regimentation of man-power was intended. On Tuesday, however, the Prime Minister denied that conscription in this sense was contemplated, and on Wednesday he explained that, whereas plans for compulsory military service had been prepared, no scheme had been devised for industrial or non-military service. The broader interpretation which had been put on Sir Thomas Inskip's statement was due to the fact that the Defence Minister was trying to make it clear that persons of military age who joined civilian emergency services in peace-time would not thereby escape the liability to military conscription. The moulding of a democratic system to a war-like shape is far from easy; and the Government's obvious desire to minimise the interference with personal and corporate freedom which will be necessary is evident and wholly praiseworthy. Nevertheless, the need to make the fullest and most efficient use of man-power is more than ever imperative in modern warfare. On the outbreak of war some plan for the speedy allocation of duties to every citizen would be vitally necessary.

President, Congress and Taxes.—Apart from the Supreme Court controversy, nothing stuck in the gills of American business men quite so much as the original capital gains and undistributed profits taxes. On Friday of last week, therefore, when the President announced that he would allow the Tax Revision Bill to become law without his signature, the important alterations in the new Bill in favour of investors and companies promised to release, if slightly, the log-jam in investment. The concessions on the side of undistributed profits are broadly in favour of corporations who make large earnings which they may wish to "plough back" without ranking them for dividend. To this extent the new law practically abandons the principle of the old undistributed profits tax. On the side of capital gains, the new flat rate of tax replaces the former progressive system, and favours the larger investor. Despite the President's declaration that he would not sign the Bill because of the regressive nature of the new tax schedules, his first unsigned law means that he has pocketed something very like a rebuff, at the hands both of Big Business and Congress, with wisdom and good grace. On the other hand, it is highly

probable that the immediate effects of the new law will be felt only in the field of psychology. Whether this move to restore business confidence will actually be translated reasonably quickly into a move to expand net new investment in capital goods is highly doubtful. Even if large corporations and rich investors are now more free to invest what they do not wish to distribute, investment in capital goods depends entirely on the prospects of recovery after one of the most rapid collapses in business activity which has ever afflicted a country. The situation of the railroads, big utilities, automobile industry and other important branches of American industry which normally constitute the demand for capital equipment, does not promise a rosy future; and investment, even of available funds, was in the doldrums before the new law was passed. Incomes have gone down on all sides during the last year, and this will in any case reduce even the now enlarged proportion of earnings available for new investment. The significance of the new law and of the President's action, or rather inaction, is therefore to be gauged better from the standpoint of the politicians. They are anxiously canvassing the possibility that a new *détente* between business and the White House may now be ripe for initiation.

Central Europe Breathes Again.—During the last week many evidences of a tranquillising influence on German-Czech relations have come to light. Thus, German troops have been withdrawn from the frontier to a line about fifteen kilometres behind it; the Czech Government's measures to call up reservists have not been proceeding so rapidly; and the private discussions between M. Hodza and Herr Henlein's deputies, Herren Frank and Kundt, have been continuing in a calmer atmosphere. This may be due to the results of the municipal elections last weekend, in which the Henlein Party secured 1,897 places out of the 2,607 available places in all the German areas. The Social-Democrats secured 185, the Communists 160, the German Democrats secured only two, but the Czech parties secured altogether 259. The Henlein Party declared that they had won 88 per cent. of the poll; but as this figure was calculated on only the German electorate, apart from Czechs and others, the true figure is 67½ per cent. Meanwhile, the situation is still grave; for the still unpublished Bill for the Status of National Minorities has to obtain, even when it is ready, a two-thirds majority in both Houses. Moreover, on May 28th the Germans suddenly suspended the negotiations with the Czechs in Berlin for a new commercial treaty, for no apparent reason. On the credit side of the sheet, however, is to be noted a significant and substantial improvement in Czech-Polish relations, consequent on the very strong representations in Warsaw by Marshal Jonsescu, Chief of the Roumanian General Staff, who is understood to have begun to improve Czech-Polish relations as a Roumanian "honest broker." As Roumania is linked to Czechoslovakia by her Little Entente treaty and to Poland by the bilateral treaty of alliance, there is much to be hoped for in this direction. Moreover, now that Germany has suspended the commercial negotiations with Czechoslovakia, it is in the interests both of Poland and Czechoslovakia to organise the transit trade coming from South-Eastern Europe through the narrow neck of Slovakia and up to the port of Gdynia by the railway from Polish Silesia.

The Non-Intervention Committee.—On the 26th of last month the Non-Intervention Committee met and—with the important exception of the Russian delegate—arrived at a verbal agreement on a course of action. This has happened on the Committee so many times before that, unless and until substantial withdrawals of foreign troops from Spain are positively proved to have taken place, it will be wise to reserve judgment on the effectiveness of the Committee's proceedings. The agenda this time consisted of the third revise of the British Plan, together with a volume of amendments. It has now been agreed, by all

parties except Russia, that two small counting commissions are to be sent to the two sides of the Spanish front; that the international control officers shall resume their work on the French-Spanish and the Portuguese-Spanish frontiers on the day on which the counting begins; and that simultaneously the observers at sea shall be given power to inspect ports as well as ships. On the other hand, it is not proposed to re-establish the naval patrol round the Spanish coasts. The counting is to be completed within a month; and after that period France is to be free to put an end again to the control along the French frontier if by that time the withdrawal of troops has not actually begun. When withdrawal begins, "substantial withdrawal" is to be defined as meaning the withdrawal of at least 10,000 men from the side with the smaller number of foreign troops, and of a proportionate number from the other side. If and when that point is reached, belligerent rights are to be granted to both sides.

The Russians object that this plan means effectively preventing further troops and supplies from reaching the Spanish Government, while leaving the insurgents free to evade the control by sea in the absence of a naval patrol. Some colour is given to this charge by the attitude of His Majesty's Government, whose profession of neutrality now rather thinly disguises a wish to see the war in Spain ended speedily in the only fashion in which a speedy end is now conceivable: that is to say, by a rapid "liquidation" of the Governmental regime in the regions where its flag still flies. Signor Mussolini might then be induced to withdraw his troops *bona fide*, and the Anglo-Italian agreement could be brought into force. The Duce has just published a total casualty list of 9,541 Italian losses in Spain up to date; and this may perhaps be interpreted as a signal that he would like now to get rid of the Spanish war quickly—of course, by a victory for his own side.

Irish General Election.—Mr de Valera's Government was defeated in the Dail last week by one vote, on the important issue of compulsory arbitration for civil servants. Mr de Valera himself was absent, and it was more than possible that he could later have secured a reversal of the decision on a vote of confidence. It was not *force majeure*, therefore, but his own choice that persuaded him to seek a fresh mandate at a general election. He has never had a stable majority over all other parties, and since the last general election his Government has virtually depended on Labour sufferance. From his viewpoint, the present moment is propitious. The ending of the economic war with Great Britain, together with the other provisions of the new Anglo-Irish pact, will probably gain him votes from the farmers and from other quarters which have hitherto opposed him. The absence of any increase of taxation in the current Budget is another favourable point, and Mr de Valera's prestige has been enhanced by the rapid success of the £10 millions loan required to liquidate the annuities. Mr Cosgrave's party, Fine Gael, have indeed had their thunder stolen. Many conservative people who would normally vote for Mr Cosgrave realise that a Fianna Fail Government with an independent majority would be far more satisfactory to them than one dependent on Labour support. The Labour Party is at least able to raise real social issues, but now that the dispute with Great Britain has been settled (except for partition, which affords common ground to all parties) there is little of substance to distinguish Fine Gael from Fianna Fail. Hence the general expectation in Ireland is that Mr de Valera will succeed in gaining his majority.

Coal in the Lords.—The Government's Coal Bill has now run the gauntlet of the Lords in Committee. The Commons paid most attention to the Bill's proposals (in Part Two) to secure compulsory amalgamation of collieries

in default of voluntary steps being taken, and rendered these clauses almost wholly nugatory. The Lords, on the other hand, have directed their chief attacks against Part One, which touches their interests most closely, since it provides for the national purchase of mining royalties. Fully three-quarters of the peers' speeches on the Second Reading of the Bill and in Committee have been hostile to these clauses. The peers criticised the arbitral award of fifteen years' purchase as the capital valuation of royalties, on no ground more convincing than the fact that the sum so computed was lower than the compensation they would have liked. They further assailed the method of valuation adopted because a global sum for compensation was arrived at, leaving the regional valuation of particular properties to be made within the framework of the total amount available. Lord Hastings was reluctantly persuaded to withdraw his notice to delete the nationalisation clauses altogether. Lord Burghley succeeded, against the Government's wishes, in deleting the vesting date, July 1, 1942, on which the actual ownership of the coal was to have passed to the Commission set up by the Bill. And the Government was again defeated when an amendment was carried providing that, after receiving the certified valuations from the required valuation boards, the Board of Trade should lay before Parliament a statement of the total amount of certified valuation in each region. The tenour of these amendments was identical. Noble lords feared that individual apportionments of the total payment might be insufficient; and they therefore sought to make the process of regional valuation as lengthy as possible. So far, the Lords have not mutilated Part One quite as completely as the Commons maimed the amalgamation clauses. But the object of the Bill—to establish the conditions for an efficient coal-mining industry—has been almost entirely ignored in the confused clamour of interested voices. Another Coal Bill has been rendered largely ineffective. The industry may rue these barren triumphs if present trends in the coal trade continue; and the Government deserves sympathy for the lack of economic good sense evinced by a section of its noble supporters.

Food Storage Powers.—Announcing completed Government purchases of wheat, sugar and whale oil in his Budget speech on April 26th, Sir John Simon explained that a Bill to give statutory sanction to these operations would be introduced as soon as possible. On May 26th, the Essential Commodities (Reserves) Bill was introduced in the Commons, and last Thursday it was debated on second reading. The Bill goes much further than might have been inferred from the Chancellor's announcement six weeks ago. In addition to regularising the purchases of foodstuffs disclosed by Sir John, and the further purchases of raw materials recently mentioned by the Marquis of Zetland in the Lords, the Bill gives the Board of Trade power to buy and store foodstuffs (including feed for animals),

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fertilisers and oil. These stores will simply expand normal commercial stocks. Authority is also given to the Board of Trade to obtain particulars from traders of the stocks they hold and of their storage accommodation; and to provide traders with financial aid, where necessary, to increase their reserves of essential commodities or to improve their storage facilities. To meet the cost of purchasing stocks, assisting traders and erecting Government storehouses, the Essential Commodities Reserve Fund will be created, under Board of Trade control. Periodic sums will be voted by the House of Commons to maintain this fund, and no certain estimate of the scheme's probable cost can yet be hazarded. After the Budget speech it seemed clear that the purchases which had then been made fell appreciably short of three months' supply, and shorter still of the equivalent in shipping space of one year's supply of wheat, which Sir Arthur Salter has postulated as the basis of any adequate storage policy. The new Bill seems to foreshadow action on a much wider and more satisfactory scale.

* * *

Behind the Scenes.—On August 1st, Sir Maurice Hankey, who is now Secretary to the Cabinet, Secretary to the Committee of Imperial Defence and Clerk to the Privy Council, will become a director of the Suez Canal Company. His retirement from his administrative offices, announced on Monday on the ground that he had passed the retiring age, will end a remarkable career, during which Sir Maurice had been the repository of all the inner secrets of British politics for nearly a quarter of a century. In 1908, Sir Maurice became Assistant Secretary, and in 1912 Secretary, to the Committee of Imperial Defence. His appointment as Secretary to the Cabinet in 1916, to record that body's proceedings, destroyed the constitutional fiction that the Cabinet did not exist and violated extreme views about Cabinet secrecy. The remainder of Sir Maurice's offices followed from his making himself indispensable in these two posts. In 1923, he became Clerk to the Privy Council; and between 1919 and 1930 he was Secretary of either the Conferences or of the British delegations in Paris, Washington and Genoa, at The Hague, in London, Lausanne and elsewhere. Discreet, hard-working, loyal, dependable and shrewd, Sir Maurice was a perfect secretary, and, without presuming beyond the limits of his office, a real force in the nation's councils. A realist, he combined the traditions of the fighting and civil services in his outlook. To compare Sir Maurice in any real sense with Colonel House or Lord Esher would be inexact. Yet, like them, he left his mark upon a nation's history by virtue of doing his job well behind the scenes. The end of Sir Maurice's triune administration will witness an important innovation in administrative co-ordination. A unified office will be set up, with Mr E. E. Bridges as Permanent Secretary and Secretary to the Cabinet, to include the Clerk to the Privy Council and the Secretary of the Committee of Imperial Defence, in future to be separate and distinct personages. The new secretariat will bring together the major activities of the Government and co-ordinate in one department the chief functions for which the Cabinet as a whole is responsible.

* * *

Frightfulness in the Air.—What remains of a once civilised world has been profoundly shocked during the

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last week by news of indiscriminate bombings of the civil population in two countries where war, in all but name, is now raging. Last week-end came the news of repeated aerial onslaughts upon the crowded population of Canton by squadrons of Japanese bombers. Three such attacks resulted in loss of life estimated at about 2,000. While such attacks may be calculated to break the morale of this vast population, Canton itself cannot be called a military objective. In the other theatre of war, the example is, if such a thing were possible, even worse; for here Spaniards and foreign allies have been bombing their own kinsmen. Last week-end, and again this week, a wave of frightfulness seems to have swept General Franco's air forces almost beyond the bounds of the British Government's patience—if, again, such a thing were possible. At the end of last week the non-military city Alicante was subjected to a murderous assault from the air in which hundreds of civilians lost their lives. Since then, many non-military towns and villages in Catalonia have been similarly attacked from the air. The sinking of the British ship "Thorpehall" last week, on which a protest from the British Government was sent to Burgos, has been followed, not by the usual soft words of General Franco, but by the sinking of the British ship "Penthamess" on Tuesday. It is obvious that if, as is reported, General Franco refused to take the offensive against Madrid and Barcelona without fresh Italian troops, he has at least been trying by aerial frightfulness to break the morale of the Spanish Government's supporters. It is noteworthy, however, that in this attempt he has till now utterly failed and his machines have often been repulsed. Moreover, he has steadily driven our long-suffering Government, at last, into considering joint action with the French in support of their protests; and this, despite their manifest desires to see the Anglo-Italian and the hypothetical Italo-French agreements enter into force as soon as possible. The reaction of the British and American peoples to this unchecked aerial savagery has been epitomised—and perhaps when history comes to be written it will be duly noted, like Captain Jenkins's ear—by the telegraphed protests and appeals for aid which masters of British ships engaged in lawful trade, but sunk without warning, have been repeatedly sending to the Government in London.

* * *

Japan Plunges Deeper.—Last week we recorded the reconstruction of the Japanese Government. One of the new appointments is that of General Baron Araki to the Ministry of Education; and this means that the new masters of Japan are looking far ahead. The immediate purpose of the enthronement of a nakedly military regime in Tokyo has been officially described as being "to attain the original objectives of Japan's holy war [sic] in China." Megalomania has been the note of Japanese action from the autumn of 1931 onwards; and the men who incarnate this spirit have risen steadily until to-day they are in undisputed possession of supreme power. Nor, this week, have they been slow to make the meaning of their advent clear. The Japanese war-machine is now being directed to no smaller an objective than a total conquest of China by the use of every means of frightfulness which has been placed in the hands of war-makers by scientists. The savage air attacks on the civilian population of Canton may be followed by an attempt to make a landing on the south coast and open up another front. Simultaneously the Japanese are pressing westward up the Lunghai Railway. All this is strangely reminiscent of General Ludendorff's strategy in 1918, when he sent German troops far and wide into the Ukraine and the Caucasus, while at the same time he staked his country's fortunes on a supreme effort to break through in the West. An unlimited extension of the war zone may inflict untold sufferings upon the Chinese people, but, in a war of exhaustion, this must surely tell in favour of the Chinese Army, with its vast reserves of man power and its immense field of manoeuvre.

Overseas Correspondence

From Our Special Correspondents

United States

No Change in Business

NEW YORK, May 24.—The past week has revealed no marked changes in business activity. In some industries, such as steel and automobiles, what appear to be seasonal declines are appearing, in spite of the absence of any defined peak in the spring. On the other hand, in the out-door industries, such as building, there is some evidence of increased activity.

On the whole, one can derive a fairly clear impression of what may be called the consequences of the economic fatigue caused by the lengthy duration of depression. Five or six months at the prevailing low level of activity have made serious inroads, in many instances, into the resources of both individuals and corporations. But, so far, the depression has been more urban than rural; more severe in the heavy than in the light industries; and more severe in its effects on corporate earnings than on the volume of activity.

Unemployment has undoubtedly increased materially during the past year; but it is questionable if it has increased since the end of March, since the availability of out-door occupation has offset a probable increase in factory unemployment. In *The Economist* on May 28, page 475, reference was made to the new monthly index of national income. The March figure, at about 80 per cent. of the 1929 level, is not far from the average of 1931, and this corresponds reasonably well with the index of production. Indeed, the index of production at the end of 1937 was almost the same as in December, 1930, but the spring of 1931 brought a vigorous rebound which has been absent this year.

Why Confidence is Lacking

In most discussions of the American economy, the element of confidence is stressed, as if it were a purely emotional factor. Actually, what is loosely termed lack of confidence is, upon analysis, not emotional at all, but the consequence of a careful appraisal of a concrete situation, usually involving no more than simple arithmetic. At no time since 1930 has there been a receptive market for corporate new capital issues, and during the past year the issue of corporate securities has been almost completely suspended. It is begging the question to explain this simply in terms of "lack of confidence." In this period, for instance, the earning power of the railways as a group has almost vanished. The following table shows the consolidated returns of the 141 Class I railways for the March quarter of this year and last:—

CONSOLIDATED RETURNS, CLASS I RAILROADS
(\$000,000)

	1st Quarter, 1937	1st Quarter, 1938
Freight revenue	847	644
Passenger revenue	105	100
Total operating revenue (inc. other)	1,031	813
Maintenance of way	105	92
Maintenance of equipment	206	171
Transportation expense	377	345
Total operating expenses (inc. other)	764	677
Accrued taxes	88	85
Operating income	180	51
Net operating income	148	19

The railways are in dire need of capital, but their inability to command capital is the consequence of very clear and tangible causes.

The utilities are also in need of capital, but the deterrents to investment in utilities are somewhat different from the deterrents in the case of the railways. The utilities have still, in many cases, substantial earning power, although this is less than it was a year ago. Apart from their volume of business, however, the utilities have been affected by a declining tendency in their rates, and the actual or potential competition of Government-financed agencies. While this

competition has, so far, been mostly centred in the Tennessee Valley, there has been the ever-present likelihood that it would be extended to all parts of the country. In these circumstances, the utilities in recent months have not offered an attractive field for private investment, but, again, for concrete rather than psychological reasons.

In the winter of 1936-37, industrial corporate earnings were quite good; but these included, in many cases, inventory profits. Broadly speaking, American manufacturing industry has had a record of poor earnings ever since 1929, relieved for only a brief period in 1936-37. The reasons for this are primarily, of course, the low volume of business; but this has been aggravated by rising taxes and, in many cases, increased labour costs, which the consumer has apparently not been able to absorb.

Lack of Capital

That is, while the problems of rails, utilities, and industries differ radically in detail, the crucial point for each is earning power, past, present and prospective. This reacts on the capital market at two points. First, in an industrial economy, capital is largely formed through corporate earnings, whether these earnings are reinvested directly (undistributed profits) or indirectly, by individuals' reinvestment of dividends and interest received. Secondly, the earning power of a corporation determines its attractiveness to the prospective investor. Corporate earnings in recent years have been so small that the formation of capital has been much less than formerly; and such capital as has been formed has not been attracted into corporate enterprise, but has sought investment in Government securities, Federal or local.

To a great extent, investment capital is formed in the shape of capitalists' income, i.e. in the income of those who are already investors and receive an income sufficient to provide a surplus above their living expenses. The following table only refers to the income of those filing Federal returns above \$25,000, but it shows clearly the shrinkage of income in this investing group:—

	Income Tax Returns above: \$25,000	Net Income	Federal Reserve Board Index of Production
		(millions)	
1926	87,589	5,727	108
1928	111,052	8,636	111
1932	26,218	1,406	64
1936	58,978	3,264	105

Compared with a decade ago, the net income of this group of investors in 1936 had dropped by almost one-half. The decline from the peak year (1928) is even greater, but in 1928 and 1929 reported income was exaggerated by exceptionally large capital gains.

There is, of course, a substantial formation of capital in the income grades below \$25,000; but it is quite clear that the capacity of capitalists to furnish capital to American enterprise is much smaller than it was a decade ago, and that this is largely the consequence of reduced business earnings. At the same time, the Treasury has come to take a preponderant place in the capital market and such capital as is formed, both among large and small holders, is in one way or another canalised into the Treasury, either by the attraction of tax exemption, or by its offer of greater safety.

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France

Political Calm

PARIS, June 2.—The Parliamentary recess has ended, but the session will be short. It will be interrupted for the Socialist Conference at Royan and probably closed before the visit of the British sovereigns. Moreover, this session is likely to be very quiet. The extremists are impressed by the dangers of the foreign situation; and public opinion would not tolerate any political crisis until M. Daladier has fully used the plenary powers which the Chamber gave him to bring about financial and economic recovery. The first results of his policy have been favourable both in foreign policy and in the stabilisation of the franc.

New measures have just been decided to encourage agriculture, and steps to reform local finance have been proposed. The third batch of decree-laws will include an important revision of the present expensive system of social insurance.

The Socialists were visibly taken aback by two recent elections in which Radicals were elected with the backing of the Moderates against their former allies in the Popular Front. If this new alignment is further confirmed in other elections, it would seem that the country is less cautious than M. Daladier himself in its abandonment of the political coalition of 1936.

M. Blum is urging his followers to be patient. He points out that to go back into opposition immediately would be inadvisable, and that the proper procedure for the Socialist party must be to refrain from contact with the Left wing of the Radicals until circumstances similar to those in 1935-36 (economic crisis and general discontent) cause the Popular Front to be reconstituted.

The Government and Business

One danger is that too rigid respect by the Prime Minister of certain social laws (such as the 40-hour week) will have the effect of hampering a fundamental revival of business—which is already impeded by the impact on French markets of the recession in world trade. This recession—some economists point out—is favourable to the franc's stability because it has caused pressure on the dollar, the pound and other currencies.

All the same, it is unfavourable to a development of business, and notably to any recovery in French visible and invisible exports. The latest figures show that domestic activity is declining. Pig-iron production, for example, declined from 552,000 tons in March to 479,000 tons in April—a fall of 33 per cent. compared with the best monthly figure of 1937. Steel production was 503,000 tons against 564,000 tons in March—a decline of 62 per cent. from the highest monthly level of 1937.

Will re-armament and the great public works which are projected obtain results commensurate with the efforts which the money market is being asked to make? Many observers are sure that, even if the summer months are calm, the rise in prices and the contraction of purchasing power will be fatal to the Cabinet. On the other hand, the President of the Employers' Federation has described the decree laws as "an appreciable measure of progress," while the Presidents of the Chambers of Commerce have stated that "the work accomplished by the Prime Minister will favour the recovery of many distressed branches of activity, such as building."

Prices Steady

Wholesale prices, after renewed tension on the day after the last monetary depreciation, have remained steady, in spite of the recent rise in foodstuff prices, which was principally due to unfavourable weather conditions:—

	Apr. 23	Apr. 30	May 7	May 14	May 21	May 28
Wholesale prices (1914 = 100):						
General index	620	619	639	643	645	644
National products ...	665	662	673	678	686	686
Imported products...	541	543	577	579	573	570
Foodstuffs	626	623	637	641	652	652
Industrial products...	616	617	641	645	641	638

During the week ended May 21st, the number of persons unemployed was 384,939 against 389,271 in the preceding week and 351,846 a year ago.

Germany

Calm over Czechoslovakia

BERLIN, June 1.—Since May 21st, which witnessed a semi-panic on the Bourse, the international situation seems definitely to have changed for the better. Indeed, it has been transformed. This is all the more remarkable because the Sudeten-German dispute itself is in much the same stage of development as it was then. But the prospect of a war has dwindled, if not disappeared.

Cool observers here never believed that the Reich intended to risk a war by resorting to force against Czechoslovakia. In general, Reich policy, fairly summarised, is to get the fruits of war without taking the risk of war. The obvious comment on this is that the Reich cannot infallibly measure the risk of war; indeed, of late, the risk has varied daily according to new information or surmise about the attitudes of other Powers. But, though few people believed on May 21st that the Reich intended to go to war, nearly everyone here believed that the risk of war was great.

This view was not the result of untrue foreign reports about German military movements; it was due exclusively to the fact that other signs in Germany were precisely similar to those observed in the two days before the *Einmarsch* into Austria. The affair was being beaten into what looked like the final stage of white heat by the officially directed Press. After the British move in Berlin on May 21st, the agitation and incitements abated; and other matters, including even unimportant domestic events, sometimes appeared as the day's chief news.

At present the Sudeten-German question in Berlin is quieter than at any time since the beginning of May. Probably this is in Germany's own interest. If the Sudeten-German problem is, as it seems to be, an Irredentist question of familiar type, time must work for Germany; and the impatience and extravagance displayed in the first three weeks of May was unnecessary and impolitic.

Austria's Foreign Debts

The negotiations of the Leith-Ross delegation about the revision of the Payments Agreement of 1934 and their upshot are discussed elsewhere [on page 544]. It seems that the Reich has shown itself anything but accommodating in the matter of Austrian debts. In German law, a complete transfer moratorium has existed since April 29th for all Austrian long-term debts, Federal, local, and private; and such transfers as thereafter occurred were exceptions (which the law permits) to the moratorium.

The position, therefore, was precisely the same as in the case of the German long-term debts after the moratorium of June, 1933. The concessions in regard to transfer of the service on Dawes, Young and other loans were obtained after, and in the face of, the 1933 moratorium. The difference is that in 1933 there was no doubt about the status of the German debts themselves. But the status of the Austrian, or at least the Austrian Federal, debts does not seem to have been determined.

It has been understood that the Reich refuses to accept the Federal debts as its own, that is as Reich liabilities. If this meant that it declared them to be Austrian-State (*Land*) debts with the same rank as Prussian or Bavarian debts, it seems that nothing would be lost. Only the question of transfer would be important. But it is not known whether the Reich even admits that these Austrian debts are a liability of the Austrian *Land*. If they were regarded as neither Reich nor *Land* liabilities, they would seem to be repudiated altogether.

The announcement of a transfer-moratorium for Austrian loans does not accord with the statement from the Ministry of Economics in March that negotiations about Austrian loans with the creditor countries would be necessary. This statement implied that no unilateral action would be taken; but the transfer-moratorium of April 29th constituted a summary default. If the negotiations (which are to be continued after Whitsuntide, possibly in London) finally break down, the earliest possible denunciation of the present Payments Agreement would be to August 1st.

Meanwhile, Germany has concluded several international agreements concerning Austrian trade, of which the most important, in view of the fact that it presumably involves the status of an Italian-guaranteed Austrian foreign loan, is with Italy. The conditions of the agreement, however, are being kept secret. The remaining Austro-German foreign exchange restrictions have been relaxed. Previously, Austrian goods were freely importable into the old Reich, but for payment exchange certificates were necessary. Now, for many classes of goods, certificates are not necessary.

Difficulties in Agriculture and Industry

Crop reports are not satisfactory. In April there was a marked deterioration of cereals. The spring frosts are unofficially reported to have damaged fruit trees very seriously. On May 1st, however, the stock of rye and wheat was 3,500,000 tons, compared with 2,300,000 tons on the same date in 1937; imports of wheat in four months had amounted to 813,000 tons; and the fodder situation seemed to have improved.

The Nazi organ, *Deutsche Volkswirtschaft*, says that the maintenance of the present boom will present difficult problems. Credit measures and continued State intervention will be required. Full employment of industry, it is declared, involves the danger of a certain petrification of productive forces. Another official party organ says that banks' conditions in the matter of security for credit must be relaxed, and argues that the ability of a borrowing undertaking to earn profits is in itself good security. It ranks such security together with "land, buildings, plant, and stocks of goods," a doctrine which would cause some trouble to the compiler of a bank balance sheet.

The Ministry of Economics is considering whether the exchange restrictions may not be relaxed; apparently to the extent of allowing exporters greater freedom to deal with their foreign currency takings. The industrial event of last week was Herr Hitler's announcement that the new people's motor-car is to cost only Rm. 990 (about £80), payable by instalments. For a German workman this is a high sum, and maintenance here is extremely costly.

Motor Car Exports to Britain

The question of imports of cheap German cars into Great Britain has been ignored. In Germany it has always officially declared that export subsidies are paid in order to overcome foreign currency devaluations. The Adam Opel A.G., the largest German motor-car concern, which seems to have delivered the cheap cars to Britain, has increased its dividend from 6 to 8 per cent. In 1937 it produced 130,267 cars, of which 34.2 per cent., against 15.0 per cent. in 1936, were exported. One trade journal states that nearly 50 per cent. of the company's output was exported in the first quarter of this year.

Ingot-steel production in April was 1,765,700 tons; and in the first four months of the year it amounted to 7,296,700 tons, against 6,290,600 tons in 1937. The Trade Research Institute comments pessimistically on coal trade prospects. In order to maintain exports, it is stated, Germany will be obliged to make further reductions in prices.

Tax revenue in April, the first month of the new financial year, totalled Rm. 1,018 millions, against Rm. 911 millions in April, 1937. Reich funded debt on March 31st was returned at Rm. 15,450 millions, against Rm. 13,854 millions at the end of 1937, and the floating debt at Rm. 2,345 millions, against Rm. 2,388 millions. The only other disclosed liabilities are Rm. 440 millions of tax-credit certificates.

Denmark

Defence Preparations

COPENHAGEN, May 14.—At a meeting of the four Scandinavian Ministers of Foreign Affairs in April, a brief address by each was broadcast, stating the common political line of the Northern peoples, whose aim is co-operation in the maintenance of peace. Meanwhile, with general European re-armament, the Rigsdag has passed a Bill empowering the Government to raise a long-term loan of 50 million kroner, and to employ the proceeds to prepare the country against the consequences of a possible European conflict.

The amount was raised privately in a few days. It is intended to acquire reserve stocks of metals, coal, grain, fertilisers, etc. The production of new war stocks for the defence forces, which was originally to be spread over a period of five or six years, will now be accelerated, so that the greater part of the stocks will be ready in the course of the present financial year. Ground defence against air attacks will be organised. A plan for the evacuation of the central parts of Copenhagen is under preparation; and an increase of the police forces of the capital by 600 men (in addition to 1,400 auxiliary police) is foreshadowed.

A continuation of the Hague agreement of the Oslo States has been found impracticable while the present trend of

world trade persists. It has been officially stated, however, that, although the agreement has been discontinued for the present, co-operation between the Oslo States will continue. The summer of 1938 will witness the Agricultural Exhibition at Copenhagen between June 17th and 26th, celebrating the 150th anniversary of the abolition of villeinage, a reform which became the foundation stone of the present highly scientific and intensive methods of Danish farming.

Improved Capital Balance

An official estimate of the balance on capital account with foreign countries, shown in the following table, reveals a continued improvement during the last three years.

	(In million kroner)		
	1935	1936	1937
Long-term debts to foreign holders:—			
Government stock.....	846	756	734
Mortgage bonds with State guarantee..	180	145	170
Municipal bonds	453	395	390
Other mortgage bonds	120	130	125
Other Danish securities abroad	220	225	210
Sundry long-term debt	15	15	15
Total long-term indebtedness.....	1,834	1,666	1,644
Ordinary trade debts	411	399	394
Total indebtedness	2,245	2,065	2,038
Credits and investments abroad:—			
Danish holders of foreign securities ...	305	300	305
Sundry investments	25	25	25
Ordinary trade outstandings	353	366	467
Total Credits	683	691	797
Net indebtedness	1,562	1,374	1,241

The improvement is ascribed partly to the ordinary redemption of fixed debts, partly to profit on favourable exchange fluctuations and partly to the growth of ordinary trade credit balances.

At the general meeting of the Federation of Danish Industries, the Chairman emphasised that, although the results of the past year were on the whole satisfactory, and although Danish exports of manufactured goods in 1937 reached the record figure of 395 million kroner, the unstable factors inherent in the present economic and political situation must be considered when planning ahead. On the whole, Danish industry may be said to be prepared for any contingency, but it is difficult to foresee all the difficulties this country may have to face in the next few years.

Switzerland

Improvement in Trade

GENEVA, May 17.—The economic position of Switzerland continued to improve during the first quarter of the year. Imports were valued at 399,920,657 francs, against 454,911,769 francs in the same three months of 1937. Exports were valued at 306,259,582 francs, compared with 264,099,456 francs in the first quarter of last year. Improvement in the watchmaking and machinery trades was maintained, but conditions were somewhat unsatisfactory in the textile industry. Exports of the products of the four chief industries were as follows:—

	(in millions of francs)	
	First Quarter	
	1937	1938
Watches, etc.	40.3	53.8
Cotton goods	22.3	21.7
Silk goods	28.7	28.6
Machinery	23.9	46.0
	115.2	150.1

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Increased Exports to Britain

Imports from Great Britain were below the 1937 figures, but exports to Great Britain showed a further rise. Imports were 22,518,315 francs, compared with 28,687,771 francs, while exports totalled 34,214,101 francs, against 30,575,756 francs. The increase in exports was mainly due to purchases made in Switzerland for British armaments. Trade with five main countries was as follows:—

	(in millions of francs)			
	Imports from 1937	1938	Exports to 1937	1938
Germany	90.2	87.8	42.0	47.8
France	61.3	50.3	34.0	31.1
Italy	27.8	25.5	16.8	22.1
Great Britain ...	28.5	27.3	30.5	34.1
U.S.A.	28.0	36.3	25.2	20.6

Compared with last year, business in retail trade showed an increase of nearly 1.5 per cent. in the first quarter of this year. Prospects are much better in the building trade, but agriculture was hard hit by the spring frost and drought. The yield of vineyards is estimated to have been reduced by about 70 per cent., while that of fruit trees will probably fall by nearly 60 per cent.

The number of unemployed, which was 95,722 in January and 110,754 in January, 1937, fell to 66,631 in March, compared with 89,346 in March, 1937; and a small increase has been recorded in the receipts of transport undertakings and of the postal and telegraph services. The influx of foreign capital has slowed down, but the money market continues to show remarkable liquidity.

First Steps in Financial Reform

After long and arduous discussions, the Commission of the National Council, or Second Chamber of Parliament, adopted, by a small majority, the financial programme drafted by the Council of States, or First Chamber. The Commission rejected a proposal to impose new taxes. Its first object was to provide a constitutional basis for certain financial measures already taken by the Government under the Plenary Powers Act.

The Constitution will now embody the principle of the tax on beer, a tax on capital, or on income, or on capital and income, and a tax on war profits. These taxes are intended to enable the Government to cover the expenses necessitated by re-armament and the strengthening of national defence. The tax on capital, or on income, or on capital and income, will replace the Crisis Tax, which the Government was authorised to levy again in 1938.

The financial programme lays down that no new expenditure can be decided unless it is counterbalanced by savings or new receipts. On the other hand, Parliament will not be entitled to increase the credits sought by the Government by means of emergency decrees which are not submitted to popular vote. The programme is only the first step towards a general financial reform, the details of which will only be settled when the programme has been approved by Parliament.

Swiss Neutrality and the League

At the League Council an important decision was taken regarding Swiss neutrality. The policy of neutrality is traditional in Switzerland, and it dates back as far as the sixteenth century. In 1920, Switzerland made it clear that her position in the League was exceptional, and was not to involve the obligation of taking part in military sanctions. The Treaty of Versailles acknowledged that exemption, while Switzerland pledged herself to take part in economic sanctions and to defend her territory.

The failure of collective security, the difficulty of making a distinction between economic and military sanctions, and the fear of being treated as if she had taken military action if she applied economic sanctions, caused Switzerland to revert to her traditional policy of complete neutrality. The League Council recognised the exceptional position and complete neutrality of Switzerland, who is thus exempt from taking part in either military or economic sanctions, though remaining a League member. At the same time, Switzerland undertakes to defend herself, and to guarantee the free working of League institutions on her territory.

Roumania

Changes in Government and Administration

BUCHAREST, May 29.—The political situation has remained calm in spite of the conviction of Corneliu Zelea Codreanu, leader of the Iron Guard, for treason. Obviously, M. Codreanu hoped that time is working for him and his party. He did not feel strong enough to resist the Government backed by the Army. On the other hand, however, the Government's action cannot control invisible propaganda, designed to win over young people.

The new administrative law has been published. It divides the country into seven provinces, the boundaries of which coincide with those of the military districts. Economic, religious and ethnical entities have been little respected. The Carpathian range, a natural boundary between Transylvania and the Old Kingdom, is crossed in three places by the boundaries of the new provinces. Minority districts have been, as far as possible, divided into small pieces.

The effect of the new system of administration cannot be guessed until it actually begins to operate; but public opinion was favourably impressed by the frequent careful inspections of local authorities made by high officials and ministers. Many inefficient public employees have been dismissed, and both the severity and rapidity of the measures taken contrast strikingly with the hesitant attitude of former Governments. This purification will have to be continued ruthlessly for many years, if Roumania is to be relieved from the curse of corruption and incompetence in her civil administration.

Depression in Business

Frequent political changes and the menacing complications of international politics have created an atmosphere of general reserve, and business is rather dull. Current sales of iron and steel are about 60 per cent. of last year's figure, which was, however, a new high record. The textile trade is also suffering from depression, and sales during April were about 30 per cent. below the level of 1937. On the other hand, sales of goods for mass consumption did not fall, and sugar consumption in April exceeded the corresponding figure for April, 1937, by 4 per cent. In quantity, sales of cigarettes during the first three months of this year were as much as 20 per cent. higher than those during the first three months of 1937. The proceeds of sales of alcoholic drinks were 12½ per cent. more than a year ago. The outstanding features of the market are steady turnover figures for commodities bought by the lower classes, and dwindling sales of better qualities.

The new regulation of banking business and the reduction of maximum interest on outstanding debts from 9½ to 7½ per cent., together with the reduction of bank rate from 4½ to 3½ per cent., have released accumulated capital for the Stock Exchange. Both bonds and shares have gained substantially during the last two weeks. Stabilisation bonds advanced from 51 per cent. to 58½ per cent., and Astra Romana oil shares from 950 to 1,150. Later on, however, the poor international situation led to heavy sales, and all quotations receded with the sole exception of "Mica" gold mines. The turnover, however, has been markedly higher than for several months.

Bulgaria

Economic Recession

SOFIA, May 19.—The economic recovery of Bulgaria, manifested throughout 1937, has since the beginning of February, given place to recession. Wholesale prices have steadily fallen since December, and during the first quarter of this year the decline was about 5 per cent. The fall is even greater in the prices of export products—over 8 per cent.

Foreign trade still shows a surplus of exports because of the outstanding balance of last year's food crops. But activity on the domestic market has seriously slackened and home sales of industrial products have diminished. It is, however, believed that the recession will be only temporary. Crop prospects are good and another abundant harvest may be expected.

The future of trade relations with the new Greater Germany is being discussed in official circles. Last year, Germany and Austria together took 47 per cent. of Bulgarian imports and supplied 65 per cent. of Bulgarian imports. In the first

quarter of this year these percentages were 57 and 56, respectively, and the negotiations at present taking place in Berlin seem to indicate Germany's willingness to increase the volume of her imports from Bulgaria. This is disquieting, since it would inevitably place the country in greater dependence on Germany and reduce the National Bank's prospects of increasing its stock of foreign exchange.

Another disadvantage of the present position is the over-estimated value of the Reichsmark. Its rate in trade with Bulgaria is fixed by the clearing agreement with Germany, which makes the monetary policy of Bulgaria dependent on the Reich. Since the *Anschluss* some reorganisation of commercial methods has been noticeable, with Germany endeavouring to place the organisation of trade with Bulgaria in the hands of German agents.

The Bulgarian Government would like to free itself of such dependence and direct foreign trade to other markets—Great Britain and the United States. Results so far, however, are far from satisfactory, owing mainly to monetary factors. Thus, while the rate of the Reichsmark has remained steady ever since 1932, on other foreign exchanges Bulgarian importers have to pay premiums which run up to 35 per cent. above the official rates of the National Bank. Imports of other countries into Bulgaria are unable to compete with German products because of the high premiums importers have to pay.

Foreign Trade Results

In the first quarter of 1938 foreign trade was as follows:—

	(000's omitted)			
	1937		1938	
	Tons	Leva	Tons	Leva
Imports	64	913,000	63	1,081,000
Exports	144	1,299,000	155	1,579,000
Surplus of exports		386,000		498,000

This year's increased values are due, in the first place, to the method of valuation which includes the paid premiums, and these increases are not, in consequence, actual. Nevertheless, the favourable trade balance has helped to increase the foreign exchange stock of the National Bank from 659 million leva in December to 895 millions at the end of March, against 581 millions in March, 1937.

State revenue in the first quarter was satisfactory. Receipts totalled 2,225 million leva, against 1,929 millions in the corresponding period of 1937. The 1938 figure, however, is still 101 millions below the Budget estimate, and there is a marked tendency for the proceeds of direct taxes to diminish.

Greece

Improved Economic Outlook

ATHENS, May 16.—The economic outlook has improved. Abundant rains have considerably improved prospects for crops, and industrial activity is still satisfactory. Domestic trade is enjoying a seasonal upturn, and wholesale and retail prices have fallen slightly.

Foreign trade returns for the first three months of 1938 compare favourably with those of the corresponding quarter of 1937, but reveal a further increase of the adverse balance of trade. Nevertheless, the foreign exchange position remains satisfactory, while the note circulation, bank advances and deposits continue to expand. Movement on the Stock Exchange is brisk, and in general prices are rising.

Budget estimates for the financial year 1938-39, which began on April 1st, provide for a reduction in expenditure compared with the previous year, of Drs. 1,777 millions. The following table shows estimated revenue and expenditure in 1937-38 and 1938-39:—

(In millions of drachmas)		
Revenue:—	1937-38*	1938-39*
Ordinary	12,271	12,031
Extraordinary	4,215	2,488
Total Revenue	16,486	14,519
Expenditure:—		
Ordinary	11,535	12,137
Extraordinary	5,348	2,969
Total Expenditure	16,883	15,106
Deficit	397	587

* Estimated.

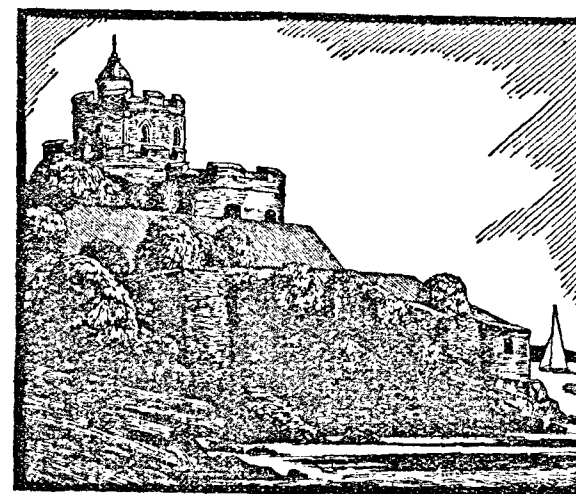
The Budget for 1937-38 is now expected to close with a deficit of not more than Drs. 125 millions, and some reduction is hoped for in the anticipated deficit on the current year (1938-39). Estimated total expenditure is reduced from Drs. 16,883 millions in 1937-38 to Drs. 15,506 millions in 1938-39. Of this, Drs. 3,421 millions was covered by loans in 1937-38, whereas only Drs. 1,950 millions will be so covered in 1938-39. Re-armament expenditure is reduced from Drs. 2,750 millions in 1937-38 to Drs. 894 millions in 1938-39. Moreover, a sum of Drs. 285 millions is set aside in the 1938-39 Budget as a reserve against unforeseen expenditure.

Foreign Debt Service

Provision is made in the Budget for an expenditure of Drs. 976 millions for the service of the foreign debt, against Drs. 923 millions in the previous year. An agreement with the foreign bondholders has not yet been concluded, and the Government again decided to pay 40 per cent. of the normal service. This was refused by the Council of Foreign Bondholders in London, who claim that the offer of the Greek Government is inadequate.

Here it is argued that the transfer capacity of Greece seems to be over-estimated in certain quarters abroad. According to the figures contained in the annual report for 1937 of the Governor of the Bank of Greece, this country's balance of international payments was adverse, as regards income items, by 39,609,000 gold francs. Including capital items, and receipts whose nature cannot be exactly defined, the accounts closed with a net adverse balance of 10,674,000 gold francs. The prospects for the current year seem less promising. 1937 was an exceptionally good year, and some items of income from abroad will be much smaller this year owing to the altered international economic and political situation.

On May 14th the Bank of Greece completed ten years of existence. When the Bank was established in 1928, the gold exchange standard was adopted, and the drachma was stabilised at Drs. 375 to the gold £, or ⅓ of its pre-war gold value. The drachma, which was linked to sterling in September, 1936, is now worth about 42 per cent. of its 1928 gold value, and is now quoted at 550 drachmas to the £.



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China

Shanghai's Plight

SHANGHAI, April 26.—Shanghai is still virtually a refugee city, and many people are in need of relief. Although a wide area of the lower Yangtse region is nominally held by the Japanese forces, in a number of districts, away from the roads and railways, Chinese guerilla bands still operate, and sporadic fighting continues. The outlook for any rapid recovery of industry and trade in this area is dismal until some settlement is reached to enable communications to be restored and the work of reconstruction to be started. The Ta Tao, or Great Way, Shanghai Municipality, established by Japanese consent or initiative, has so far done no more than undertake elementary police duties and introduce various new local taxes.

It is understood that arrangements are being made for a limited number of approved passengers to travel on the Shanghai-Nanking and Shanghai-Hangchow-Ningpo Railways. Since the Japanese obtained control of these lines the representatives of the British bondholders, for whose benefit the revenue receipts are pledged, have been refused access to the railway property. It will be interesting to note what arrangements are now made by the Japanese as regards both administrative control and the disposal of the earnings of these railways.

Exchange Difficulties

The exchange restrictions, introduced a month ago largely to protect China's foreign currency reserves from Japanese raids through the instrumentality of the Federal Reserve Bank in North China, have at times caused considerable nervousness in the exchange market, and resulted in the quotation of appreciably lower rates for the Chinese dollar. Early attempts on the part of the Chinese Government banks and some of the foreign banks to maintain the rate resulted in the establishment of a "black bourse"; and, so long as the rationing of exchange remains necessary, and discrimination is shown in the weekly allotments of foreign currency between different banks, a "black market" is likely to continue, though its importance may not actually be very great.

Confidence has now been somewhat restored, and the selling rate has recovered to about 1s. 1½d. for the dollar. There has been some criticism of the foreign exchange banks by local merchants, who have felt that the banks were acting selfishly either in retaining (to cover an oversold position) part of the foreign currency allotted to them or in giving less favourable rates to import merchants than those at which the allotments were made by the Central Bank.

China's foreign trade, as recorded by the Customs, for the first three months of the current year, compared with the same period of last year, was as follows:—

	(In millions of Chinese dollars)	
	January-March 1937	1938
Net imports.....	271.2	230.7
Net exports	239.9	134.2

The following figures for Shanghai show how badly this city has been hit by the hostilities:—

	(In millions of Chinese dollars)	
	January-March 1937	1938
Shanghai's gross imports	165.1	52.8
Shanghai's gross exports	125.2	33.7

War-time Trade Decline

An appreciable part of Shanghai's recent imports has consisted of cargo off-loaded at other ports, such as Hongkong, Manila and Singapore, during the period of local hostilities last year. Shanghai's ability to dispose of these shipments is adversely affected by the present disorganisation of local industry and the breakdown of communications with the interior.

Unless, indeed, there should be some sudden and unexpected development, foreshadowing an early termination of hostilities, China's imports are likely to be reduced considerably in coming months. Moreover, if the stability of the Chinese dollar is to be maintained, it will clearly be necessary for the Government to take steps to bring about a more even balance between imports and exports, and so reduce the demand for foreign currency. As an indication of the way in which the hostilities are affecting internal trade and the marketing of agricultural produce, it may be noted that, during the first three months of the current year, it has been necessary to import rice and paddy from abroad to the value of \$15.3 millions, compared with \$3.2 millions in the same period of last year, and wheat flour to the value of \$10.2 millions, compared with \$1.3 millions in 1937.

Letter to the Editor

French and Italians in Tunis

TO THE EDITOR OF THE ECONOMIST

SIR,—In a recent number of *The Economist* I read the statement that in Tunisia the French colonists are outnumbered by the Italians. This is not, or rather is no longer, the truth.

Here are a few figures concerning the respective French and Italian populations of the Regency. They are taken from the "Statistique Générale de la Tunisie, Année 1936."

	1931	1936
French	91,427	108,068
Italian	91,178	94,239

The movements of Italians, immigration and departure, are given by the following figures:—

	1932	1933	1934	1935	1936
Arrived	10,876	3,150	2,135	1,382	1,393
Left	11,268	1,680	1,655	1,858	1,927

The increase of Italians between 1931 and 1936 mostly comes from immigration, but the movement appears to be reversed in the last two years.

All this suggests that Italian influence is important in Tunisia, but in no way sufficient to support the claim that Tunisia is, in fact, and should be in right, an Italian colony.

Yours truly,

JAQUES GANS.

Nancy,
France.

Books and Publications

The Trade Cycle in Sweden

THE Institute for Trade Cycle Research was set up by the Swedish Government in April, 1937, and given a very large field of inquiry. This Report,* the Institute's first publication, will be welcomed by all those interested in trade cycle investigations. The author of the Report and head of the Institute, Dr Erik Lundberg, is already well known for his book "Studies in the Theory of Economic Expansion."

This Report is intended to serve the dual purpose of analysing and describing the current economic position and providing a basis for future investigations. The result is an extremely useful 150 pages of information on developments in Sweden since 1929. Dr Lundberg examines in turn the main factors influencing the course of economic activity, and endeavours to assess the relative importance of each.

The section showing the effect of the financial and investment policy is interesting and, significantly, these measures led to no lack of confidence among the investing public. For example, the construction of private dwelling-houses, which accounts for some 75 per cent. of total building activity, was still in 1932 some 14 per cent. above the 1929 level. It is of interest to speculate whether the state of confidence in business circles could have been maintained without the assurance that all deficits were to be covered in more prosperous years.

Dr Lundberg points out that, in the long run, developments abroad, and particularly in Britain and the United States, must be of decisive importance to Sweden. For the United States, he draws a parallel with 1923, when the end of a period of rising prices was reached. On that occasion, the depression was a temporary one, largely owing to the great number of opportunities for expansion in investment activity that were available. The same factor may prove dominant in 1938.

While a general falling off in world trade must be expected to lead to a diminution in Swedish exports, no internal counter stimulant can now be expected, as was the case in 1935 and 1930, when falling exports were offset by a strong internal expansion, particularly in building activity, which increased by no less than 30 per cent. between 1929 and 1930. Nevertheless, Dr Lundberg does not consider that 1938 is likely to witness any serious stagnation in activity.

The Swedish economy is on the whole stable, and can offer considerable resistance to a depression abroad that is neither prolonged nor very serious. The consumption goods industries are favourably situated, owing to the stability of the country's purchasing power, which has been further secured by the wage increases during 1937. Other favourable factors are the liquid position of industry in general and the strong currency position.

This Report not only contains much useful information, but is also a model of presentation. It provides a clear and concise picture of the Swedish economy, forming a welcome contrast to the usual unwieldy and often disjointed collection of data provided by similar investigations. We have come to expect a high standard from Swedish economists and this Report does not disappoint us.

* "Konjunkturläget Hösten, 1937." First Report of the Swedish Institute for Trade Cycle Research. Stockholm, 1938.

Shorter Notice

"Why the League has Failed." By "Vigilantes." 96 pages. (London) Gollancz. 1s. 6d. net.

The triune personality who writes under the familiar *nom de guerre* noted above has produced this third volume in four years, bringing his (or perhaps one should say their) analysis of the deteriorating international situation up to date. As usual, the book is vigorously and provocatively written; its criticism of the British Government's foreign policy, familiar from the two earlier volumes, does not protrude until two-thirds of the book is passed. This analytical first

section is notable for its clarity and compactness (fifty-seven pages). It is not, however, quite true to say that the Conservative Government of 1925 killed the Geneva Protocol of the first Labour Government in 1924; for at least three British Dominions had a hand in that deplorable loss of a great opportunity.

"Vigilantes" see the only hope for democracies in a "World Peace Union," which should use its overwhelming powers to mobilise the sabotaged League of Nations against any and all acts of aggression by Fascist States. On the other hand, the Union would offer the latter countries guarantees that they would not be attacked, that their grievances would be collectively discussed, and the economic difficulties collectively solved. The authors want to see the Governments of the remaining democracies prove to the world, and to the Fascist States in particular, that democracy can ensure both peace and prosperity for its citizens. They thus believe that democracy can and should convince by example, rather than be forced, in a race to war, to copy the Fascists' organisation. Those who read this last and in many ways most trenchant of "Vigilantes'" writings can scarcely fail to be impressed by its argument, exposition and conclusion.

Books Received

Fact: Patent Medicines. By A. J. Clark. (London) Fact, 19 Garrick Street, W.C.2. 97 pages. Paper 6d. Cloth 1s. A critical account and thorough exposure of the traffic in patent medicines and its grave dangers. The best and most useful number yet published of this stimulating monthly.

Indian Sugar Mills Association. Report of the Committee for the Year 1936-37. (Calcutta) Indian Sugar Mills Association. No price stated.

Public Insurance and Compensation Money. By U. V. Beckerath. (London) Williams and Norgate. 91 pages. 3s. net.

A Guide to Company Balance Sheets. By F. H. Jones. (Cambridge) W. Heffer and Sons, Ltd. 224 pages. 7s. 6d. net.

La Structure Economique de la Suède et de la Belgique. By J. Jussiant. (Paris) Desclée-De Brouwer & Cie, 76 rue de Sts-Pères. 600 pages. No price stated.

Dare We Look Ahead? By Bertrand Russell and Others. (London) Allen and Unwin. 190 pages. 5s. net.

Statistical Abstract of the United States, 1937. (Washington) U.S. Government Printing Office. 861 pp. \$1.50.

Calcutta Stock Exchange Official Year Book, 1938. (Calcutta) Calcutta Stock Exchange Association, Ltd. 995 pages. Rs. 10.

Anglo-American Year Book, 1938. (London) American Chamber of Commerce in London. 561 pages. 10s. net.

Red Candles in Spain. By T. Stowell. (London) John Gifford, Ltd. 287 pages. 7s. 6d. net.

The Movements of Interest Rates, Bond Yields and Stock Prices in the United States since 1856. By F. R. Macaulay. (London) Macmillan. 586 pages. 21s. net.

Key to Income Tax, Surtax and National Defence Contribution. (London) Taxation Publishing Co., Ltd. 160 pages. 3s. 6d. net.

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THE BUSINESS WORLD

Trade With Turkey

AT the end of last week three new agreements were signed between representatives of the British and Turkish Governments. The first provides for new credit facilities to Turkey. These take the form of the issue of Turkish Government Sterling Treasury bills, guaranteed by the British Export Credits Guarantee Department. The second agreement makes certain modifications in the 1936 Clearing Agreement. The third provides for a British Government Loan of £6,000,000 to Turkey, to finance Turkish purchases in the United Kingdom of material necessary for Turkey's defence.

The agreements are necessarily complicated, especially as they refer to the detailed clauses of the 1936 Clearing Agreement. The Credits Agreement, which excludes munitions of war and is confined to goods wholly or mainly manufactured in Great Britain, provides for the endorsement by the Export Credits Guarantee Department of 5½ per cent. Turkish Treasury bills up to a total of £10 millions. The bills are payable in accordance with a schedule agreed between the Department and the Turkish Government, the terms of which have not yet been divulged. The bills will be discounted in the London market, and any resulting profits will accrue to the Export Credits Guarantee Department. The proceeds of their sale, up to the face value of the bills, will be paid into a special account at the Ottoman Bank. The agreement relates only to contracts to be made not later than December 31, 1940. An extension during 1941 is to be allowed, however, up to a limit of £1.5 millions, provided that brief particulars are forwarded before the end of 1940. A programme of orders is to be transmitted by the Turkish authorities at an early date.

A separate section of this agreement relates to the sale of certain Turkish commodities in the British Empire and also in all foreign "free exchange" countries. A new company, called "Anglo-Turkish Commodities, Limited," is to be formed in London for this purpose. The proceeds of the sales of the commodities specified in the agreement are first to be used for defraying the expenses of the company and for meeting liabilities arising out of the British contract of December, 1936, for the erection of steelworks in Turkey. The balance, including that accruing from sales to "free exchange" countries, is to be ear-marked against the payment of the bills guaranteed by the Export Credits Guarantee Department.

The next agreement modifies the Clearing Agreement of September, 1936, which broadly ear-marked 70 per cent. of the sterling produce of Turkish exports for the liquidation of outstanding commercial debts; leaving the remaining 30 per cent. at the disposal of the Turkish control banks. The first operative clause recapitulates the terms of the Credit Agreement providing for the disposal of the receipts of Anglo-Turkish Commodities, Limited. It adds that these proceeds are also to be used for the payment of the annuities due to the Aidin Railway Company and the Istanbul Telephone Company, and for payments due under the new Armaments Credit Agreement. Of any remaining balance, some 60 per cent. will be applied for the discharge of commercial debts due to British creditors, 30 per cent. will be for the free disposal of the Turkish central bank, and 10 per cent. will be available for the purchase of

United Kingdom newspapers, periodicals and books, which are not suitable for purchase through the clearing or by private compensation. A separate clause ear-marks the proceeds of Turkish wheat shipments to England for the financing of Turkish purchases of British ships. Certain detailed adjustments are also made in the allocations provided in the 1936 agreement. In particular, British creditors may now (with certain reservations) use sums which are blocked in Turkey for the purchase and exportation of Turkish goods. The creditor may use the sterling proceeds of the re-sale of these goods for the purpose of liquidating his debt, any balance going to the liquidation of British commercial debts generally.

The Armaments Credit Agreement, which requires legislation in England, provides for a British loan of £6,000,000. The rate of interest up to the end of 1942 is "one above Bank rate, minimum three," and thereafter such a rate as the British Treasury certifies as for a loan of similar term guaranteed by the British Government, again with a minimum rate of 3 per cent. The interest is to accrue (compounded) up to 1952, and the total debt will then be repayable in twenty equal half-yearly instalments. The Turkish Government, however, has the right of anticipating repayment, in whole or in part.

The three agreements form a single whole. Obviously, it was necessary to adapt the machinery of the Anglo-Turkish clearing to permit of the liquidation of Turkey's new liabilities under the Credits and Armaments Agreements. The new arrangements will be welcomed on various grounds. On the economic and commercial side, without overlooking the needs of existing British creditors, they provide fresh opportunities for trade in both directions between England and Turkey. The nature of these opportunities is shown by a schedule to the Credits Agreements, in which there are envisaged Turkish purchases of British textiles, chemicals and engineering products. The granting of a loan to Turkey for the purchase of munitions has come as a greater surprise, in view of the pressure of Britain's own programme on her re-armament industries. Given the importance to those conditions, however, of a steady flow of orders, the Turkish loan would permit of the filling up of gaps which might arise as the British programme passed from its earlier to its later stages. But precedents suggest, also, that in the unfortunate contingency of our finding ourselves involved in war, we might find it convenient to be in a position to purchase from Turkey ships and other war material which might happen to be in process of completion in this country.

On the political side, the strengthening of our link with Turkey is welcome. Turkey, the outwork of South-Eastern Europe, occupies a strategic key position, and recent endeavours by Germany to extend and improve her position there afford a significant recognition of this fact. There is, indeed, ample scope for trade between Turkey and Germany, ourselves and the world at large. The inclusion in the agreements of facilities for commerce between Turkey and "free exchange" countries shows that Great Britain has no exclusive object in view. On this showing, the agreements deserve a favourable reception, and their results should contribute to the furtherance of industrial trade and the world's peace.

Steel under Central Control

ON March 1, 1932, the iron and steel industry was granted protection on condition that it would take steps to improve its efficiency by reorganisation. In July, 1935, the industry further entrenched itself in the home market by a five-year agreement with the Continental Steel Cartel, under which imports of a specified range of products from the member countries were severely limited. Imports from countries not adhering to the Cartel were made subject to a heavy duty designed to keep out supplies of any magnitude. Thus, at the beginning of the greatest steel boom ever witnessed in this country, which culminated in the autumn of 1937, the industry obtained a virtual monopoly in the home market for a promise to set its house in order. The boom, however, is now past its peak, and the industry is faced with the task of adjusting its policy to a downward trend of demand.

What are the broad results of the first phase of the experiment in central control which coincided with this period of unprecedented expansion in the home market? And how far can the lessons taught by recent experience be applied to the conduct of the industry during the second phase coinciding with a period of recession?

The industry's experience during the period of recovery may be briefly summarised. The first of the two charts overleaf shows the trend of general business activity and of apparent domestic iron and steel consumption, annually, from 1929 to 1937, and monthly from July, 1935, on the basis of *The Economist's* indices. The index of domestic iron and steel consumption is based on the average daily output of steel ingots and castings, and of forge and foundry pig iron, plus the crude steel equivalent of imports, less the crude steel equivalent of exports. We have, however, described it as "apparent" since lack of data makes it impossible to ascertain the rise or fall of stocks. While this omission does not invalidate the annual figures as a measure of the trend of consumption, the monthly index shows the quantity of new materials available for consumption rather than the quantity actually absorbed. Both monthly indices are adjusted for normal seasonal variations.

The course of the annual indices reveals (a) the fundamental problem of the industry, which consists of the wide cyclical fluctuations in the demand for capital goods; and (b) a strong long-period upward trend in the use of iron and steel. Between 1932 and 1937, when the annual index of general business activity rose by 33½ per cent., the figure for apparent iron and steel consumption advanced by 140 per cent. Moreover, while the level of general business activity last year was 13½ per cent. above that of 1929, apparent iron and steel consumption was no less than 46 per cent. higher. The following table, showing the crude steel equivalent of domestic production, imports and exports in 1929, 1936 and 1937, reveals how the enormous expansion in demand was satisfied:—

DOMESTIC OUTPUT, IMPORTS AND EXPORTS, OF IRON AND STEEL
(In thousands of tons)

	Domestic Output	Imports	Exports	Excess of Exports over Imports	Quantity available for Domestic Consumption
1929	11,391	3,458	5,359	1,901	9,490
1936	13,157	1,774	2,696	922	12,235
1937	14,684	2,266	3,141	875	13,809

Between 1929 and 1937 the quantity of iron and steel available for home consumption was increased by 46 per cent. During the same period the domestic output of crude

steel and forge and foundry pig iron (which is normally not used in the manufacture of steel) increased by only 29 per cent. In order to meet the expansion in demand it was necessary, therefore, to retain a much larger proportion of domestic output than previously; the crude steel equivalent of the excess of exports over imports thus fell from 1,901,000 tons in 1929 to 875,000 tons in 1937.

The fact that the industry has not only been unable to meet domestic requirements in full, but has also been unable to take full advantage of the rising export demand in 1936-37, has led to severe criticism of the policy of those in control. There can be little doubt that those entrusted with the guidance of the industry have, in fact, underestimated the extent of the expansion in demand in 1936-37, both at home and abroad. But three or four years ago, it must be conceded, few foresaw the steep rise in demand at home, due largely to the intensification of re-armament, and the sudden, but short-lived, revival of international trade. Moreover, in view of past experience under competitive conditions, a central authority was naturally anxious to avoid over-expansion of capacity. Nor can the industry be held entirely responsible for the hectic scramble for materials which took place last year; for, as the diagram shows, domestic supplies increased by leaps and bounds between April and December last year.

Further, as the accumulation of stocks has since shown, actual consumption did not expand as fast as supplies or as consumers' demand suggested at the time. The fear of

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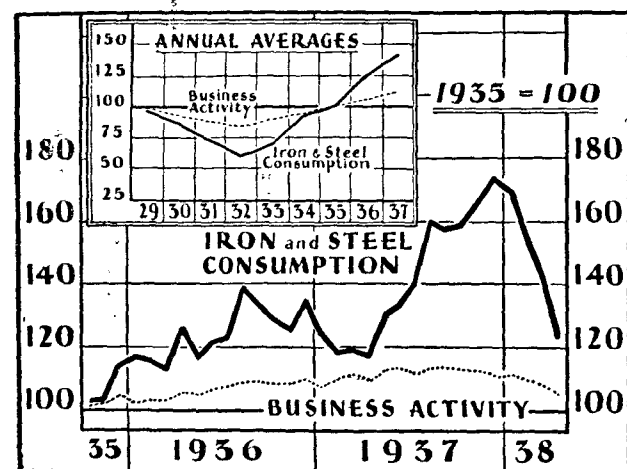
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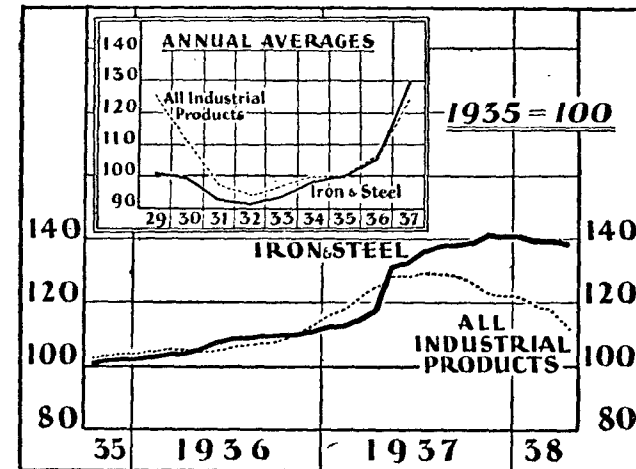
a shortage prompted many consumers not only to cover their requirements further ahead than usual, but to order more materials than they wanted in the expectation of receiving only a proportion of the quantity demanded. This scramble for materials in the spring of 1937 was not confined to iron and steel, but was a world-wide phenomenon affecting the majority of raw material markets. On the other hand, the authorities are now shown to have been mistaken in delaying the relaxation of the import duties until July of last year; for, if they had not done so and if it had been known that ample supplies would have been available, current demand would not have outrun actual

The industry's price policy is illustrated in the second diagram, which compares the course of the Board of Trade's index of iron and steel prices with its index of all industrial products. As the Board of Trade's new index only goes back to 1930, the figures for 1929 have been calculated from the previous series. As in the case of business activity and apparent steel consumption, the price indices are given (on the same basis) annually from 1929 to 1937, and monthly from July, 1935. After declining sharply between 1929 and 1932, the annual index of all industrial products recovered to the pre-depression level in 1937. The fall in the figure for iron and steel during

INDICES OF BUSINESS ACTIVITY AND IRON AND STEEL CONSUMPTION



INDICES OF PRICES FOR IRON AND STEEL AND OTHER INDUSTRIAL PRODUCTS



consumption to such an extent as it did and the consequent accumulation of stocks could have been avoided. Moreover, owing to the natural anxiety to prevent an over-expansion of plant, extension plans were delayed too long, with the result that the crude steel-producing capacity of the industry is being extended from 13½ million tons to over 14 million tons this year, when consumption is likely to decline. Had this capacity been available in the spring of 1937, the course of events would have been different. But unfortunately perfect foresight is impossible in a dynamic world.

The price policy of the industry affords a more cogent ground of criticism. Last November, when demand already showed signs of flagging, steel prices were fixed at the current level until the end of 1938, on the ground that the assurance of a stable price level for a long period enabled industrialists to plan ahead. But in the event this action has tended to accentuate the depression by postponing demand until 1939.

the depression was much less marked, but its rise since 1932 exceeded that of the general index. In contrast to the general index, the 1937 figure for iron and steel shows an increase of about 30 per cent. over that for 1929. This increase has been justified on the grounds that prices in 1929 did not provide the industry with a sufficient return on its capital, that conversion and material costs have risen substantially since 1932, and that a comparatively high return in prosperous years must compensate for the low returns in depression. These arguments undoubtedly have weight, though they must be critically considered in the light of the industry's promise to improve its efficiency in return for protection in the home market.

There can be little doubt that those entrusted with the control of price policy have prevented prices in 1936-37 from being raised as much as they would have been advanced under free competitive conditions. But the policy of moderation during the scramble of 1936-37 cannot justify the maintenance of prices during a period of declining trade at a level which checks consumption at a time when it ought to be fostered in every possible way. A reduction now would naturally reduce the profits, since contracts for raw materials have been made at high prices; but the industry has been doing well, and it is more important to bring about recovery than that profit margins should be maintained at their maximum for a few months longer.

But if the policy of the iron and steel industry during the recovery phase of the trade cycle is not above criticism, there have been some compensating advantages. Final judgment of the merits of the experiment in central control must be delayed at least until the new organisation has been tested in a period of depression and until it is possible to see how the British steel industry fares in the long run in the face of world competition.

South African Gold Mines

IT would be highly regrettable if the publicity lately given to fluctuations in the shares of a company like Western Holdings—which holds options over an area situated at a considerable distance from the Rand, where the existence of gold in payable quantity has yet to be proved—were to divert public attention from the merits of the case for investment in the shares of proved South African gold producers. Whenever the political or the economic future has seemed uncertain, men have always turned instinctively to gold. And when, as at present, the world is following a policy which, sooner or later, may have an inflationary aftermath, the appeal of the yellow metal as a "hedge" is augmented. Thus, paradoxically, investment in gold mining, which last century was regarded as one of the most hazardous of speculative adventures, is held up to-day as a way of escape from the financial dangers of an unquiet epoch.

For the British investor, the argument for including a reasonable—not an excessive—proportion of sound gold-mining shares in a mixed portfolio gains much from the fact that the great majority of the shares quoted on the London Stock Exchange which interest the more solid type of capitalist, large or small, are those of enterprises situated in the Witwatersrand area of the Union of South Africa. For, in the first place, the accounts of these companies are kept in pounds. It is conceivable that the price of South African pounds might depreciate in terms of sterling (or appreciate, as it did in 1931-32). But it is much more likely that the investor will be spared both exchange difficulties and political *contretemps*, which are ever-present dangers in many foreign countries. And, in the second place, technical conditions invest South African gold-mining shares with an element of reliability unparalleled by those of mines in other areas. There is no gold-bearing formation elsewhere in the world comparable in the matter of size, regularity and predictability with the Rand. In that area, geological conditions, especially in certain sections, are such that when development has reached a given stage, the life and yield of many mines, for any given price of gold, are ascertainable with a greater degree of precision than are the future financial results of the majority of commercial undertakings.

Such, in brief, are the arguments for Kaffir investments. Against them there are at least two adverse possibilities of which account should be taken, even by investors to whom high politics and world economic tendencies are inscrutable mysteries. Past experience suggests that the first of these is the possibility of increased South African taxation. Mr P. M. Anderson recently pointed out that while the industry's working profit for 1937, at £32 millions, had increased to more than double the 1932 figure, some £14 millions, representing treble the amount in 1932, went to the Government by way of taxation and share of profits from leased mines. There may be an appreciable risk of still higher scales of taxation, in the event of further currency depreciation. A second possibility is a future rise in operating costs, both for labour and materials, which in recent years have not shown a rise at all proportionate to the extent of the currency depreciation which has taken place. In the long run, this discrepancy is likely to be reduced, but there is a partial offset by way of steadily increasing mining efficiency, resulting from the application of modern methods and equipment. There are other, and more remote contingencies, which, perhaps, deserve mention. After the results of the last election, the "political risk" of the advent to power in South Africa of a Government hostile to the mining interests and/or to the British connection has receded into the background. But in the event of another world war, abnormal risks, of a different character, might arise. For example, producers might be compelled to sell their gold to the authorities at a price below its true currency value; or, under a system of exchange

control, the overseas currency proceeds might have to be converted at an arbitrary rate.

To discount such possibilities as these, in advance, is well-nigh impossible; but it is advisable that the investor should realise clearly the risks he is running and the assumptions he is making before buying a gold share as a safe refuge for his money. On the whole, however, he may be reasonably safe in assuming that the proprietors of the industry will always be allowed to retain a sufficient proportion of the gold won to maintain the volume of production and the incentive to work. Putting the more intangible risks on one side, there are at least four types of South African gold-mining shares which merit consideration from the investor, rather than the speculator or the out-and-out gambler.

The speculative element is at its lowest in the case of fully developed mines situated in the best part of the Reef. The penalties of full development and the virtual elimination of technical risk, however, are a short "life" and a declining annual yield. The principal examples of this type of Kaffir are given in Table I, below:—

TABLE I

Share	Price	Estimated Life (Years)	Present Annual Rate of Dividend
Geduld £1*	87½	12	15½
Government Areas 5/-	114	12	4/6
New Modderfontein 10/-	118	7	5/9
Van Ryn Deep £1	17½	12	5/-
Witwatersrand Gold (Knights) £1	115½	10	5/-
Nourse Mines	25½	15	4/-

* Geduld is exceptionally placed by virtue of its interest in East Geduld (see the third table in this article), the yield from which will reduce the prospective decline in dividends from the company's own mine.

The current price of these shares largely represents an approximation based on the estimated remaining economically recoverable gold in the mine, *plus* realisable assets on winding up, *less* working costs, taxation, and interest during the remaining expectation of life. Investment in shares like these is somewhat specialised, but it frequently proves highly remunerative by the time final liquidation takes place, owing partly to the general tendency to take a conservative view in estimating the gold yield and partly to absence of speculative interest in this type of share. In recent years, however, the search for high current income, especially by certain Unit Trusts, has occasionally, but not generally, resulted in rather high prices for mines which have passed their prime.

To calculate income yields on this type of share on the basis of current dividend distributions is apt to give a misleading impression. The investor should retain out of the dividend distributions a sufficient sum to represent a moderate return, e.g. 5 per cent., on the initial cost of his holding. The balance should be set aside to accumulate at compound interest or should be reinvested in the shares themselves. Ultimately, the investor who follows this policy should find that the total accumulated in his "sinking fund," together with the final liquidation proceeds, will exceed the cost price of his shares by a comfortable margin.

There is a strong case for putting these shares in a class by themselves, according to the investment purpose in view. The investor who buys them is taking a stake in a known store of unwon gold on a much more favourable basis than if he were buying an actual ingot of the metal, which would yield him no income and involve him in storage charges. Moreover, if circumstances ever brought about a further depreciation of the South African pound, considerable quantities of existing low-grade ore would be brought within the range of economic working. Both the amount and the paper value per unit of the recoverable gold would, consequently, be increased. If the prospective life of a mine were only a few years at the time of purchase, the

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proportionate improvement in the effective return to the holder, under such conditions, would be all the greater.

At least one disadvantage, however, attaches to the shares of a declining mine. The investor cannot reclaim tax (except by way of Dominion relief) on any part of his annual dividends, although a substantial part of them represents the return of capital. For investors under the surtax limit, this disadvantage is reduced by the operation of Dominion income tax relief, which reduces the incidence of British income tax by a proportion which approaches (but may not by statute exceed) one-half of the standard rate. The surtax-paying investor in the higher income ranges, however, is in a much less favourable position, and may even find that, at the end of a mine's working life, his investment has involved him in a net loss. For this class of investor a more attractive type of holding is provided by the shares of young but proved mines, which have still to reach their maximum rate of operation. This type of Kaffir investment is calculated to appeal, also, to the private individual who finds difficulty in performing the routine of reinvesting part of his dividend income, which is essential to the technique of investing in declining mines. In Table II, therefore, we have given a specimen list of three shares which are likely to continue gradually to increase their dividends in coming years:—

TABLE II

Share	Price	Last half-yearly Dividend multiplied by two	Yield (%)	Est. Life (Years)	Remarks
Luipaards Vlei 2/-	16/6	1/-	6	35	An expansion programme in progress which should eventually make this mine one of the largest producers on the West Rand.
Simmer & Jack 2/6	15/10½	9d.	4.7	30	A very large area in depth is being opened up by the new South Vertical Shaft and the mine should gradually expand.
Durban Deep 10/-	21½/6	2/6	4.3	40	The property now has a great area in depth, which is being opened up by deep shafts.

For investors anxious to secure the maximum current yield which is compatible with the maintenance of capital the shares in Table III may be deemed more suitable. All the mines mentioned in the table are in the early middle stages of their effective working life, and their dominant characteristics are well established. Finally, for investors to whom current income is of secondary consequence in relation to eventual prospects, the proved non-producers, given in our final table, may have a special appeal.

Finance and Banking

Austrian Debt Deadlock.—Before the *Anschluss*, Austria was able to meet the service of her external debts, as well as to give almost complete freedom to dealings in foreign exchange. Since the *Anschluss*, however, the gold and *devisen* reserves of the Austrian National Bank have been taken over by the Reichsbank, while Austria herself has been relegated to the position of a German *land* or province, with her debts no longer ranking as State debts. The service of her external debts is also blocked, payments now being made into the *Konversionskasse*. The German Government, however, has power to permit the transfer of money due on Germany's external debts, and uses that power to fulfil the agreement with Great Britain over the service of the Dawes and Young loans. Presumably with the object of placing the Austrian Government's debts on the same footing, representatives of the British Treasury have recently been in Berlin to discuss the matter with the German authorities. The allied question of the revision of the Anglo-German Payments Agreement has also been under discussion, and here both sides seem to have felt

Share	Price	Last half-yearly Dividend multiplied by two	Yield (%)	Est. Life (Years)	Remarks
Crown Mines 10/- Robinson Deep "B" 7/6.	15½/6 31½/2	19/- 5/-	6.0 7.4	40 25	The extinction of the "A" shares (which absorbed £62,500 in 1937) in 1941 will benefit the "B" shareholders.
East Geduld £1...	11	10/-	4.6	40	One of the outstanding properties of the East Rand, with a long life and a substantial interest in the adjoining Grootvlei.
Sub Nigel 10/- ...	10½/6	15/-	7.0	40	The richest mine in South Africa. Continues to show remarkable values in the lowest levels, which indicates the values to be expected in the underlying Vlaakfontein, in which Sub Nigel is substantially interested.
Brakpan 5/-	3	3/-	5.0	40	A large property with a substantial interest in South African Lands mentioned in the next table.
Daggafontein 5/-	13½/2	2/4½	6.0	40	Holds a substantial interest in the adjoining East Daggafontein, which is in the development stage.
East Rand Proprietary 10/- West Rand Consolidated 10/-	3 12½/2	3/6 3/-	5.8 7.8	40 30	...

* Not allowing for amortisation.

TABLE IV

Share	Price	Remarks
Van Dyk Consolidated 10/-	12½/6	Strong ore reserve position established. Crushing has just started on basis of 60,000 tons per month, to be increased in the near future.
South African Lands and Exploration 3/6.	32½/2	Strong ore reserve position. Crushing should start during the present year.
Grootvlei £1.....	4½/6	Strong ore reserve position. Crushing should start during the present year.
Venterspost 10/-	11½/6	Excellent development indicates a large mine. Erection of reduction plant may shortly be announced.

Our lists are representative rather than exhaustive, and other sound and promising shares may well deserve the attention of an investor who desires a well-balanced holding in South Africa's gold mining industry. Our review, however, must necessarily end with a warning, which cannot be too often reiterated. Every investor should make the most searching technical enquiries before parting with his resources on a casual recommendation. The reliability of the proved mines all too often provides a platform whence the purchase of dubious, speculative or over-priced shares may be enthusiastically urged in times of Stock Exchange activity.

that Germany should increase her purchases of purely British goods. Arguments in favour of such an increase are in fact strengthened by the *Anschluss*, for previously Austria's imports from Great Britain equalled her exports. The Austrian debts question, however, is at present proving a difficult obstacle. Thus for the time being the negotiations have ended in deadlock; for while Germany regards Austria as a *land*, the British view is that Austria's debts should be on the same footing as the Dawes and Young loans. It may be a hopeful sign that transfers have continued up to and including the payments due on May 31st, while it is also announced that the negotiations are to be resumed after Whitsun. Any further move must naturally be conditioned by general developments affecting the relations between Great Britain and Germany. While every effort will doubtless be made to reopen the negotiations on a friendly basis, there is a strong feeling in London against sacrificing the rights either of the creditors or of those Governments which, in the case of one loan, have given guarantees.

The War Loan Dividend.—In *The Economist* of May 21st the suggestion was made that the payment of the June 1st War Loan dividend of about £35 millions would provide a useful opportunity for the absorption of the Exchange Equalisation Account's surplus cash; for the payment of the dividend could be financed by issuing "tap" Treasury bills to the Account in exchange for its cash. This week's Bank return, however, comes as somewhat of a surprise. Admittedly, it is dated June 1st, by which time only a proportion of the War Loan dividend warrants would have been presented, but only the major movements it shows are increases of £14 millions in Government securities and £11.6 millions in bankers' deposits. Public deposits are reduced only from £26.5 millions to £24.9 millions. *Prima facie*, it looks as if the Government had borrowed from the Bank in order to pay the War Loan dividend at a time when a Government fund, namely, the Exchange Account, was over-supplied with cash. This explanation seems so unlikely that due regard must be paid to another possibility, namely, that the Bank itself has been acquiring securities in a week which happened to coincide with the War Loan dividend payment. On the other hand, this week the total tender issue of Treasury bills has only risen by £5,000,000, or by an amount quite inadequate to cover the War Loan dividend. Conceivably further light will be shed by the floating debt return for June 4th, by which time the dividend payment should be complete; but at the moment it is a little difficult to see where the War Loan dividend has come from, or what the authorities are doing.

Recovery in the Belgae.—With the relaxation of the international tension, Continental currencies have become firmer. This improvement is particularly noticeable in the case of the belga. Early this week the spot rate between Brussels and New York was comfortably inside the export gold point, while the discount on forward belgas had also shrunk to reasonable proportions. In consequence, the request to the Belgian banks to refrain from non-commercial purchases of forward belgas, and the restriction on credits to foreign borrowers have been withdrawn. The Belgian Bank rate, which early in May was raised from 2 to 4 per cent., has now been reduced to 3 per cent. The new Government's victory in the Chamber has also created a better atmosphere, though according to recent reports from Brussels the revival of confidence has not improved to the point where it would be practicable to issue a long-term internal Government loan. Meanwhile, the fact that French prices have risen, since the creation of the Daladier franc, mitigates the effect of the Daladier depreciation upon Belgium's competitive powers. It now seems that no early change in Belgian monetary policy is imminent.

The Falling Rupee.—The rupee, continuing its downward tendency this week, has touched 17½d., which is within ½d. of the lower sterling point or "reverse council" rate of 17¼d. At this point the rate will need to be rigidly defended if the Government of India complies with its statutory obligations. The further decline of the rupee may be regarded to some extent as a corollary of the slump in commodity prices. By the end of last April the Indian export surplus stood at 60 crores, against 90 crores for the corresponding period of 1937. This reduction of the surplus to a point at which it becomes insufficient to provide cover for the country's invisible imports has been the joint result of reduced exports and of the maintenance of imports at the level dictated by the previous high rate of Indian export trade. The lag in the reaction of imports to exports should now be coming to an end. Unfortunately, however, the vicious circle of falling prices is revolving faster now than for some months past. This will tend to extend the period of the lag, and thus to cause further encroachments on the sterling reserves of the Reserve Bank. Another factor causing additional pressure on the Indian balance of payments is the progressive falling off in exports of gold. These have been steadily falling for the past year and the reduction is likely to continue. Reports from India indicate that available supplies of gold are dwindling and increasing

efforts are needed to coax the metal from up-country hoards. In addition, a certain speculative activity in rupees appears to be gathering headway. Altogether, it seems probable that the Reserve Bank of India will before long be called upon to enter the market in support of the rupee, through the sale of reverse council bills.

Chinese Customs Revision.—It is not only on open towns that Japanese bombs have been falling in China this week. One bombshell has exploded with painful detonation in the Chinese Maritime Customs administration. At the instigation of the Japanese authorities, the puppet governments installed in Nanking and Peking have decreed a new tariff schedule, which has become immediately operative in the areas under their control. The new tariff rates are from one-third to one-half of the old rates on exports, and they represent a reduction of from 35 per cent. upwards on import rates. Certain export goods, such as cotton, linseed and mineral ores have been placed on the free list. The reasons for these revisions are not difficult to infer. The greatest reductions in export rates have been made in those classes of goods which Japan needs most in pursuing her war with China. Import rates have been most greatly reduced in the case of such items as cotton piece-goods, steel plates and raw fish—all *par excellence* Japanese produce for the Chinese market. This violent revision of the Customs tariff is calculated to upset the equilibrium between the Customs revenue, on the one hand, and costs of administration plus charges on the net revenue on the other. The Customs authorities in Shanghai have decided for the time being to ignore the revised tariff, but it has already been intimated from Japanese sources that any officials failing to apply the new tariff will immediately be replaced by more amenable personnel. The inevitable clash between the Japanese authorities and the Maritime Customs Administration has been brought within the range of immediate probabilities by these developments. One of the effects of the revision in the Customs tariff will be to reduce further the supplies of foreign exchange available in Shanghai and other Chinese markets. This fact has been partly responsible for the continued weakness of the Chinese dollar which has this week fallen to 9¼d.-10¼d.—both rates being nominal.

Bank of Spain.—We published in our last issue the first return of the Bank of Spain issued since the outbreak of the civil war. This new return is dated April 30, 1938. As might be expected, it shows that the Government has been unable to wage war without resort to inflationary financial methods. Since August 1, 1936, Government borrowing from the Bank of Spain has increased from 120 to 9,160 million pesetas. The counterpart to this heavy borrowing is found in an expansion in the note circulation from 5,573 to 9,212 million pesetas, and in private deposits at the central

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bank from 1,170 to 6,171 million pesetas. The bank's gold losses have been relatively moderate, its gold holdings having fallen from 2,202 to 1,606 million pesetas, and its silver reserves from 650 to 549 million pesetas. There has been comparatively little change in the bank's

MONEY MARKET NOTES

Foreign Exchanges

EXCEPT for a short period of nervousness on Wednesday, due to a further incident in Czechoslovakia, dollars have been offered this week against most Continental currencies. The general feeling on the Continent is that sooner or later the dollar will once more be devalued. Early in the week there were strong runfours to this effect, some of them going so far as to forecast a new gold price of 160s. per ounce in London and \$41 per ounce in New York. Needless to say, this was baseless rumour, but it serves to explain the weaker tendency of the dollar. The spot rate on Thursday was still \$4.94½, but three months' dollars weakened to just under ½ cent premium, which is the narrowest margin for quite a long time. Belgas were bid during most of the week, and the spot rate on New York is now comfortably inside the gold export point. Forward belgas were strongly bid against sterling down to 30 and 50 centimes discount for one and three months, respectively. Guilders and Swiss francs have been very steady. French francs depreciated fractionally to Frs. 178½ on Wednesday's incident, but have since come back to Frs. 178½. Three months' francs are at Frs. 1½ discount. Canadian dollars have recently weakened against American dollars. Sentiment in the exchange markets has come to regard Canada as being, from the exchange point of view, part of the British Empire, rather than as linked with the United States.

The Money Market

At the tender of May 24th, the market was able to reduce its tender price for Treasury bills from £99 17s. 4d. to £99 17s. 3d. per cent., and even so secured a 57 per cent. allotment. The effect of this was to raise the average tender rate from 10s. 1.11d. to 10s. 9.37d. per cent. This hardening of rates is purely seasonal, for during most of June the banks refrain from buying bills, as they are preparing for their

half-year statements of accounts. For the same reason discount rates were rather stiffer this week. The clearing banks are still buying bills, as they have the War Loan dividend money to dispose of, but they may stop buying at the end of next week. For this reason, the market was hoping on Thursday that the Treasury bill tender rate would again harden.

	June 3, 1937	May 26, 1938	June 2, 1938
Bank Rate	2	2	2
London Deposit Rate...	12	12	12
Short Loan Rates:			
Clearing Banks	12-1*	12-1*	12-1*
Others	12	12	12-5*
Discount Rates:			
Treasury bills	9½	12	12
Three months' bank bills	5½	17½-9½	9½

* Viz. 12 per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. 54 per cent. from loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

This week the Treasury bill tender issue has risen to £575 millions, compared with £512 millions at the end of the financial year. Last week the tender issue was £570 millions, while the tap issue was £281 millions, compared with £289 millions on March 19th, just before the end of the financial year.

The Bank Return

CURRENCY requirements by the public over the end of the month explain the increase of £4.7 millions in the note circulation. The Reserve is reduced by the same amount. As pointed out in a Financial Note, on page 545, the week's increases in bankers' deposits and Government securities are rather mysterious. The War Loan divi-

	June 2, 1937	May 18, 1938	May 25, 1938	June 1, 1938
Issue Dept.:				
Gold	321.3	326.4	326.4	326.4
Notes in circulation	475.6	478.6	480.2	484.9
Banking Dept.:				
Reserve	46.5	48.5	47.0	42.3
Public Deps.	10.2	28.5	26.5	24.9
Bankers' Deps.	109.5	93.2	91.2	102.8
Other Deps.	37.3	36.0	36.1	35.5
Govt. Secs.	102.8	98.3	95.7	109.7
Discounts & Advances	4.7	7.8	9.5	8.9
Other Secs.	20.7	20.7	19.4	20.0
Proportion	29.6%	30.7%	30.5%	25.9%

INSURANCE NOTE

Equitable Life Assurance.—New business obtained in 1937 constituted a record for the society, which is the oldest existing life assurance office in the world. Life assurance contracts increased from 1,285 policies assuring £1,708,000, to 3,378 policies for £1,935,000. The decrease in the average new sum assured from the usual level of over £1,000 to only a little more than £600 was due entirely to the society having reinsured the provident fund of one of the banks, where there were nearly 2,000 policies for an average sum assured of only £100. Deferred annuities chiefly in connection with staff

pension schemes, were issued for £146,000 per annum, against £204,000 in 1936 and £87,000 in 1935. The net rate of interest earned on the funds of the society (including reversions and investments in the reversionary and equitable reversionary interest societies and any interest received therefrom) was £4 4s. 5d. per cent. against £4 4s. 4d. per cent. in the previous year. The maintenance of the interest rate is partly due to the practice of not writing up securities and partly to the increased dividends from the society's holding in reversionary interest societies. Out of total assets amounting to £11,535,000,

discounts or advances. The Paris delegate of the Bank of Spain has stated that everything is being done to ensure prompt payment of foreign debts. To ensure foreign interests against war losses a special commission has been appointed to examine claims.

dend payment explains the former increase, but with public deposits at a high level, it is difficult to believe that the Government has borrowed from the Bank. The net result of the increase in Government securities is that the total resources of the banking department have risen to £180.9 millions, or to within a million of their level prior to the French repatriations in early May. Thus the narrowing of the credit base, noticeable during the intervening weeks, has for the moment disappeared. It will be of interest to see from next week's Bank return whether this week's enlargement of the credit base persists.

The Bullion Market

DEMAND for gold this week has come mostly from the Continent. The premium has been too high to permit of direct arbitrage buying against the dollar, but some operators may have bought gold in the hope that a subsequent movement of the exchange would make re-sales in the United States profitable. The supply has come chiefly from official sources, but a little gold from other quarters was offered on Tuesday.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc. count *	Amt. dealt in	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
May 27 ...	140 9	1½ pm	499	18½	18½
" 28 ...	140 9	1 pm	349	18½	18½
" 30 ...	140 5½	1 pm	319	18½	18½
" 31 ...	140 5½	1 pm	381	18½	18½
June 1 ...	140 7½	1½ pm	716	18½	18½
" 2 ...	140 8	1 pm	323	18½	18½

* Above or below American shipping price. The New York price of silver remained at 43 cents per ounce .999 fine during the week.

The silver market has been very quiet. The small increase in the London price is due to the firmer tendency of the dollar and to some American trade buying. The sterling price is now exactly at a parity with the dollar price, and so is regarded by the London market as being top-heavy.

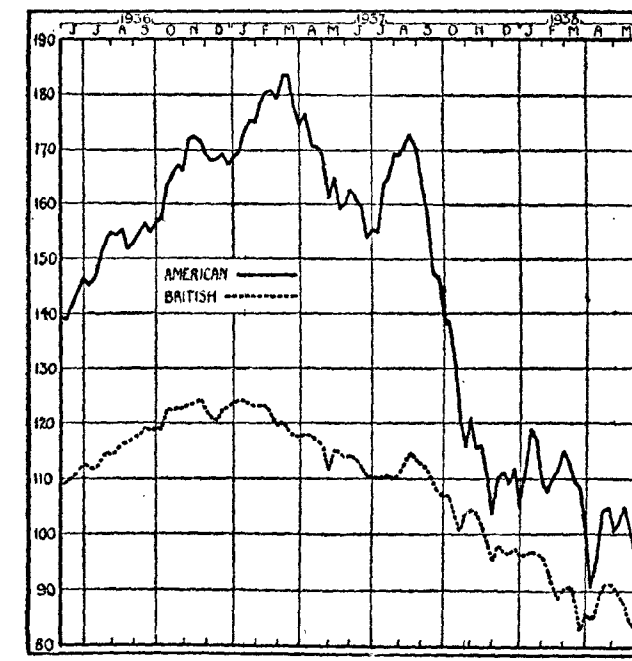
the total investments in stocks, shares and debentures of the Equitable's two subsidiary reversionary interest societies account for over £1½ millions and yield about 6½ per cent. As the society has never employed agents nor paid commission for the introduction of business the ratio of expenses to premium income is extremely low at 6.8 per cent. Mortgages increased from £2,932,000 to £3,298,000, and debentures from £2,404,000 to £2,622,000. Stock exchange securities stand in the balance sheet at or under middle market prices quoted on December 31, 1937.

Investment

Course of Share Values.—The past month has brought but cold comfort to investors, apart from the negative reflection that things might well have been worse. The threatened Czechoslovakian crisis of May 21st undoubtedly shook the market's nerve badly. Subsequently, the Central European temperature has fallen; but most of the news which has made up the investor's daily fare has been concerned, either with domestic preparation against the contingency of war, or with the growing evidence of recession in industry. After unsettlement during the Sudeten scare, gilt-edged stocks have held their ground fairly well. And, at the other end of the "House," the gold-mining share market has even staged a "flutter" of the type normally associated with the crest of a speculative boom. But industrial shares have been frankly depressed. As the accompanying chart shows, the seepage of values had carried *The Financial News* index, at the end of the month, nearly back to the low point of last March. In New York, conditions have been similarly cheerless. In the first part of the month, indeed, prices showed an incipient tendency to rally, but they failed to break through the April high point, which itself represented the recovery of less than half the ground lost since the beginning of 1938 alone. And their subsequent course, like that of London prices, was downward, in a "thin" market which seemed to have lost all speculative interest.

BRITISH AND AMERICAN INDUSTRIAL SHARE VALUES DURING THE PAST TWO YEARS (July 1, 1935=100)

British: "Financial News" Index of 30 Ordinary Shares
American: "Standard Statistics" Index of 50 Common Stocks



The war spectre is more remote, by the breadth of the Atlantic, from the land of the American than of the British investor, but its effect is far from negligible. And in America, industrial depression is not only complicated by the fact that Government and business are still pulling in different ways, but has itself reached a definitely more advanced stage than in Great Britain. As we show in a subsequent Note, American company dividends have fallen more rapidly than share values since the beginning of this year. In Great Britain, however, while a minority of companies, in depressed industries like textiles, have disclosed reduced earnings in their latest reports, the trend of industrial profits as a whole is tending to become stationary at a high level rather than to decline. It may be that the American "hunch" of recovery in the autumn will be more correct than earlier premonitions, but the share market as yet shows no evidence of a lively faith in such

a development. The British investor has evinced even less inclination for crystal-gazing—perhaps wisely; for, putting politics on one side, it now seems inevitable that industry will go worse before going better. It would perhaps be reading too much into the comparison of share values, commodity prices, unemployment, etc., in 1928-30 and 1936-38 (which appears on page 573 of this issue) to suggest that the history of the last depression is destined to repeat itself on a similarly drastic scale in coming months. So far, however, the correspondence between the two periods has been close, and if equity share values fall only half as much in the second part of 1938 as they did in the corresponding months of 1930, there will be little incentive for investors to re-enter the industrial market in force for some time yet.

Foreign Bond Movements.—The modest recovery of foreign bond prices in April was largely erased last month. The market suffered not only from the adverse political factors common to all sections of the Stock Exchange, but from troubles all its own. That Germany's intentions towards Austrian bond holders were unsatisfactory was evident even before the adjournment of the British negotiations in Berlin (which form the subject of a Note on page 544). The further suggestion that Germany might default on the Dawes and Young Bonds was viewed largely as a bargaining "kite." The general trend of German political and financial policy, however, was sufficiently clear to affect not only the prices of the bonds immediately concerned, but of those of other Eastern European countries, like Hungary. From the Far East, news was uniformly unfavourable, but bond prices showed more resiliency than might have been expected. Although the Chinese 5 per cent. Shanghai-Nanking Railway Loan of 1903 fell sharply on the announcement that interest due on May 18th would not be paid, other Chinese bonds remained relatively firm. Further unwelcome news was conveyed by the announcement that the puppet Chinese Governments in the Japanese-occupied area had ordered a reduction of the customs tariff. Movements in various sections of the foreign bond market are summarised in the following table, compiled by Municipal and General Securities Company:—

AVERAGE JANUARY-JUNE, 1934 = 100.									
End of Month	Europe	Near & Far East	Egypt	South and Central America			Complete Index	Under-forecasted Bonds	De-forecasted Bonds
				States	Provinces	Total			
1937	(29)	(31)	(4)	(35)	(11)	(46)	(110)	(56)	(54)
April	100.9	120.2	97.1	124.7	122.7	124.3	115.4	106.6	125.4
May	101.6	123.1	98.3	124.3	120.7	123.4	116.2	108.0	125.3
June	101.3	125.5	98.1	124.8	118.2	123.2	116.4	109.0	125.1
July	105.9	117.6	97.9	127.8	117.5	125.3	116.7	106.3	128.6
August	103.1	95.3	98.5	122.4	118.4	121.4	107.7	99.1	117.4
September	101.9	87.2	99.5	116.1	111.8	115.0	102.4	95.9	109.7
October	(28)	(31)	(4)	(35)	(11)	(46)	(109)	(54)	(55)
November	99.0	88.1	98.3	105.1	108.2	105.8	98.5	95.5	101.5
December	97.7	81.6	97.9	82.4	74.2	80.4	85.5	88.6	82.5
1938	98.4	81.6	98.6	82.6	75.0	80.7	85.3	86.6	85.0
January	97.9	71.7	97.8	75.5	67.1	73.4	79.3	80.2	78.2
February	96.2	74.7	97.6	75.4	63.8	72.4	79.5	82.7	76.4
March	83.4	73.9	97.2	61.3	49.4	58.2	69.6	74.9	64.8
April	88.9	77.3	98.5	69.8	51.4	64.9	75.1	78.8	71.8
May	85.7	74.9	98.4	63.0	47.2	58.8	70.7	75.3	66.6

N.B.—Figures in brackets denote number of bonds included.

There is little progress to record, even in areas where default can be explained neither by war nor *weltpolitik*. The "readjustment" of Brazil's economy, promised by President Vargas, has not yet, apparently, reached a point at which a resumption of debt payments is deemed feasible. Details of new agreements between Great Britain and Turkey, whose implications for bondholders should be broadly favourable, are given in a leading article on page 540 of this issue.

The Work of the Stock Exchange.—Every year, and in every way, the Report of the Committee for General Purposes of the London Stock Exchange grows better and better. The Report for the year ended March 24, 1938, begins with a well deserved tribute to the work of the Chairman and Deputy Chairman, and goes on to give an extract from a speech by the Chairman, Mr R. B. Pearson, made at a function which technically fell outside the period covered by the Report. This was well worth putting on record for its informative picture of the way business is done on the Stock Exchange, and for its moral that it is buyers and sellers, and not jobbers, who determine the course of prices. Two other innovations, in the present document, deserve respectful commendation. The first is the presentation of a vivid pen picture of the work and duties of the members of the Committee, who, individually and collectively, render annually, on an entirely honorary basis, services which, if they were valued on a professional footing, would be worth many thousands of pounds. A second innovation is the decision to supplement the familiar calculation of the nominal value of all the securities in the Official List with a calculation of their aggregate market value.

SECURITIES QUOTED IN OFFICIAL LIST

The following table shows the total nominal value of securities included in the "Daily List of Officially Quoted Securities" as at March 24, 1938, and in addition, their market values calculated at the quoted selling price. These figures have been adjusted to exclude securities removed from the list owing to absence of recorded bargains.

Section	As at March 24, 1937		As at March 24, 1938	
	Nominal Amount Outstanding	Market Valuation	Nominal Amount Outstanding	Market Valuation
Brit. Funds, etc.	6,723,684,608	6,766,519,595	6,847,911,594	6,859,552,710
Banks & Discount Cos.	206,026,148	585,619,784	203,382,687	534,974,531
Breweries and Distilleries	199,065,269	424,803,390	203,219,677	387,027,159
Canals & Docks	31,020,961	164,715,795	30,945,459	102,132,214
Com., Indus., &c.	1,221,546,645	2,926,158,818	1,264,115,442	2,447,125,325
Corp. & County Stock—Brit.	476,619,536	483,713,821	516,719,472	519,260,790
Corp. Stocks—Dominion, Indian and Colonial	99,793,167	104,518,706	104,136,384	137,770,339
Corp. Stocks—Foreign	61,269,375	27,422,238	59,023,458	15,534,927
Dominion, Provincial and Colonial Govt. Securities	863,152,200	883,638,860	842,970,387	862,976,721
Elec. Lighting and Power	205,377,493	354,084,652	212,748,795	314,799,960
Financial Trusts, Land and Property	214,072,400	216,208,606	214,567,693	181,750,611
Foreign Stocks, Bonds, etc.	2,201,803,198	636,462,651	2,195,382,275	458,396,184
Gas	109,825,246	122,657,625	120,659,008	127,926,241
Indian Railways and Zemin-dary Loans	669,500	668,767	665,100	656,668
Insurance	36,346,882	363,417,585	36,716,991	331,268,383
Investment Trs.	257,184,035	303,845,718	270,972,609	283,413,121
Iron, Coal and Steel	395,355,533	548,214,231	397,433,202	398,697,868
Mines	80,220,825	211,315,246	78,695,054	128,825,571
Nitrate	9,113,167	4,490,671	9,504,547	4,889,327
Oil	144,301,736	633,124,469	156,407,154	498,699,293
Public Boards—British	274,284,808	279,610,747	286,813,964	290,447,049
Railways—British	1,140,361,891	841,076,918	1,140,252,071	807,168,374
Indian	132,619,971	141,067,744	132,554,079	59,309,244
Dominion and Colonial	306,843,306	391,122,084	319,307,516	265,476,762
American	915,818,608	712,710,306	905,256,808	320,631,097
Foreign	635,473,947	233,590,972	638,464,055	146,582,735
Rubber	35,403,014	61,748,030	35,868,413	30,708,787
Shipping	65,894,083	73,506,422	74,374,538	67,225,558
Tea and Coffee	23,348,618	32,319,966	23,340,973	26,736,323
Telegraphs and Telephones	451,711,524	733,932,481	422,912,638	514,233,047
Trade Facilities	89,639,900	84,216,522	98,331,600	92,788,993
Tramways and Omnibus	62,521,003	92,987,569	59,134,760	53,927,840
Water Works	27,377,785	35,969,295	27,453,568	35,102,132
Total	17,697,746,382	19,475,460,284	17,930,241,971	17,305,315,884
Shares of no par value	70,670,637		70,100,169	

It will be seen that during the past year, while the total nominal amount of securities outstanding increased by £232½ millions, the market value decreased by £2,170 millions. If, however, the figures for "British Funds, etc." (whose market value has remained relatively steady) be excluded, the net result would seem to be that every

£100 of capital quoted on the London Stock Exchange had, on the average, a market value of £116 on March 24, 1937, and of £94 on March 24, 1938. In other words, the depreciation in market value between the two dates was 19 per cent. In other ways, the Report contains a good deal of evidence of a setback in the activity and prosperity of the Stock Exchange during the past year. For example, the number of bargains recorded in the Official List (years to March 24th in every case) fell by 22 per cent., from 1,634,714 in 1937 to 1,274,807 in 1938, and in the Supplementary List by 34½ per cent., from 1,008,216 in 1937 to 662,647 in 1938. The number of items cleared by the Settlement Department declined by 29½ per cent. from 3,977,420 to 2,817,703.

* * *

Declining Yields in America.—No investor who has followed the trend of yields on industrial shares in this country and the United States can fail to be struck by the contrast between their respective trends in recent weeks. In Great Britain dividends and earnings have on the whole been well maintained. Consequently, falling prices have been accompanied by rising yields. Thus the average of the industrial shares in the Actuaries Index has recently risen above 5½ per cent. On Wall Street, however, company dividends have been falling, while prices, for all their week-to-week fluctuations, have suffered no net loss of ground recently. Since the beginning of this year, therefore, average yields have been falling. We reproduce below the end-of-month yields over the past two years, as calculated weekly by the Standard Statistics Company:—

AVERAGE YIELD ON 50 AMERICAN INDUSTRIAL COMMON STOCKS.

As at	Rate	As at	Rate	As at	Rate	As at	Rate
1936:—		1936:—		1937:—		1938:—	
May 27	3'44	Dec. 30	4'46	June 30	4'38	Jan. 26	8'33
June 24	3'38	1937:—		July 28	4'04	Feb. 23	5'79
July 29	3'26	Jan. 27	4'35	Aug. 25	4'29	Mar. 30	6'24
Aug. 26	3'54	Feb. 24	3'38	Sept. 29	5'29	Apr. 27	5'35
Sept. 30	3'57	Mar. 31	3'39	Oct. 27	6'22	May 25	5'64
Oct. 28	3'36	Apr. 28	3'82	Nov. 24	8'60	June 1	5'61
Nov. 25	4'05	May 26	4'07	Dec. 29	8'71		

The reasons for these abrupt movements are significant. In the first place, American dividends were deliberately swollen to avoid the operation of the Undistributed Profits Tax. In the second place, last autumn's decline in security prices preceded the actual fall in dividend distributions. In other words, Wall Street attained last November the paradoxical phase in which a gloomy outlook and weakening prices were accompanied by a very high rate of return based on past dividends. The Stock Market anticipated a decline in dividends by a few months, but subsequent events have shown that it did not over-discount the reduction. In the latter part of February, the conjunction of a recovery in prices and a number of dividend cuts brought the

Company	Interim div. p.s.		Payable 1938
	1937	1938	
American Radiator	15 c.	passed	(June)
American Smelting	75 c.	50 c.	May 31
American Sugar Refining	50 c.	25 c.	July 2
Commercial Solvents	30 c.	passed	(June)
Du Pont de Nemours	82 c.	50 c.	June 14
Gillette Safety Razor	25 c.	15 c.	June 30
Goodyear Tire	50 c.	passed	(June)
General Electric	40 c.	20 c.	(July)
International Harvester	62½ c.	50 c.	July 15
Montgomery Ward	50 c.	25 c.	July 15
Westinghouse Electric	\$1	50 c.	May 27

average yield on 50 industrial common stocks down by 2½ per cent. in a single week. Nor does more recent news encourage hopes of any recovery in yields save by a further decline in prices. Every day brings news of falling earnings and reduced dividends. Our second table shows some of the cuts that have been announced in recent weeks by the more important companies, though a policy of caution may be playing a part in recent announcements. But the reductions are sufficiently widespread to show that depression has affected earning power more speedily in America than in Great Britain.

Capital Issues in May.—The total of capital issues increased sharply in May, the broadening of activity being due mainly to the appearance of a relatively small number of large and important offers. The following table gives our usual analysis of new money subscribed in recent months:—

Monthly Average 1937	United Kingdom		Excluding British Possessions		Conversions Foreign Countries		Total
	£	£	£	£	£	£	
Old basis	18,603	1,842	525	20,970			
New basis	32,296	5,283	592	38,171			
Monthly Total (Old Basis)							
Mar., 1937	Dr. 200	7,339	2,261	Nil	9,400		
Mar., 1938	300	4,266	80	2,399	7,045		
Apr., 1937	99,154	8,786	3,129	Nil	111,065		
Apr., 1938	Dr. 1,300	125	Nil	Nil	Dr. 1,425		
May, 1937	Dr. 400	7,001	3,077	Nil	9,678		
May, 1938	Dr. 350	14,155	11,554	Nil	25,359		
(New Basis)							
Mar., 1937	Dr. 200	25,672	5,507	Nil	30,979		
Mar., 1938	300	10,194	140	2,399	13,033		
Apr., 1937	99,150	12,485	11,495	Nil	123,130		
Apr., 1938	Dr. 1,300	3,110	478	Nil	2,288		
May, 1937	Dr. 400	22,551	3,314	Nil	25,465		
May, 1938	Dr. 350	17,508	12,193	Nil	29,351		

All the important public issues were of fixed-interest securities, industrial ordinary share offers being mainly conspicuous by their absence. A month, however, which has seen two such large issues as those of Australia and the L.C.C. (not to mention the issue, in Ireland, of a £10 millions Eire loan) deserves honourable mention in the investment history of 1938—although few underwriters will remember it with gratitude. Only two industrial concerns, Holt Brewery and Beira Works, made public issues, and these were partly for conversion purposes. There were, however, several large offers to shareholders only.

Company Notes

Anglo-Iranian Oil.—The preliminary figures of the Anglo-Iranian Oil Company make cheerful reading for the investor and the British Government. Of the company's ordinary stock of £20,137,500, some £11,250,000 is owned by the British Government (which, alone among shareholders, receives both dividend and income tax) and £5,342,985 by Burmah Oil, whose latest figures are discussed in a separate Note. For these two holders (which together own 82 per cent. of the total ordinary capital) the company's decision to maintain last year's 25 per cent. dividend, on a capital increased by last year's scrip bonus, means a gross income of £2,812,500 and £1,068,597 respectively. Actually, the Anglo-Iranian's net profit, which was £3,500,000 in 1935 and a little over £6,000,000 in 1936, rose to nearly £7,500,000 last year, and the dividend was covered by earnings of 34½ per cent. on the increased capital.

	1935	1936	1937
Total profit	6,129,645	9,624,434	...
Royalties, etc.	2,191,921	2,580,206	...
Taxation and directors' fees	418,541	920,759	...
Net profit	3,519,183	6,123,469	7,455,094
Additional depreciation	408,747	514,976	744,215
Preference dividend	1,071,234	1,071,234	1,071,234
Ordinary stock:—			
Earned	2,039,202	4,537,259	5,639,645
Paid	2,013,750	3,356,250	5,034,375
Earned (%)	15.2	36.8	34.2
Paid (%)	15	25	25
General reserve	...	1,200,000	546,872
Carried forward	511,126	492,135	517,411*

† And 50 per cent. scrip bonus. ‡ On capital increased by preceding year's scrip bonus. * After writing off £33,122 new issue expenses.

The spectacular nature of the recovery in earnings, a year ago, was explainable, in part, by conservative computation

of profits in 1935, when the company was affected by the Sanctions crisis arising out of the Italian invasion of Abyssinia. The further rise of 22 per cent. in net profit last year, however, was attributable predominantly to increased trading activity. The company's production last year (excluding that of the Iraq Petroleum Company) rose by 24 per cent., from 8,200,000 tons to nearly 10,200,000 tons. The company's accounting appears again to have been distinctly conservative. At 83s. 1½d. the £1 ordinary stock yields 6½ per cent.—a figure which implies a tendency to discount the adverse effect of declining world trade in the oil industry in coming months. The profits of the Anglo-Iranian have always been susceptible to fairly wide variation between good times and bad, but the increasing revenue possibilities from the company's 23½ per cent. interest in Iraq Petroleum should partly offset any potential fall in earnings.

* * *

Burmah Oil Report.—The accounts of the Burmah Oil Company for 1937 are presented in a slightly amended form, the primary purpose of the changes being to bring out the full amount of taxation by the United Kingdom, India, and Burma Governments, chargeable in the year. The necessary adjustments have been extended to the 1936 figures in the accompanying table, making them wholly comparable with those for 1937. The full report confirms the excellent impression created by the dividend announcement and the declaration of the 50 per cent. capital bonus. Total income has risen by more than £1,000,000 to £5,075,420. Some three-fourths of the increase was contributed by the company's investment income. Since 1935, the investment income has risen from 35 per cent. to nearly 44 per cent. of the total revenue. Trading profit, however, continues its steady upward trend, and rose last year from £2,598,225 to £2,856,436. The considerable expansion in investment income last year was due almost wholly to increased receipts from the Anglo-Iranian Oil Company.

	1935	1936*	1937
Trading profit	1,903,443	2,598,225	2,856,436
Interest and dividends	1,057,923	1,472,454	2,218,984
Total income	2,961,366	4,070,679	5,075,420
Total depreciation	330,000	336,467	354,152
Taxation	189,275	225,973	538,581
Expenses and fees	27,666	20,204	20,402
Employees' fund	184,307	157,514	164,354
Specific reserves	260,234	Nil	Nil
Preference dividend	255,000	300,000†	300,000†
Ordinary shares:—			
Earned	1,714,884	3,030,521	3,697,931
Paid	1,538,202	2,518,360†	2,747,302†
Earned (%)	22.3	33.1‡	40.4‡
Paid (%)	20	27.5	30‡
General reserve	200,000	500,000	960,513
Carried forward	634,994	647,155	637,271

* 1936 figures adjusted to revised form of accounts adopted for 1937. † Gross dividend. ‡ Earned rate not "grossed up," owing to Dominion income tax relief. § Plus capital bonus of 50 per cent.

Accompanying the report is a notice of the extraordinary general meeting to sanction an increase of the capital to £18,500,000 by the creation of 5,000,000 additional ordinary shares. This addition is required to give effect to the decision to distribute a capital bonus of 50 per cent. which, as to nearly two-thirds, is the counterpart of a writing-up of the company's direct holding of £4,292,985 in Anglo-Iranian oil from the book cost of 7s. 9.6d. to par per £1 unit, and of the indirect holding of £1,050,000 of the same stock held through the B.O.C. Anglo-Iranian Share Trust from a book value of 13s. 4d. to par per £1 of stock. These revaluations will realise an increment of £2,968,325, and the balance of the bonus of £4,578,838 will be provided out of general reserve. The balance sheet shows the customary strength; surplus liquid assets amounting to £14,859,000 are covered up to £4,463,000 by cash and gilt-edged securities. Even after

the proposed revaluation, investments will have a book value of some £16 millions under existing market value. At 5½ ex dividend and cash bonus the stock yields just 8 per cent. In view of the further increase in the Anglo-Iranian distribution, announced this week (and discussed in a separate Note), the company's investment income should show a further increase in the current year.

Associated Newspapers.—The report of Associated Newspapers for the year to March 31st last shows that, after income tax, N.D.C. and fees, profits have fallen from £931,822 to £785,036. The total dividend on the deferred shares has been reduced from 26½ per cent. to 25 per cent. Even after this reduction, however (and after the placing of £50,000 to reserve for publicity, against £100,000 transferred to investments reserve in the preceding year), the amount carried forward has been reduced from £548,430 to £525,131. The company does not publish a consolidated balance sheet, but the accounts suggest that interests in certain subsidiaries have been disposed of during the year. "Shares in subsidiary companies" now appear at £2,617,205 against £3,549,629, while "Other investments" have risen from £237,234 to £1,084,229. A yield of about 13 per cent. on the 5s. deferred shares suggests that investors, whose attitude towards newspaper shares has long been conservative, are estimating near-future possibilities with redoubled caution. It is true that experience shows that the volume of advertising carried by British newspapers is less vulnerable in the early than in the later stages of trade recession. But the market, at the moment, is more concerned with the level of working costs. Higher newsprint costs, whose effect on profits this year will be considerable, are largely a matter of *force majeure*, but the same condition scarcely applies to the large sums expended in the process of attracting new readers. A forceful plea for the abolition of canvassing was made by Lord Kemsley this week at the meeting of Allied Newspapers, whose decision to cease all canvassing has been endorsed by another group of papers. Shareholders will hope that no individual hopes or fears will stand in the way of a wider adoption of this policy, whose financial benefits would be particularly opportune at the present time.

Bleachers' Association Setback.—While results from different sections of the textile trades are by no means uniform, successive reports are bringing, on the whole, increasing discouragement to the investor. The Bleachers' Association report provides no exception. The setback experienced by the Association is small—total profits have declined by only 4 per cent.—but with preference dividends in arrear since the end of 1933 the chances of overhauling the ground lost in the past are becoming increasingly remote. Since repairs and maintenance require a little more than in 1936-37, and as an additional transfer is being made of £53,249 to depreciation and obsolescence fund, the surplus available for shareholders is £76,450 less than in the preceding year, and has thus fallen to a negligible amount. It is not surprising, therefore, that the directors recommend no preference dividend. We show in the following comparative table how total profits have been allocated in the past three years:—

	Years ended March 31		
	1936	1937	1938
Profit	£421,115	£478,560	£459,547
Repairs and maintenance...	150,961	157,811	162,000
Depreciation, etc.	179,897	140,000	193,249
Interest and fees	103,599	103,599	103,599
Earned for dividend	Dr. 13,342	77,150	699
Special credits	Cr. 9,897	...	Cr. 3,249
Carry-forward	174,668	183,412†	187,360

† After paying six months' preference dividend (£68,406) to December 31, 1933.

The board do not comment upon the year's results, but the usual full and informative survey will doubtless be given at the annual meeting. The chairman's review of the general outlook will necessarily be influenced by the consideration that British exports of cotton piece-goods, which were lower in 1936 than in 1935, recovered only to a trifling extent in 1937 and remained lower even than in 1932. Trading difficulties, however, have not deterred the Bleachers' Association from following a sound depreciation policy. Apart from maintenance charges and "normal" depreciation of £140,000 annually, plus this year's special transfer from profits to depreciation and obsolescence fund, the general reserve has been reduced to the round figure of £850,000 by transferring £73,610 to write down fixed assets, property and plant. The omens for an early resumption of dividends on the preference units, now quoted at 5s. 9d., are not bright, given the present conditions of the cotton textile industry. Sooner or later, a capital reorganisation scheme may be inevitable.

Great Universal Stores.—Although the market registered a certain amount of disappointment with the failure of this mail order and chain store business to repeat the preceding year's 10 per cent. scrip bonus, the full report shows satisfactory results. Total profits of £408,714 for the year to March 31, 1938, compare with £359,529 for 1936-37, including eighteen months' profits from one of the subsidiaries. Income tax and N.D.C. require between them £111,524 against £85,788, and a full year's dividend is payable on the 5 per cent. preference shares. The earnings for the equity are thus only £13,084 higher at £233,321. The cash dividend of 50 per cent. is payable out of earnings of 63.9 per cent., against 79.3 per cent. actual a year ago. For each of the previous three years a 10 per cent. capital bonus was declared, but thanks also to an issue for cash in June, 1937, the issued ordinary and "A" ordinary capital is now, at £496,802, as much as 35 per cent. higher than at the end of March last year. The balance sheet shows various changes, resulting in the main from the new issues made in 1937. The value of shop premises is halved, as a result of sales during the year to the extent of £220,474. Shares in subsidiaries, however, stand at £970,979, against £483,002, and advances to subsidiaries and sub-subsidiaries are as high as £474,421. In view of the increasing importance of subsidiaries (interests in which now amount to half the balance sheet total) and of the expected announcement of further developments, the inclusion of a consolidated balance sheet is especially welcome. This shows that out of total assets of £3,132,866, goodwill accounts for £407,682, fixed assets for £824,097, stocks for £408,968, and debtors, etc., for £567,222. A certain reserve in the market's attitude towards a further rise in the trend of profits is suggested by a current yield of £10 8s. per cent. on the 5s. shares at 26s. 6d.

Harland and Wolff Accounts.—The accounts of Harland and Wolff, Ltd., the largest shipbuilders in the country, are disappointing. The drastic capital reconstruction of last July has certainly cleared up the financial position. The balance sheet is now strong; for liquid assets of £2,563,816 comfortably exceed current liabilities of £1,608,894. But the company's earning capacity has not yet been restored. The profit, before allowance for depreciation, has actually fallen from £64,047 to £24,557, and has sufficed only to cover the pension fund and slightly to increase the carry-forward. The report explains that this surprising fall in profits was due to the booking of substantial orders at low prices. The subsequent increase in the cost both of labour and of raw materials reduced profit margins to negligible dimensions. Results of the current year, however, are expected to show a "substantial improvement." The company has important naval contracts in hand, and is working on orders for 200,000 tons of commercial shipping, including both cargo and passenger liner tonnage. These orders, together with the company's interest in aircraft production (in association with Short Bros.), should justify the directors'

anticipations, but further orders for new merchant tonnage are scarce, and even the present high rate of production leaves a considerable amount of capacity unfilled. The present reduction in the volume of world trade and the high level of shipbuilding costs are a combination which discourages a recovery in shipbuilding orders. Thus the Harland and Wolff report, by implication, endorses strongly the plea of Mr J. Frater Taylor at the Pease and Partners' meeting this week for cheaper and more efficient production of coal. It is in reports like this that the obverse side of high price-fixing in coal, iron and steel can best be seen.

Western Holdings Anti-Climax.—Following days of extravagant rumour which carried the Western Holdings gamble to new heights at the end of last week, the company issued a cable giving the actual results of assays in the St. Helena borehole of the reef struck at 2,417 ft. The results came as an anti-climax. A solid core of reef of approximately 2 inches in diameter was raised, and was then split longitudinally. One-half gave the astonishing assay of 11.8 dwts., which over the estimated true thickness of the reef of about 10 feet was equivalent to the phenomenal figure of approximately 1,416 inch-dwt. This was the result of which much was heard in the market before the issue of the cable. In order to obtain confirmation, the other longitudinal section of the core was split, in turn, and the two resulting portions were assayed. One gave only 2.68 dwts. and the other only 0.2 dwts., the two results representing, on the same estimated reef thickness, only 321 inch-dwt. and 24 inch-dwt. The actual process of assaying is so simple that the possibility of error can almost be ruled out. Nor can any normal explanation readily account for so great a discrepancy between the three longitudinal splits. After the information had been published, some 25 per cent. of the market capitalisation of the shares was lost. A further writing down, to 13s., occurred as soon as first reports of Thursday's meeting came to hand. At that meeting the chairman of the company, Mr Harold Jeppe, stressed the point that work done on a single exploratory bore-hole at this early stage neither confirmed nor denied the possibilities of the area. This is a very proper attitude; and it emphasises the over-optimism implicit in prices which gave the company a market capitalisation running into millions.

Rubber Quota and Company Results.—The lethargy of the rubber share market in recent weeks has been ascribed largely to uncertainty regarding the International Rubber Regulation Committee's decision upon the July-September quota. This week's announcement of a drastic cut to 45 per cent. (which is discussed in a Note on page 557) has failed to start the market into fresh activity. Postponement of a decision until the end of May had caused disappointment, as the unhappy necessity for drastic curtailment had become increasingly apparent. While the market remains agreed upon the advisability of making restriction effective, complaints have frequently been voiced on the one hand of the technical difficulties to which producers are subjected by frequent changes in permissible production, and on the other of the insensitive and tardy character of quarterly revisions of the quota. A suggested solution was put forward by Mr Fairbairn when, in addressing Bangawan shareholders, he revived the idea of a buffer pool. The reception of the suggestion was, on the whole, tepid. Analogy with tin was rejected on the grounds that the time taken to convert the original raw material into the saleable commodity is longer for tin than for rubber—being a matter of months rather than of days. An alternative suggestion was put forward by Mr H. J. Welch, and supported by Mr A. Parker Smith, to the effect that producers should be enabled to carry heavier stocks. This, it was suggested, would help to steady production and to provide a quick response to changes in requirements. Mr J. G. Hay, however, put his finger on the really weak point in the industry's present position

when, at this week's meeting of United Sua Betong, he declared that no device could insulate producers from the effects of falling demand. Recovery, in fact, postulated a revival in American consumption, and the omens, in that direction, were not particularly bright.

Meanwhile, rubber company reports are calculated to provoke feelings of relative satisfaction with the immediate past and apprehension for the immediate future. The substantially increased dividends have in many cases understated last year's real progress. We give in the accompanying table details of profits, proceeds of sales, and share prices for some of the more important companies whose reports have recently appeared:—

Company	Crop	Av. price per lb. *	Sales	Earned for div.		Div.	Current	
				Amt.	Rate		Price †	Yield ‡
London Asiatic—	Lbs. mns.	d.	£'000	£'000	%	%	%	%
1935	8-1	6-30	187-4	51-4	7-9	7	3-1	8-3
1936	7-9	8-39	256-5	97-0	13-9	10	(2s.)	
1937	11-0	9-86	379-5	146-7	21-0	12½		
Kepong (Malay)—								
1935	6-3	6-21	31-22	21-6	4-0	4	2-7½	10-3
1936	6-4	8-25	88-32	81-0	12-0	11½	(2s.)	
1937	9-3	8-50	131-85	114-7	16-2	13½		
Grand Central—								
1935	3-8	5-38†	96-1	15-3	1-2	2½	10-9	13-0
1936	3-4	7-74†	121-0	49-9	3-9	7	(£1)	
1937	5-9	8-56†	207-6	99-8	7-7	7		
Bikam—								
1935	3-5	6-19	76-1	17-9	3-4	3	1-6¼	13-3
1936	3-6	8-34	99-9	33-9	6-4	6	(2s.)	
1937	4-7	9-39	166-0	72-9	14-5	10		
North Malay—								
1935	1-9	5-38†	42-9	11-6	4-1	4	1-7½	12-3
1936	1-9	7-37†	59-1	21-6	8-9	7½	(2s.)	
1937	2-8	8-44†	91-5	40-7	13-3	10		
United								
Sua Betong	7-6	...	223-3	78-3	10-6	10	44-4½	7-9
1935	8-5	...	282-5	123-6	15-9	13½	(£1)	
1936	12-3	...	448-0	206-1	28-5	17½		

* London landed terms. † Average net price. ‡ Dividends and earnings on £622,052 (since increased). † Estate profit and other receipts. ‡ Par value of shares shown in brackets.

While the improvement recorded in 1937 has been comparable with that of 1936, the causes have been somewhat different. The average percentage of the quota was actually lower in 1936 than in 1935, while average prices were roughly 2d. higher. In 1937, prices moved still higher, but by a smaller amount. The greater part of the increase in sales proceeds in fact arose from the larger crop, the average quota percentage for 1937 being 83½ per cent. against 62½ per cent. With an average quota this year of 58½ per cent. (up to the end of September), an unsatisfactory trend of American consumption, and the prospect of higher costs owing to the lower output, the outlook for 1938 must be accounted unfavourable.

Labour on the Rand.—The chairmen's speeches at the Union Corporation and the Central Mining meetings, which invariably command a wide audience, may be read as a footnote to the leading article on South African gold mining shares on page 543 of this issue of *The Economist*. This year both Mr P. M. Anderson and Mr F. R. Phillips devoted a considerable part of their addresses to the labour problem, whose importance for all the mining companies can hardly be exaggerated, in view of the great increase in the number of employees since South Africa left the gold standard. At the end of 1937 the number of natives was 288,962, an increase of 68,000 in five years. In 1932 there were no non-producing develop-



ment mines; at the end of last year there were no less than sixteen, mainly situated on the Far East Rand. In the Far West, the results of work on the large area on which deep boreholes have been or are being sunk, points to a further considerable increase in the number. The prospective increase in the demand for labour is indicated by the fact that development work accomplished last year amounted to 2,300,000 feet, an increase of over 60 per cent. on the figure for 1932, while the 48,850 feet of shaft sunk represented an increase of nearly 100 per cent. In February last year the industry's labour force reached a total of 310,000. Subsequently, good crop conditions (which drew large numbers of natives back to their homes), and a decline in recruiting, reduced the total at the end of the year to 182,000—a figure far below the requirements of the mines. But the movement was then reversed, and last April the record total of 316,000 was attained. For future expansion it is hoped that the maximum number of 90,000 natives from Mozambique, fixed by agreement with the Portuguese Government, may be increased. Additional further labour requirements, however, are likely to be obtained mainly from tropical areas north of 22 degrees south, provided the British Government can be satisfied that working conditions on the Rand are suitable for the natives of those areas. Both chairmen also referred to the second main requirement for the exploitation of the mining areas—namely, ample supplies of capital. Since the greater part of any new money must come from the overseas investor, there was pertinence in the chairmen's question whether the high scale of South African taxation of the gold-mining industry might not have a deterring effect, present or future, on the investor. We discuss this question in greater detail in our leading article.

* * *

Other Company Results.—Company reports for 1937-38 are now becoming less numerous, and this week our usual analysis of profit and loss accounts appearing on page 580, contains no more than 44 companies in all. The results are scattered over a wide field, no single group being predominant. On page 556 we discuss the reports under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—In this issue reports of company meetings begin on page 563. The value of co-operation with suppliers was stressed by Mr Simon Marks at the *Marks and Spencer* meeting. Apart from the need of following changing tastes in the consumer, he pointed out, the retail distributor must take into account, at the production end, new technical processes and materials. Close collaboration with suppliers had been

extended further, and contact had been made with the producers of the materials supplied to the manufacturers. The result of linking up the three parties in this way was the opening up of entirely new markets. Members of *J. Lyons and Company* were told by Sir Isidore Salmon at the annual meeting that the volume of business done in the past year had been greater, and—what did not always follow—that the turnover had increased in consequence. Profits had been maintained, although the company had withheld for as long as possible those increases in selling prices which were justified by rising costs. The necessity for various sections of this country's paper trade to form cartels with the Scandinavian countries was discussed by Lord Portal at the *Wiggins, Teape and Company* meeting. Addressing *Ever Ready* shareholders, Mr Magnus Goodfellow expressed satisfaction that the complete reorganisation of their production facilities (begun six years ago) enabled them to face competition with composure. His belief in real rationalisation was reaffirmed by Mr J. Frater Taylor at the *Pease and Partners* meeting. At the *Marievale Consolidated* meeting in Johannesburg, Mr P. M. Anderson drew attention to the progressive improvement in reef disclosures by development work. Addressing *East Geduld Mines* members, Mr Anderson reminded his hearers that the coming into commission of the extensions to the reduction plant completed the main capital expenditure programme. At the *Geduld Proprietary* meeting, he referred to the success of their policy of splitting large blocks of ground and opening up low grade areas. To *Grootvlei Proprietary* shareholders, he said it was at present expected that the initial reduction plant would start up about the end of next quarter, and that a capacity of 120,000 tons or so a month should be reached towards the end of 1940. At the *Van Dyk Consolidated Mines* meeting, Mr Anderson remarked that the incline haulage which they expected to complete early next year should greatly facilitate the opening up of the shallower portion of the mine. Satisfaction with the ore reserve position was expressed by Mr John A. Agnew at the *Gold Fields Australian Development Company* meeting. The reserve showed an increase of 71,000 tons, although over 100,000 tons had been milled during the year. At the *United Sna Betong* meeting, Mr J. G. Hay suggested that the question of cost of production was a fitting one for close study, and expressed the hope that the Governments concerned and the industry would enter into friendly collaboration for a proper ascertainment of the facts. Members of the *Dalkeith (Ceylon) Rubber Estates* meeting were told by Sir Delves Broughton that the standard assessment for 1938 had been slightly increased. At the *Rio de Janeiro City Improvements* meeting, Mr Francis M. G. Glyn referred to the company's constant applications to the Exchange Authorities, who had assured the board that exchange to remit the milreis balances would be allotted in due course.

THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT
JUNE 7 JUNE 9

DERBY week is invariably a quiet week in the markets, and this year it has been quieter than ever. The European situation is still sufficiently dangerous to dissuade investors from entering into new commitments, and the constant Parliamentary discussion of war preparations, culminating this week in Sir Thomas Inskip's conscription "indiscussion," is a constant reminder to investors of the uncertainty of any positive investment policy at the present time. Moreover, the accumulating evidence of industrial recession, and the absence of any hopeful economic indicators, either here or in the United States, have induced definite weakness in the industrial and home rail markets, although bear closing on Thursday, the last day of the account, some

what improved the complexion of the week's prices.

Throughout the week, however, the *gilt-edged market* has been steady and firm. There has been little business, but the tone was satisfactory, and on Thursday morning, the reinvestment of the big June 1st interest payments strengthened the market appreciably. In corporation stocks there was very little movement.

The *foreign bond market* was inevitably depressed. The main pressure was felt by German and Austrian bonds, which after having been weak on Monday and Tuesday, fell sharply on Wednesday when it was known that the Anglo-German trade and debt negotiations were making no headway, and when it was widely rumoured that Germany would repudiate her whole foreign debt. There was some recovery on Thursday, after the Government's statement that the discussions had not actually broken down, but the week shows a substantial net loss in the

Dawes and Young Loans and in the Austrian 7 per cent. issue.

*

In the *home rail market*, new low levels for the year were reached. The weekly traffics showed a loss of £315,000 compared with the corresponding week of last year—the first undistorted comparison for three weeks, and one which suggested that the trend was actually going worse. The market has at last appreciated the implications of this trend, and the marginal stocks lost a point or so, while the vulnerability of the lower ranking preference stocks was recognised in a further sharp marking down of quotations. Argentine issues were again depressed.

The industrial implications of the rail traffics were also appreciated by the *industrial share market*. On Monday, prices were marked down, but there was little selling pressure and very little business at all. On the following day,

however, there was a general decline, the *Financial News* index falling by 1.3 points. All sections of the market shared in the decline, even aircraft shares—by far the steadiest part of the industrial market in recent months—losing sixpences and shillings. The same tendency continued on Wednesday, scattered selling taking place in all sections, with very little support. On Thursday there was some improvement, caused by a certain amount of bear closing and by the recovery of Wall Street on Wednesday afternoon, but the market was still in a very unsettled frame of mind. Motor shares, coal shares, iron and steel shares, electric equipment, and textile shares have all lost a significant amount of ground.

*

In the *oil share market*, there was little business but prices were maintained. The excellent Anglo-Iranian results had no effect upon the market as a whole: after the announcement on Tuesday there was a sharp rally, but profits were rapidly taken and there was no net advance in the shares. *Rubber shares* were hardly affected by the drastic reduction in the export quota for the third quarter: the leaders were marked up in sympathy with the improvement in the commodity, but there was no public support, and prices fell back again. In *tea shares*, there was no change. Prices were generally easier, and business was virtually at a standstill.

Interest in the *mining market* was again centred in Western Holdings. On Friday, the shares had closed at 21s. 3d., but the week-end cable, which put the "discovery" in a new and truer light, was a grave disappointment, and in the flurry to sell the shares, the price fell at one time as low as 18s. A rally brought the price back to 18s., but from that point support dwindled away, and on Wednesday the shares closed at 15s. 3d. Support from the Cape, however, was forthcoming, and on Thursday an advance was registered. The rest of the Kaffir market was naturally overshadowed by these hectic dealings, and dealings were somewhat subdued. The undertone, however, remained good, and there was no evidence of weakness. In West African and Australian gold shares, there was very little business, and Rhodesian Coppers, after a firm beginning on Monday, tailed off in mid-week. Tin shares were again neglected, unaffected by the British Government's endorsement of the buffer pool principle.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
May 27	6,425	6,790	82.4	128.3
May 30	6,805	8,000	81.7	128.4
May 31	6,205	6,450	80.4	128.5
June 1	5,735	8,505	80.0	128.4
June 2	7,435	6,175	80.4	128.5
1938 High...	...	...	87.2	131.0
Low...	...	...	79.4	126.9
			Jan. 12	Feb. 4
			Mar. 16	Mar. 17

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

ACTUARIES' INVESTMENT INDEX

By a series of fairly small declines, the Actuaries' price index of 151 industrial ordinary shares has fallen below the previous low level of 65.0 on April

5th. In the past week, the index fell by 1.3, standing on Tuesday last (May 31st) at 64.0, against 69.3 a month ago and 85.2 a year ago. The corresponding average yield has risen as high as 5.94 per cent., against 5.36 and 4.22 per cent., respectively. We give below a selection of the separate indices, and the usual monthly particulars of fixed interest securities:—

Group (and No. of Securities)	Prices (Dec. 31, 1928=100)		
	May 25, 1937	Apr. 26, 1938	May 31, 1938
Fixed Interest			
2½% Consols (1)	135.9	132.2	131.9
Misc. ind. deb. (13)	121.7	121.0	120.8
Misc. ind. pref. (26)	118.9	113.1	112.5
Ordinary			
Insurance (10)	125.8	113.9	110.8
Building mats. (6)	96.7	82.0	77.2
Coal (9)	116.8	95.7	80.8
Electrical manuf. (12)	146.3	122.7	114.5
Iron and steel (17)	74.6	59.6	50.1
Home rails (4)	80.7	62.0	51.1
Shipping (6)	26.9	15.6	13.9

Group	Yields (%)		
	May 25, 1937	Apr. 26, 1938	May 31, 1938
Fixed Interest			
2½% Consols	3.28	3.37	3.38
Misc. industrial deb.	4.08	3.94	3.92
Misc. industrial pref.	4.37	4.35	4.37
Ordinary			
Insurance	3.40	3.73	3.83
Building materials	5.60	6.79	7.17
Coal	6.65	5.41	6.93
Electrical manuf.	4.23	5.58	5.89
Iron and steel	4.72	7.37	9.12
Home rails	2.70	5.29	6.49
Shipping	1.17	3.68	4.05

New York

ALTHOUGH prices advanced slightly in the last session before the Memorial Day holiday, response to the passing of the Tax Bill was less than might have been expected. It removed one cause of anxiety, but the plain disclosure of the President's attitude, fears of further official supervision of business, the continued weakness of commodities, and the persistence of unfavourable company news, between them effectively subdued any optimistic tendency. Nor were conditions after the holiday any better. Prices sagged from sheer lack of support, and the volume of business shrank still further. In its present mood the market becomes active chiefly on news of Government inaction. Accordingly, in mid-week business broadened moderately and prices recovered on hopes of an early adjournment of Congress and news of the abandonment of the Government Reorganisation Bill. Another helpful factor was reports of good progress in discussions between representatives of Utilities and the S.E.C. Motor shares were unmoved by news of charges made under the Sherman Act.

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

	WEEKLY AVERAGES			
	1938		May 18, 1938	May 25, 1938
	Low Mar. 30	High Jan. 12		June 1, 1938
347 Ind'ls.	75.9	101.5	88.5	82.9
32 Railroads	19.0	31.4	22.0	20.5
40 Utilities	57.7	78.8	70.2	67.9
419 Stocks	63.7	86.4	74.8	70.8
Av. yield %	8.35	5.16†	5.29	5.64
	High	Low		

* 50 Common Stocks. † May 11th.

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

May 26	May 27	May 28	May 30	May 31	June 1
90.8	90.6	91.8	Closed (a)	90.4	93.5
1938 High: 116.9 January 11th. Low: 83.6 March 31st. (a) Memorial Day.					

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds \$000's	
May 26	780	4,520	137
" 27	760	4,790	132
" 28*	220	1,830	57
" 30	Closed (a)	Closed (a)	Closed (a)
" 31	400	4,060	76
June 1	540	5,190	78

* Two-hour session. (a) Memorial Day.

New York Prices

	Close Latest		Close Latest
	May 26, 1938	June 1, 1938	

1. Rails & Transport		4. Manufactures	
Atchafalaya	24½	Briggs	15¼
Balt. & Ohio	5	Chrysler	39½
B.M.T.	7¼	Elec. Autolite	14½
Can. Pacific	5½	Gen. Motors	27½
Ches. & Ohio	24½	Hudson Mtr	51½
G.N. Ry. Pf.	13½	Nash Kelvinator	67½
Illinois Cent.	6½	Packard Mtr	31½
N.Y. Central	10½	Bendix Avtn.	10½
Northern Pac	7	Boeing Avtn.	20½
Penn. Ry.	15¼	Douglas Air.	40¼
Southern Pac.	9½	United Aircraft	24¼
Southern Rly.	6¼	Air Reduction	42¼
Union Pac.	59½	Allied Chem.	140
Greyhound	7½	Col. Carbon	67¼
		Dupont	94
		Un. Carbide	63½
		U.S. Ind. Alc.	15¼
		Alvis Chalmers	38½
		Gen. Electric	31½
		Westingh. Elec.	71
		American Can	84
		Addressograph	18¼
		Caterpillar	38½
		Cont. Can.	37½
		Ingersoll Rand	73
		Int. Harvester	49¼
		Johns Manville	64
		Am. Radiator	95¼
		Corn Prods.	61¼
		11 Case & Co.	71¼
		Glidden	15
		G. Am. Trans.	34
		Celanese of A.	11½
		Ind. Rayon	15½
		Colgate Palm.	73½
		Eastm'n Kdk.	144¼
		Gillette	78
		Lambert Co.	105¼
		Loews	36½
		20th Cen. Fox	19¼

2. Utilities and Communications		5. Retail Trade, &c.	
Am. W'orks	8	Mont. Ward	27½
C'wh. & S.	14	J. C. Penney	60
Con. Edison	21½	Sears Roebuck	51¼
Col Gas & Elc	5½	United Drug	47½
El Bond & Sh	6½	Walgreen	15¼
Nat Pwr & Lt	6¼	Woolworth	42½
N. American	17¼	Borden	15½
Pac Gas & Elc	25½	Gen. Foods	26½
Pac. Lighting	37¼	Kroger Grey	13½
Pub Serv N.J.	27¼	Nat. Biscuit	20
Stan Gas & El	3	Nat. Dairy	13
United Corp.	21½	Stand. Brands	7
Un. Gas Imp.	10½	Am. Tob. B.	69
Amer. Tel.	128	Lig. Myers B.	92
Internat. Tel.	78	Lorillard	15½
West. Union	20	Reyn. Tob. B.	36½
Radio	5½	Nat. Distillers	19
" B. Pref.	48	Schenley Dis.	16

Paris

WHILE the Bourse was in hesitant mood on the first few days of the month, after M. Daladier's pronouncement on the franc there was considerable improvement. As a result of popular confidence that a firm franc and the new decrees would encourage a return of capital, business broadened, and all classes of domestic issues rose strongly, sometimes at the expense of international. In the following days these satisfactory advances were consolidated.

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937				Prices, Year 1938 Jan. 1 to June 1, inclusive				Name of Security	Price, June 1, 1938	Change since May 25, 1938	Yield June 1, 1938	Prices, Year 1938 Jan. 1 to June 1, inclusive				Name of Security	Price, June 1, 1938	Change since May 25, 1938	Yield June 1, 1938				
High-est		Low-est		High-est		Low-est						High-est		Low-est									
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)					(i)	(j)	(k)	(l)								
British Funds												Insurance											
841½	73½	791½	71	Consols 2½%	74½	+5½	4 7/8	134½	12½	3½	3½	Com. Bk. of Aus. 10½-	12½	...	4 6/8	d.							
105½	90½	101½	97	Do. 4% (alt. 1957) ..	111	+1½	5 1/8	53½	51½	3½	3½	District B. 11½ yd. pd.	53½	...	3 14 5/8	...							
103½	94½	102½	99	Conv. 2½% 1944-49 ..	99½	+1½	4 1/8	90½	71½	3½	3½	Do. S. & Aus. 15½ yd.	77½	...	5 8 9/8	...							
102½	92½	101½	98½	Do. 3½% 1948-53 ..	102½	+1½	4 1/8	105½	91½	3½	3½	Hambros 10½ yd. pd.	105½	...	4 10 6/8	...							
102½	92½	101½	98½	Do. 3½% after 1961 ..	102½	+1½	4 1/8	105½	91½	3½	3½	Hong. and S. 112½-	102½	-3	6 2 1/2	...							
102½	92½	101½	98½	Do. 4½% 1940-44 ..	104½	+1½	4 1/8	106½	92½	3½	3½	Lloyds 15½ yd. pd.	104½	...	4 0 0	...							
102½	92½	101½	98½	Do. 5% 1944-64 ..	113½	+1½	5 1/8	106½	92½	3½	3½	Martins 12½ yd. pd.	104½	...	4 0 0	...							
102½	92½	101½	98½	Fund. 2½% 1956-61 ..	90½	+1½	4 1/8	89½	78½	3½	3½	Marshall 12½ yd. pd.	89½	+6d	3 14 9/8	...							
102½	92½	101½	98½	Fund. 3% 1959-57 ..	96	+1½	4 1/8	91½	80½	3½	3½	Nat. Dis. 11½ yd. pd.	91½	...	4 3 3/8	...							
102½	92½	101½	98½	Fund. 3% 1959-60 ..	98½	+1½	4 1/8	91½	80½	3½	3½	Nat. of Ind. 110½-	98½	-1½	4 3 3/8	...							
102½	92½	101½	98½	Fund. 4% 1960-90 ..	113½	+1½	5 1/8	91½	80½	3½	3½	N. of Ind. 125½ 12½	381½	...	5 17 0	...							
102½	92½	101½	98½	Nat. D. 2½% 1944-48	100½	+1½	4 1/8	91½	80½	3½	3½	Prov. 12½ yd. pd.	381½	-1½	4 3 3/8	...							
102½	92½	101½	98½	Victory Bonds 4% ..	111	+1½	4 1/8	91½	80½	3½	3½	Roy. Bk. of Scot. 11½	445	-5	3 16 6/8	...							
102½	92½	101½	98½	War L. 3½% aft. 1952	101½	+1½	4 1/8	91½	80½	3½	3½	St. S. A. 120½ 12½	134	...	4 6 6/8	...							
102½	92½	101½	98½	Local Loans 3% ..	87½	+1½	3 7/8	91½	80½	3½	3½	Union Dis. 11½	46½	...	4 6 6/8	...							
102½	92½	101½	98½	Austria 3% 1933-53 ..	102	+1½	4 1/8	91½	80½	3½	3½	West. 14½ yd. pd.	94½	-2½	4 4 0	...							
102½	92½	101½	98½	India 2½%	65½	+1½	3 1/8	91½	80½	3½	3½												
102½	92½	101½	98½	Do. 3½%	79½	+1½	3 1/8	91½	80½	3½	3½												
102½	92½	101½	98½	Do. 4½% 1958-68 ..	115½	+1½	5 1/8	91½	80½	3½	3½												
Dom. & Col. Govts.												Investment Trusts											
102½	92½	101½	98½	Austr. 5% 1945-75 ..	105½	+1½	4 3/8	285½	24½	40½	50½	Alliance 11, fully pd.	26½	-1½	3 9 0	...							
102½	92½	101½	98½	Canada 4% 1940-60 ..	102	+1½	4 1/8	151½	12½	3½	4½	Atlas 15½, 11½ pd.	14½	...	2 18 0½	...							
102½	92½	101½	98½	Nigeria 5% 1950-60	102	+1½	4 1/8	105½	91½	20½	20½	Com. Un. 11½ yd. pd.	91½	...	4 4 0	...							
102½	92½	101½	98½	N. Zealand 5% 1946	103½	+1½	4 1/8	105½	91½	20½	20½	Gen. Acc. 11½ yd. pd.	91½	-1½	3 19 0	...							
102½	92½	101½	98½	Queens. 5% 1940-60	104	+1½	4 1/8	105½	91½	20½	20½	Lon. & Lanc. 15½ yd.	26½	...	3 15 0	...							
102½	92½	101½	98½	S. Africa 5% 1945-75	110½	+1½	5 1/8	105½	91½	20½	20½	N. Brit. & Merc. 11½ yd.	91½	-1½	3 15 0	...							
Foreign Governments												Public Utilities											
102½	92½	101½	98½	Arg. 4½% Stg. Bds.	92	+1½	4 1/8	105½	91½	20½	20½	Pearl 11½ yd. pd.	19	...	2 18 6½	...							
102½	92½	101½	98½	Austria 7% 1957 ..	32½	+1½	3 1/8	105½	91½	20½	20½	Phoenix 11½ yd. pd.	14½	...	4 1 4	...							
102½	92½	101½	98½	Do. 4½% 1934-59 ..	51½	+1½	4 1/8	105½	91½	20½	20½	Prudential 11½ yd. pd.	95½	-1½	2 18 6½	...							
102½	92½	101½	98½	Belg. 4% red. by 1970	97	+1½	4 1/8	105½	91½	20½	20½	Royal Exchange 11½	33½	...	1 31 3/8	...							
102½	92½	101½	98½	Bulgaria 7½% 1914	33½	+1½	3 1/8	105½	91½	20½	20½	Royal 11½ yd. pd.	95½	-1½	3 15 0	...							
102½	92½	101½	98½	Brazil 5% 1914	17½	+1½	1 1/8	105½	91½	20½	20½	S. U. & N. A. 120½ yd.	16	...	4 1 0	...							
102½	92½	101½	98½	Chile 6% (1929) ..	17½	+1½	1 1/8	105½	91½	20½	20½	Sun. L. 11½ yd. pd.	77½	...	3 9 6	...							
102½	92½	101½	98½	China 5% (1912) ..	49½	+1½	4 1/8	105½	91½	20½	20½		81½	...	2 7 6½	...							
102½	92½	101½	98½	Do. 5% (1913) ..	63	+1½	4 1/8	105½	91½	20½	20½		81½	...	4 0 0	...							
102½	92½	101½	98½	Czechoslovakia 8%	74½	+1½	4 1/8	105½	91½	20½	20½		81½	...	4 1 0	...							
102½	92½	101½	98½	Denmark 3%	97½	+1½	4 1/8	105½	91½	20½	20½		81½	...	3 9 6	...							
102½	92½	101½	98½	Egypt Unified 4%	101	+1½	4 1/8	105½	91½	20½	20½		81½	...	2 7 6½	...							
102½	92½	101½	98½	French 4% (British)	101½	+1½	4 1/8	105½	91½	20½	20½		81½	...	4 0 0	...							
102½	92½	101½	98½	Ger. 7% Dawes Ln.	45½	+1½	4 1/8	105½	91½	20½	20½		81½	...	4 1 0	...							
102½	92½	101½	98½	Do. 5½% Young Ln.	33½	+1½	3 1/8	105½	91½	20½	20½		81½	...	3 9 6	...							
102½	92½	101½	98½	Greek 6% Stab. Ln.	31½	+1½	3 1/8	105½	91½	20½	20½		81½	...	2 7 6½	...							
102½	92½	101½	98½	Hungary 7½% 1914	32½	+1½	3 1/8	105½	91½	20½	20½		81½	...	4 0 0	...							
102½	92½	101½	98½	Japan 5½% 1936-65	52	+1½	4 1/8	105½	91½	20½	20½		81½	...	4 1 0	...							
102½	92½	101½	98½	Do. 6% (24) red. 1959	53	+1½	4 1/8	105½	91½	20½	20½		81½	...	3 9 6	...							
102½	92½	101½	98½	Norwegian 4% 1914	117½	+1½	5 1/8	105½	91½	20½	20½		81½	...	4 0 0	...							
102½	92½	101½	98½	Peru 7½% 1922 ..	45½	+1½	4 1/8	105½	91½	20½	20½		81½	...	4 1 0	...							
102½	92½	101½	98½	Poland 7%	66	+1½	4 1/8	105½	91½	20½	20½		81½	...	3 9 6	...							
102½	92½	101½	98½	Roum. 4% Con. 1922	11½	+1½	1 1/8	105½	91½	20½	20½		81½	...	2 7 6½	...							
102½	92½	101½	98½	U.K. & Arg. C. 3%	80	+1½	3 1/8	105½	91½	20½	20½		81½	...	4 11 3	...							
Corporation Stocks												Financial Institutions											
102½	92½	101½	98½	Corporation Stock	119	+1½	4 1/8	105½	91½	20½	20½		81½	...	4 11 3	...							
102½	92½	101½	98½	Birmingham 5% 1946-56	112½	+1½	4 1/8	105½	91½	20½	20½		81½	...	10 13 6	...							
102½	92½	101½	98½	Bristol 5% 1948-58 ..	114½	+1½	4 1/8	105½	91½	20½	20½		81½	...	5 6 9	...							
102½	92½	101½	98½	L.C.C. 3%	85	+1½	3 1/8	105½	91½	20½	20½		81½	...	8 4 0½	...							
102½	92½	101½	98½	Do. 4% 1934-64 ..	95	+1½	3 1/8	105½	91½	20½	20½		81½	...	15 10 0	...							
102½	92½	101½	98½	Liverpool 3½% 1954-64	104	+1½	4 1/8	105½	91½	20½	20½		81½	...	9 12 0	...							
102½	92½	101½	98½	Midx. 3½% 1957-62	104	+1½	4 1/8	105½	91½	20½	20½		81½	...	5 12 8	...							
Public Boards												Breweries, &c.											
114½	110½	115½	110½	C. Elec. 5% 1950-70	113	...	4 12 9	77½	61½	12½	12½	Ansell's Brewery 11	74½	-6d	4 15 0	...							
129½	125½	134	128	Lon. Pass. Transport	116½	...	5 12 9	77½	61½	12½	12½	Barclay Perkins 11	74½	+6d	6 2 0	...							
84	74½	81½	75½	5% "A" 1985-2023	125½	...	3 14 0	77½	61½	12½	12½	Bat. & K. 10½ yd. pd.	129½	...	4 2 0½	...							
91½	81½	88½	82½	5½% "B" 1985-2023	117½	...	3 16 6	77½	61½	12½	12½	Garrington & Co. 11	62½	-1½	16 10	...							
118	114½	121	117	"C" 1956 or after ..	75½	-1½	5 12 7	77½	61½	12½	12½	Courage Ord. 11	76½	...	5 5 0	...							
65	48	54	49	Met. W.B. "B" 3%	89	...	3 7 6	77½	61½	12½	12½	Distillers Ord. 11	94½	-1½	4 15 9	...							
28½	14½	18	16	P. of Lon. 5% 50-70	116	...	3 7 0	77½	61½	12½	12½	Guinness Ord. 11	114½	...	5 2 0	...							
95½	42	51	46	British Railways	...	...	...	77½	61½	12½	12½	Mexu's Ord. 11	104½	-1½	6 2 0	...							
97	79	86	81	G.W. Ord.	48½	-2½	8 5 0	77½	61½	12½	12½	Mitchells & Butlers 11	83½	-1½	5 10 0	...							
14½	12	13½	12	L. & N.E.R. Def.	27½	-1½	8 5 0	77½	61½	12½	12½	Oblisson's Cape 11	74½	-1½	4 13 0	...							
26½	25½	27	26	Do. 5% Pref. Ord.	45	-1½	8 5 0	77½	61½	12½	12½	Simonds (H. & G.) 11	67½	-2½	5 6 0	...							
80½	64	71	66	Do. 4% 2nd Pref.	15	-1½	8 5 0	77½	61½	12½	12½	S. African Bk. 11	37½	-1½	6 6½	...							
16½	14½	15	14	Do. 4% 1st Pf.	16½	-1½	8 5 0	77½	61½	12½	12½	Savior Walker Ord. 11	26½	-6d	6 10 0	...							
70½	45½	51	46	L.M.S. Ord.	16½	-1½	8 5 0	77½	61½	12½	12½	Walker (P. & R.) 11	21½	-9d	7 0 0	...							
82½	64	71	66	4% Pf. 1923	46½	-1½	8 5 0	77½	61½	12½	12½	Watney Combs Def. 11	72½	-1½	5 4 0	...							
30½	16½	21	18	Southern Def.	65	-2½	6 0 0	77½	61½	12½	12½												
21½	17½	19	18	Do. 5% Pf. Ord.	70	-2½	6 0 0	77½	61½	12½	12½												
87	69½	76	71	Do. 5% Pf.	109½	-2½	4 11 4	77½	61½	12½	12½												
115½	109½	116	111	Dom. & Foreign Ry.	...	...	...																

Later, however, the market was depressed by alarmist rumours on the foreign situation and by absence of public support, these factors more than counteracting the success of the Defence Loan. The Czechoslovakian crisis did not greatly affect prices; for tension had eased considerably when the Bourse re-opened after the critical week-end. Business slackened, however, and prices sagged towards the end of the month.

May 1	May 4	May 11	May 18	May 25	May 31
3% Renten	75.25	73.85	Reunis	524	470
4% Rta. 17	71.40	71.20	Rio Tinto	2,530	2,315
Banque de			R. Dutch	61,480	61,200
France	7,095	6,950	Mer. Eagle	434	464
Credit			Chartered	234½	227½
Lyonnais	1,655	1,572	Ford	73	66
Suez Canal	23,900	23,550	De Beers	1,373	1,323
Wag. Litt.	91.75	87.00	"Johnnies"	496	490½

Berlin

DURING all May the share market was reactionary. Against good business reports and dividend news was the threatening international situation, and late in the month there was considerable selling for emigrant and non-Aryan accounts. No temporary recovery of any dimensions occurred, and the close of the third week witnessed a semi-panic. Certain specialities were active: at first (on dividend expectations) Westdeutscher, Kaufhof, later certain chemical, automobile, shipping and textile shares, and, finally, Farbenindustrie. In contrast, standard steel and coal issues were neglected, an exception being Harpener Mining, which rose sharply. The chief electrical shares were heavily sold and on the whole month lost considerably. Despite speculative interest on the basis of some dividend resumptions, the two chief shipping companies dropped several points. Reichsbank declined by about six points, and all the leading commercial banks were slightly lower. Home bonds fluctuated within narrow limits in a dull market, and towards the close of the month were slightly lower. The official share-index (1924-26 = 100) was 114.83 for April, against 113.85 for March; bonds 100.05, unchanged.

May 1	May 4	May 11	May 18	May 25	May 31
Reichsbank	198.25	193.00	Nord.	80.25	77.60
Bank D.D.			A.E.G.	124.75	120.00
Bank	120.75	120.00	Siemens		
Dresdner	113.75	111.90	Stahl	213.00	203.00
I.G. Farben	158.90	161.00	werke	110.90	108.90
benind.			Amer.	78.75	75.75

Amsterdam

BUSINESS in May was characterised by quiet trading and irregular price movements. Over the whole month, however, some deterioration took place, although in mid-month quotations had in the main risen above the levels of the end of April. As a result of the pronounced absence of public support, the market was easily affected by foreign news of all kinds. Day-to-day movements in the early part of the month were irregular, close attention being paid to the fortunes of the belga. A quiet period then followed, in which prices were firm but turnover negligible. After the Czechoslovakian crisis, quotations were depressed, and the second fortnight witnessed a decline.

May 1	May 4	May 11	May 18	May 25	May 31
2½% Dutch	87½	86½	A. K. U.	254	254
5½% Ger.	274	26	Ford Motor	289½	288½
Philips Lp.	274	248½	Del. B. To.	214½	209
Neth. Ship.	118½	112½	Ryl. Dutch	321½	305½
Lever Bros.			Hand. Am.	412½	416½
& Unilever	151½	142½			

* Without transfer certificate.

Canada

THE Canadian stock markets during the past month have been decidedly dull and sluggish but prices are slightly better than at the beginning of April. Though it seemed at first that the recession had been checked, prices sagged anew in the latter part of May. However, the volume of trading remains small and both speculators and genuine investors seem chary about entering the market as long as the depression in the United States continues and international tension is not relieved. Prices have fluctuated within a narrow range, the only stocks showing much liveliness having been those of western grain companies. Newspaper stocks are still out of favour, and construction stocks have been affected by the decline in the volume of new construction, while there is no demand for luxury stocks like those of the liquor companies. The Bureau's index for common stocks stood at 98.5 on April 30th and by May 12th had risen to 100.5.

May 1	May 4	May 11	May 18	May 25	May 31
Bell Tel.	159	157	Int. Petrol	257½	257
Can. Gov.	111½	111	Brazil Trac	111½	104
Do. pref.	25	27½	Brit. Col.		
Power Corp.	13	10½	Power "A"	28½	29¼
Dome Mines	543½	581½	Do. "B"	3½	3
Hollinger	1318	137½	Can. Cement	9½	8
McIntyre	40½	41½	Int. Nickel	46½	42½
B. of Canada	59	56½	Massey Harris	6¼	6½
B. of Montr.	1204	203	Montreal Lt.	2918	28¼
Bk. of Nova			Quebec Pow.	15	15
Scotia	298	296	Shawinigan		
R. Bk. of Can.	173	171	Water	18½	19
C. Bk. of Com.	160	162	Steel Co. of		
Can. Pac.	618	5½	Canada	63	62
Cock. Plow	8½	7¼			

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
June 4			
To the Public	750,000	231,500	526,000
To Shareholders	500,000	200,000	300,000
By S.E. Intro.	503,000		477,500
By Permis. to Deal	364,281		394,281
Sav. Certs. w/c			
May 25	Dr. 200,000		

Year to date	Including Conversions	Excluding Conversions
1938 (New Basis)	90,570,895	76,336,542
1937 (New Basis)	301,319,455	258,617,373
1938 (Old Basis)	65,002,057	51,717,799
1937 (Old Basis)	197,504,776	167,294,629

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1938 (New Basis)	54,441,451	19,465,862	2,429,229
1937 (New Basis)	224,516,925	42,947,308	1,553,140
1938 (Old Basis)	33,675,930	15,642,745	2,399,124
1937 (Old Basis)	154,911,978	12,382,653	Nil

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	42,146,074	6,541,738	27,648,730
1937 (New Basis)	139,083,961	16,615,730	117,662
1938 (Old Basis)	33,913,766	2,476,496	15,325,537
1937 (Old Basis)	126,385,383	10,396,315	30,512,931

Note.—"Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

PUBLIC OFFERS

Beira Works.—Issue at 101 of £750,000 5½ per cent. registered debentures (making £2,822,300 outstanding). Redeemable at par by 1972 by drawings, or from 1946 on notice. Proceeds to redeem £231,500 7 per cent. registered debentures and for improvements. Profits before interest, after depreciation, years to March 31: 1936, £212,327; 1937, £258,589; 1938, £333,292. Surplus of assets, £2,931,032. Lists closed May 30th; underwriters

to take up 96½ per cent. of their commitments.

BY STOCK EXCHANGE INTRODUCTION

Matthew Hall and Company, Ltd.—Issued capital, 200,000 5s. ordinary shares and £5,000 6 per cent. debentures to be redeemed August 1, 1938. Heating and sanitary engineers, established 1848.

TENDERS

Barnet District Gas and Water Company.—Sale by tender of £50,000 4½ per cent. preference stock, at minimum of 110 (which yields £4 1s. 10d. per cent.).

BONUS ISSUES

Stanton Ironworks.—This company proposes a free capital bonus of one ordinary share for every five held, involving a capitalisation of over £310,500.

Ribble Motor Services.—It is proposed to distribute a scrip bonus of 50 per cent.

Hector Powe.—This company is to distribute a 10 per cent. share bonus.

ISSUE TO SHAREHOLDERS ONLY

Venesta Ltd.—Issue of £500,000 4½ per cent. debentures at par. Of the total, £300,000 will be offered to shareholders and noteholders, and the remaining £200,000 to convert £200,000 4½ per cent. notes.

SHORTER COMMENTS

Company Results of the Week.—Among the larger rubber company results, those of ALLIED SUMATRA are satisfactory. Net profits are over £10,000 higher at £88,693, the average net sale price per lb. having risen from 7.9d. to 8.3d. A further batch of investment trust results is available. INVESTMENT TRUST CORPORATION earned £259,691 against £263,206. Revenue is a little higher, but the incidence of N.D.C. affects net profits. Difficult trading conditions in the biscuit industry towards the end of 1937 and in the early months of the present year have led ASSOCIATED BISCUIT MANUFACTURERS to pass their ordinary dividend. Receipts from subsidiaries were £20,000 lower at £50,000. ASSOCIATED NEWSPAPERS have experienced a considerable decline in profits, by 15 per cent. to £785,036, but the deferred dividend is only 1½ per cent. lower at 25 per cent. The deterioration in market conditions in the latter part of 1937 reduced DENNY, MOTT AND DICKSON net profits from £155,985 to £75,523, in spite of active trading. FISHER AND LUDLOW, who report that the volume of orders now on hand continues satisfactory, made slightly higher trading profits in 1937-38 than in 1936-37, but other allocations have reduced the latest net earnings below the previous level. MILLARS TIMBER AND TRADING COMPANY, who are paying 10 against 7½ per cent. after earning £31,000 more at £138,350, report that in Australia the selling side of the business was well maintained, though the quantity of timber was reduced following an Arbitration Court award. SALTS (SALTAIRE) have experienced a severe setback, net profits being £61,906 against £229,527; the fall in wool values has contributed to this result. The gross proceeds of sales by VENEZUELAN OIL CONCESSIONS were almost £2 millions higher at £5,328,950 (production having risen 30 per cent. to over 50 million barrels), but production expenses rose by 74 per cent. While the 2½ per cent. dividend is unchanged, the rate of earnings on the ordinary shares is 37.1 against 29.3 per cent., after tax reserve and depreciation.

MISCELLANEOUS

Capital Securities Trust.—Improving Securities Trust announce that, subject to certain limitations, H.M. Treasury raise no objection now to the inclusion of American securities in the portfolio of Capital Securities Trust. (When the Trust was first launched American shares were, on the request of H.M. Treasury, withheld from the portfolio.)

Hawker Siddeley Aircraft.—This company has found it necessary to give financial assistance (owing to increasing production) to the subsidiary operating companies of Armstrong Siddeley Development Company (which is owned by Hawker Siddeley). To put this finance on a more permanent basis, Hawker Siddeley will increase their holding in Armstrong Siddeley ordinary shares by £2,412,581.

Investment Trust Units.—A progress report has been issued covering the second

half-yearly period ending April 23, 1938, for which the distribution payable May 31st amounts, after tax, to 3.5346d. per unit net. The first distribution for seven months was 3.7706d. per unit. Distributions to date are equivalent to a gross yield, since formation, of £4 5s. 8d. per cent. per annum on original issue price, compared with £4 per cent. as originally estimated by the managers (Trust of Insurance Shares, Ltd.).

Brazilian Traction Light and Power.—Net revenue for 1937, \$10,886,281, an increase of \$4,642,393. Ordinary dividend increased from 70c. to \$1 per share. During 1937, Brazilian exchange showed an improvement. Cash expenditure during year on properties of operating companies was \$15,400,000.

Venezuelan Oil Concessions.—Increase of £1,965,729 to £5,328,950 in gross income was secured for 1937. For tax and N.D.C., £233,720 against nil. Depreciation

allowance raised from £286,314 to £456,803; transfer to exploration and general reserve doubled at £500,000. Net result is increase in profit balance by £14,947 to £1,089,015. Dividend on preference and ordinary shares unchanged at 22½ per cent.; carry-forward raised from £148,085 to £157,494.

Fisher and Ludlow, Ltd.—Net profit for year to March 31, 1938, £111,294 compared with £126,900. Dividend and bonus maintained at 20 per cent. on a larger capital, absorbing £87,000. To staff development fund £2,000 as before. Carry forward raised from £75,716 to £91,010.

Associated Biscuit Manufacturers.—Profits declined from £70,055 in 1936-37 to £50,048 in the year to March 31, 1938. Of this, preference dividend takes £29,250. No ordinary dividend (against 3 per cent. tax free). Carry-forward increased from £1,082 to £21,880.

Industry and Trade

Lancashire and the Government.—The proposals for a Cotton Enabling Bill, made by the Joint Committee of Cotton Trade Organisations, have aroused considerable opposition both in the industry itself and in those trades which are associated with, but not part of, the cotton industry. The Joint Committee and the Opposition Committee have recently been in communication with the President of the Board of Trade in an endeavour to ascertain the views of the Government. Mr Stanley, in a letter to the Chairman of the Joint Committee, has now announced that the Government have decided to prepare a Bill themselves on the general lines of that already proposed, but with such modifications as may appear necessary on grounds of public policy or to obtain a greater measure of support for it. The Government consider that the publication of their Bill should make it possible for the different industries and the individual firms affected to appreciate more clearly their position under the scheme, and would thus provide a better indication than is at present available of the extent to which it would command the approval of those concerned. Mr Stanley, at the same time, has urged the Joint Committee to renew their efforts to secure the greatest possible measure of agreement within the cotton trade on the proposals for reorganisation, since the rehabilitation of an industry can only be successful if it is backed by the great majority of the interests concerned. In view of the serious depression in the cotton industry, it is to be hoped that the publication of the Government's Bill will not be delayed.

Coal-Mining Industry Profits.—The provisional trading results in the various coalfields of the United Kingdom for the first quarter give a credit balance of over £5 millions for the industry as a whole, compared with £4,849,980 in the corresponding period last year. With the exception of Scotland, all the coalfields produced more in the first quarter of 1938 than in 1937; but the trend of prices was not uniform, some of the inland coalfields recording appreciable falls and Durham and South Wales substantial increases. During 1937, however, the financial improvement in the exporting districts lagged behind that of the other principal areas, and their average pithead proceeds are now being sustained by the higher-priced long-period contracts concluded last year. The inland coalfields continue to show better results than those mainly or largely dependent on the export trade. The monthly credit balances of the constituent administrative areas of the Midland Amalgamated district ranged during the March quarter from 1s. 8½d. to 3s. 1½d. per ton, while for the exporting coalfields they averaged 1s. 11½d. in Scotland, 1s. 6½d. in

Northumberland, 1s. 2½d. in Durham and 11½d. in South Wales. The leading credit balances were as follows:—Yorkshire, £1,104,702; Notts. and Derby, £993,213; Scotland, £743,734; Durham, £524,347; Lancashire and Cheshire, £462,339; and South Wales and Monmouthshire, £454,423. As a result of the rise in the industry's income, wages have continued to advance, and during the March quarter 415,900 workpeople were affected by an estimated net increase of £52,750 per week. The improved marketing organisation of the industry, and particularly the regime of central selling, have contributed to this improved financial position, but the main factor undoubtedly was the boom in demand last year. How far the new marketing system will be able to resist the disintegrating and price-depressing influences of the recession which has been in progress during the last few months remains to be seen. Conferences are at present taking place between the Central Council of Coal Owners and the District Executive Boards with a view to increasing the effectiveness of the regulative powers of supply control and of the co-ordinated district price schedules.

Rubber and Tin.—The marked decline in the consumption of primary products is severely testing the restriction schemes. Despite valiant efforts to adjust output to the decline in consumption, stocks in producers' hands have tended to increase and prices have fallen almost as rapidly as in 1929-30. Between the end of March, 1937, and last Wednesday, for example, the prices of rubber and tin fell from 12½d. per lb. to 5½d. per lb. and from £285 per ton to £163 per ton, respectively. During the corresponding period of 1929-30, the prices of rubber and tin declined from 10½d. per lb. to 6½d. per lb. and from £220 per ton to £135 per ton, respectively. A reduction in output sufficient to stem the downward movement of prices naturally encounters a host of difficulties, especially in countries which are largely dependent on a small number of commodities. Consequently, it is only to be expected that those in control of restriction schemes tend to take an optimistic view of the trend of demand. The International Rubber Committee, however, has taken a heroic decision at its meeting last Tuesday by reducing the export quota from 60 per cent. of the basic output in the current quarter to 45 per cent. in July-September. This reduction follows a cut from 90 per cent. during the second half of 1937 to 70 per cent. in January-March. Despite this drastic reduction, however, prices failed to improve. The uneasiness of the rubber industry was voiced by Mr J. G. Hay in his address to the shareholders of United Siam Betong Rubber Estates. "Such a severe limitation of production," said Mr Hay, "is bound to lead to a further increase in costs, and unless, therefore, the latest cut leads to a substantial

increase in price we shall be little better off." Meanwhile, the results of the referendum in Malaya on the tin buffer pool—a scheme whose latest version provides for the segregation of a proportion of the output in order to avoid the necessity of a further sharp cut in quotas—have been published. Some 57 per cent of the European and 76 per cent of the Chinese votes were in favour of the formation of a pool. In view of these results, the market was not surprised when the Colonial Office announced on Wednesday that it had approved the proposal, subject to the negotiation of a satisfactory detailed scheme. But it remains to be seen whether the segregation of a proportion of the output, at the current level of production, will have the desired effect of raising prices. The International Tin Committee held a meeting on Thursday, but its results were not known as we went to press.

An International Steel Conference.—It had been anticipated that the renewal of certain Comptoir agreements within the Entente Internationale d'Acier would be confirmed at last week's meeting of its Joint Co-ordinating Committee in Rome. The prolongation of the Entente Internationale d'Acier and of its agreement with the British industry would have followed automatically the renewal of the sectional arrangements. Contrary to expectations, however, the prolongation of the international agreements beyond June 30th was held up by dissensions within the Belgian industry, due to the demand for a higher quota by the Boel concern. A further conference is, therefore, to be held in Paris on June 16th. It is confidently expected that the difficulties within the Belgian industry will be overcome in the interval and that it will then be possible to prolong the international agreements.

Aircraft Production in the United States.—Representatives of the Air Ministry have just returned from a visit to the United States and Canada, undertaken with the purpose of investigating the possibility of supplementing domestic production from America. The following table, showing the output of military and commercial aircraft in the United States, provides an indication of the capacity of the aircraft industry in that country. The figures from 1929 to 1937 are those of the Aeronautical Chamber of Commerce. The estimates of production in 1938 have been made by the *Analyst* :—

NUMBER OF AIRFRAMES AND ENGINES PRODUCED IN THE U.S.A.

	Aeroplanes (without Engines)		Engines		Total Value (including parts)
	Military	Commercial	Military	Commercial	
1929	677	5,357	1,861	5,517	(Thous. \$) 70,896
1930	747	1,937	1,841	1,925	51,717
1931	812	1,582	1,800	1,976	47,270
1932	593	549	1,085	813	32,010
1933	466	591	860	1,120	33,519
1934	437	772	688	2,048	42,740
1935	459	1,109	991	1,974	45,195
1936	1,141	1,559	1,804	2,433	77,101
1937	949	2,281	1,989	4,095	113,993
1938	1,250	3,000	...	...	150,000

For a number of years the aircraft industry in the United States has exported a substantial proportion of its output. Thus exports of aircraft rose from 140 units in 1931 to 550 units in 1936 and 629 units in the past year. But while the output of military aircraft is now appreciably higher than in 1929, the production of commercial aeroplanes remains considerably below that level. The figures do not indicate, however, that the United States is in a position to undertake the delivery of large numbers of military aircraft to this country at short notice.

Milk Vessels Recovery, Limited.—It is probable that few people outside the milk distributive trade have heard of this organisation, and yet its work, admirably

summarised by its name, is of considerable importance. Of the millions of milk bottles deposited annually on British doorsteps by thousands of roundsmen, it is inevitable that some should go astray and, either by accident or by intent, should fail to be returned to their owners. Such wastage represents a considerable pecuniary loss to the trade, which is reduced by the activities of Milk Vessels Recovery, Limited, in providing a clearing house for lost bottles and churns. In 1937, 14½ million bottles were collected and delivered to their owners, together with 17,424 churns and 12,693 bottle crates. In addition, more than a hundred traders were prosecuted and convicted of using bottles and churns which were marked as the property of other retailers. Figures of this size lead the uninitiated to wonder if the trade could not adopt a form of non-returnable carton, such as is largely used in some Continental countries. Not only the wastage due to loss and breakages, but the heavy capital cost and running expenses of bottle-washing plants could thus be avoided. No doubt the Milk Commission, which has been foreshadowed as the *pièce de résistance* of the new milk Bill, will eventually deal with this minor problem of milk distribution.

Fall in Shipping Freight Rates Arrested.—Following the steep decline since last September, tramp shipping freight rates had a steadier tendency last month. As our index shows, rates showed a slight rise between April and May.

The Economist INDEX OF FREIGHT RATES
(1898 — 1913 = 100)

	Average, 1913	May, 1937	Feb., 1938	Mar., 1938	Apr., 1938	May, 1938
European waters	110.0	174.8	117.6	109.3	108.2	109.2
North America	113.1	123.1	109.3	110.6	114.0	111.0
South America	123.4	149.9	122.4	129.6	131.7	132.3
India	106.3	152.7	130.3	120.0	106.0	111.7
Far East and Pacific	117.4	159.1	120.4	111.8	109.2	106.2
Australia	127.9	169.7	113.4	111.6	113.0	113.0
Total	116.3	154.9	118.9	115.5	113.7	113.9
1913 = 100	100.0	133.1	102.1	99.2	97.7	97.8

As the next table indicates, declines on some routes have been offset by improvements on others.

	Index No.	Inc. or dec. Points		Index No.	Inc. or dec. Points
Home trade	99.0	+3.0	South America :—	110.6	+1.4
Bay—outwards	102.7	+3.6	Outwards	154.1	+0.2
Bay—homewards	141.9	—3.3	Homewards	103.2	+6.4
Mediterranean :—			India—outwards	120.2	+5.0
Outwards	88.1	+4.9	India—homewards	120.2	+5.0
Homewards	124.3	—5.7	Far East, etc.	106.2	—3.0
North America	111.0	—3.0	Australia	113.0	...

Last month's improvement, however, does not necessarily portend a change of trend. In view of the persistent fall in the prices of primary products and the shrinkage of international trade, the outlook remains uncertain.

Difficulties in the Cocoa Trade.—Since the lifting of the Gold Coast cocoa boycott in the middle of April, the London quotation for Accra cocoa (July futures) has declined from 24s. 8d. to 18s. 5d. per cwt, compared with 35s. at this time last year and nearly 60s. at the height of the boom in January, 1937. The recent decline suggests that the international cocoa market is in disequilibrium. On the basis of the recent rate of demand, the world's cocoa absorption in the 1937-38 season (October-September) may be well below 600,000 metric tons, compared with nearly 700,000 tons in the preceding season. According to *Gordian*, invisible stocks in consuming countries amounted to 110,000 metric tons on March 31, 1938, only 10,000 tons less than a year before. Brazil, the second largest producing country, is now at the peak of her season

and is selling more freely than in recent years. Under these conditions, the resumption of Gold Coast exports would in any case create a difficult problem both for West African shippers and for the international markets, but these difficulties have been increased by the announcement of the Gold Coast Department of Agriculture that 55,000 tons would be released for shipment during June. It seems impossible for the market to absorb this amount, which represents a rate of export of 20 per cent. greater than the highest monthly exports in the 1936-37 record season. Shipments at such a rate must lead to a serious increase in stocks in consuming countries, and will thus intensify the pressure on the cocoa market. It is quite possible, therefore, that the price of cocoa has not yet reached the bottom.

Slump in Raw Cotton Prices.—During the past week prices for American cotton in Liverpool fell about a halfpenny per lb., bringing the official quotations to the lowest level for six years. The downward movement has been brought about by the liquidation of straddle operations in East Indian and American futures. Early this

INDUSTRIAL REPORTS

APART from the heavy sections of the steel industry, which are still fully employed upon existing contracts, reports from the principal industrial centres this week are not encouraging. There is a good deal of inquiry from both home and overseas markets, but little business is being done; heavy stocks are still preventing the placing of new orders. In the coal industry the normal seasonal decline in demand is being experienced, in addition to a falling off in industrial demand, and many collieries are working on short time. Some districts have reduced prices for certain grades of coal by 6d. or 1s. a ton. The position of semi-finished steel remains unchanged, and the fixing of forge and foundry pig-iron prices to the end of this year has not brought out the business which was expected. The position in the cotton trade continues to deteriorate, and American raw cotton prices reached the lowest level for six years. There seems to be no indication of a change of trend in the near future, though some of the reports are hopeful of an improvement later in the year.

Coal

Sheffield.—With an easier demand, the inland market for coal is dull. Industrial requirements are smaller, and it has been found necessary to reduce output at some pits. Business in household fuel and gas coal is slow, as is customary at this period, but that for small coal is steady, with a good demand from coke and brickworks. Coke stocks are increasing, but prices are nominally unchanged.

Export prices have been reduced, Yorkshire steam coal being sixpence cheaper, and Derbyshire and Notts steams sixpence and a shilling per ton down. By this it is hoped to secure a share of the substantial inquiries received, but competition from other British areas and the Continent is keen.

Newcastle - on - Tyne.—Certain groups of collieries are working full time and have little coal available for the next few months, but the position

generally is dull and coals of all descriptions are freely offered. The Northumberland steam market for prompt shipment is quiet, idle time being experienced, but a fair amount of home business is being booked at the lower prices. The Durham section shows little improvement. As local industrial demand has declined and there is no inquiry from abroad, manufacturing coals are now plentiful. Current demand for patent oven coke is quiet, but over the coming winter season consumers abroad are booking moderate quantities.

Glasgow.—Dullness persists in the Scottish coal market. Home demand is declining with an exaggerated effect on the market position owing to the large stocks at depots and a tendency to delay buying in the hope of price reductions, particularly in the house coal branch. Acceptance of deliveries by public utilities is also on a lower scale, and the needs of industry are less. Overseas inquiry is improving, but the main requirements are open to tender, including seasonal needs of the Swedish State Railways, and it is not yet certain that Scottish producers will secure much of the business. Navigation fuels have been reduced by 6d. to 1s. per ton, but the dull shipping position retards business.

Cardiff.—Favoured by a relatively good tonnage position, shipments at the South Wales docks last week totalled 394,700 tons, compared with 342,400 tons the previous week, but the volume of trade was still about 25,000 tons less than in the corresponding period last year. There has been little, if any, improvement in the volume of current inquiry. Long-period contracts are the mainstay of the collieries, but they are not absorbing the allocated supplies and stocks are accumulating despite irregular working in some of the districts. Dry peas and beans are comparatively scarce, but for other grades supply is plentiful. The coke market is also weak but patent fuel is unchanged. Control Board permit quotations are nominally unaltered. The joint audit for the three months ended

April shows a credit balance of £454,423, compared with £388,129 in the previous quarter and with £135,886 in the corresponding period of 1937. The economic wage certified was 21.36 per cent. above the 1937 standard base rates, but the effective minimum wage rate for the three months ending August next will be maintained at 30 per cent. above the standard rates.

Iron and Steel

London.—The weekly statement of the London Iron and Steel Exchange indicates that irregular conditions have ruled in the iron and steel markets, and, with the approach of the summer, there are indications of the usual seasonal decline in the volume of business. In most departments new business is on a restricted scale, and consumers are working chiefly upon stocks and deliveries against contracts. Heavy reserves of pig iron have accumulated and with some decline in operations at the steelworks these are weighing upon the market. New business in foundry iron also has been on a much diminished scale, but fair quantities are still passing into consumption. The stabilisation of the current prices of foundry pig iron until the end of the year has not brought out much new buying but has relieved the market from uncertainty regarding prices.

The situation in the semi-finished steel department does not improve and most consumers have larger stocks on hand than they require. As a result, the production of semi-finished steel has been affected. It is estimated that the existing stocks will not be absorbed until towards the end of the third quarter. In the finished steel section business continues on a restricted scale compared with the conditions ruling earlier in the year. Operations at the steelworks have declined to some extent, but production is still maintained at a high rate.

Sheffield.—Quiet conditions continue in the iron market, with little
(Continued on page 562)

BRITISH WHOLESALE PRICES

	May 25, 1938	June 1, 1938
CEREALS AND MEAT		
GRAIN, etc.—	s. d.	s. d.
Wheat—		
No. 2, N. Man. 496 lb.	45 0	42 3
Eng. Gaz. av., per cwt.	8 0	8 0
Liv. July, per cental	6 5	5 9
Flour, per 280 lb.—		
Straights, d/d London	32 0	31 0
Manitoba, ex store	35 0	33 9
Barley, Eng. Gaz. av.	10 6	9 11
Oats, "La Plata, landed, 480 lb.	8 4	8 6
Rice, No. 2 Burma, per cwt.	36 0	36 0
MEAT—		
Beef, per 8 lb.—		
English long sides	4 8	4 8
Argentine chilled hinds	4 4	4 4
Mutton, per 8 lb.—		
English wethers	4 4	4 4
N.Z. frozen wethers	2 10	2 10
Lamb, per 8 lb.—		
N.Z. frozen	4 10	4 10
Pork, English, per 8 lb.	5 4	5 4
BACON (per cwt.)—		
English	98 0	98 0
Danish	98 0	98 0
Dutch	91 0	90 0
Irish	96 0	96 0
HAMS (per cwt.)—		
Canadian	100 0	100 0
United States	94 0	94 0
OTHER FOODS		
BUTTER (per cwt.)—		
Australian	123 0	120 0
New Zealand	126 0	123 0
Danish	128 0	125 0
CHEESE (per cwt.)—		
Canadian	77 0	77 0
New Zealand	79 0	79 0
English Cheddars	...	...
Dutch	53 0	52 6
COCOA (per cwt.)—		
Accra, f.f.	22 6	22 6
Trinidad	38 0	38 0
Grenada	38 0	38 0
COFFEE (per cwt.)—		
Santos supr. c. & f.	30 0	30 0
Costa Rica, medium to good	46 0	46 0
N.Z., greasy, half-bred 50-56	46 0	46 0
Kenya, medium	46 0	46 0
EGGS (per 120)—		
English (15-15½ lb.)	11 3	11 3
Danish (15½ lb.)	10 6	10 6
FRUIT—		
Oranges, Jaffa	...	...
„ Brazilian	11 0	11 0
Lemons, Malaga	20 6	18 0
„ Sicilian	16 0	14 6
Apples, Amer. (var.)	...	...
„ „ (var.)	...	...
Grapes, Almeria	...	...
Grapefruit, Jaffa	10 9	10 9
LARD (per cwt.)—		
Irish, finest bladders	56 0	56 0
U.S.	48 0	46 0
PEPPER, per lb.—		
Black Lampung (in Bond)	0 2½	0 2½
White Muntok	0 3½	0 3½
POTATOES (per cwt.)—		
King Edward	8 6	8 6
SUGAR (per cwt.)—		
Centrifugals, 96% prpt. shipm.	5 0	5 1½
c.i.f. U.K./Cont.	...	...
REFINED LONDON—		
Yellow Crystals	18 3	18 4½
Cubes	22 6	22 7½

* Weeks ended May 19th and 26th.

	May 25, 1938	June 1, 1938
SUGAR (per cwt.)—cont.		
Crushed	20 9	20 10½
Granulated	18 7½	18 9
Home Grown	18 6	18 7½
TEA* (Auction Average) (per lb.)—		
N. India	14 33	14 24
S. India	14 73	14 53
Ceylon	15 15	15 00
Java	14 06	14 03
Sumatra	12 87	12 06
Africa	12 98	12 63
Total	14 54	14 46
TOBACCO (per lb.)—		
Virginia stemmed and unstemmed, common to fine	0 8	0 8
Rhodesian stemmed and unstemmed	1 10	1 10
Nyasaland stemmed and unstemmed	1 4	1 4
East Indian	0 6	0 6
Unstemmed	2 0	2 0
Unstemmed	0 5	0 5
Unstemmed	1 6	1 6
TEXTILES		
COTTON (per lb.)—		
Raw, Mid-American	4 63	4 29
„ Sakellaridis, F.G.F.	7 58	7 18
„ Giza, F.G.F.	6 98	6 58
Yarns, 32's Twist	9 73	9 72
„ 40's Twist	17 14	17
„ 60's Twist (Egyptian)	...	...
Cloth, 32 in. Printers, 116 yds.	17 2	16 10
„ 16 x 16, 32's & 50's	23 3	22 10
„ 19 x 19, 32's & 40's	9 11	9 9
„ 18 x 16, 10 lb.	9 11	9 9
„ 39 in. ditto, 37½ yds.	...	...
„ 16 x 15, 8½ lb.	...	...
FLAX (per ton)—		
Livonian ZK	64 0	63 0
Pernau HD	65 0	64 0
Slanetz Medium, 1st sort	85 0	85 0
HEMP (per ton)—		
Manilla, June-Aug. "J2"	21 10	21 10
JUTE (per ton)—		
Native 1st mks., c.i.f. H.A.R.B.	17/12/6	17/7/6
Daltee 2/3 c.i.f. Dundee, June	17/3/9	16/17/6
Sisal (per ton)—		
African, June-Aug.	16 0	16 0
SILK (per lb.)—		
Canton	6 6	6 6
Japan	7 3	7 3
Italian, raw, fr. Milan	6 9	7 3
WOOL (per lb.)—		
English, Southdown, greasy	11 12½	11 10½
„ Lincoln hog, washed	11	10½
Queensland, scd. super combg.	23	23
N.S.W. greasy, super combg.	13½	13½
N.Z., greasy, half-bred 50-56	13	13
„ Crossbred 40-44	12	12
„ Merinos 70's average	27	27
„ 64's	26	26
Crossbred 48's	16½	16½
„ 46's	16	16
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	22 6	22 6
Durham, best gas, f.o.b. Tyne	20 6	20 6
Sheffield, best house, at pits	24 0	24 0
IRON AND STEEL (per ton)—		
Pig Cleveland No. 3, d/d	109 0	109 0
Bars, Middlesbrough	265 0	265 0
Steel rails, heavy	202 6	202 6
Tinplates	21 6	20 3
NON-FERROUS METALS (per ton)—		
Copper—		
Standard cash	333/5/0	32/18/9
Three months	333/10/0	33/3/9
Tin—		
Standard cash	162/15/0	163/0/0
Three months	163/5/0	163/5/0
Lead, soft foreign	13/15/0	13/6/3
Cash	13/17/6	13/7/6
English, pig	16/0/0	15/10/0
Spelter, G.O.B.—		
Spot	12/10/0	11/17/6
Aluminium, ingots and bars	100/0/0	100/0/0
„ rolling billets	102/0/0	102/0/0
Nickel, home and export	180/0/0	180/0/0
Antimony, Chinese	58/0/0	58/0/0
„ „	60/0/0	58/0/0
Wolfram, Chinese	39 0	41 0
„ „	42 0	44 0
Platinum, refined	6/12/6	6/12/6
Quicksilver	13/18/0	13/18/0

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

	May 25, 1938	June 1, 1938
GOLD, per fine ounce		
140 3 5	140 7 6	
SILVER (per ounce)—		
Cash	1 6 7	1 6 9
MISCELLANEOUS		
CEMENT, best Eng. Portland, d/d site, London area—		
in paper bags 20 to ton (free, non-returnable)		
4-ton loads and upwards	42s.	per ton
CHEMICALS—		
Acid, citric, per lb., less 5%	1 0 1	1 0 1
„ Nitric	0 2 0	0 2 0
„ Oxalic, net	0 6 0	0 6 0
„ Tartaric, English, less 5%	1 1 1	1 1 1
Alcohol, Plain Ethyl	12 0 0	12 0 0
Ammonia, carb.	20/0 0	20/0 0
„ Sulphate	7/14 0	7/14 0
Arsenic, lump	35/0 0	35/0 0
Borax, gran.	8 0	8 0
Nitrate of soda	8 0	8 0
Potash, Chlorate, net	0 4 0	0 4 0
Sulphate	10 0	10 0
Soda Bicarb.	11 0	11 0
Crystals	5 0	5 0
Sulphate of Copper	18/5 0	17/10 0
COPRA (per ton)—		
S.D. Straits, c.i.f.	11/5 0	11/15 0
HIDES (per lb.)—		
Wet salted, Australian	0 48 0	0 44 0
West Indian	0 21 0	0 23 0
Cape	0 43 0	0 43 0
Dry and Drysalted Cape	0 61 0	0 61 0
Market Hides, Manchester	0 48 0	0 44 0
Best heavy ox and heifer	0 54 0	0 54 0
Best calf	0 43 0	0 43 0
Best cow	0 43 0	0 43 0
INDIGO (per lb.)—		
Bengal, gd. red-vio. to fine	5 0	5 0
LEATHER (per lb.)—		
Sole Bends, 8/14 lb.	1 11	1 11
Bark Tanned Sole	2 10	2 10
Shoulders from DS Hides	0 51 0	0 51 0
„ Eng. or WS do.	0 71 0	0 71 0
Bellies from DS do.	0 5 0	0 5 0
„ Eng. or WS do.	0 6 0	0 6 0
Dressing Hides	1 2 1	1 2 1
Ro. Eng. Calf, 20/35 lb. per doz.	3 6 3	3 6 3
PETROLEUM PRODUCTS (per gall.)—		
Motor Spirit No. 1, London	1 6	1 6
Petroleum, Amer. rfd. brl. Lond.	0 10½	0 10
Fuel, oil, in bulk, for contracts	...	...
ex. instal. Thames	0 3½†	0 3½†
Furnace	0 4½†	0 4½†
Diesel	0 53†	0 53†
RESIN (per ton)—		
American	13/5 0	13/0 0
RUBBER (per lb.)—		
St. ribbed smoked sheet	0 51 0	0 51 0
Fine hard Para	0 53 0	0 53 0
SHELLAC (per cwt.)—		
TN Orange	37 0	34 6
Tallow (per cwt.)—		
London town	18 0	18 0
TIMBER—		
Swedish u/s 3 x 8	22/0 0	22/0 0
„ 2½ x 7	21/10 0	21/10 0
„ 2 x 4	19/0 0	19/0 0
Canadian Spruce, Dis.	23/0 0	23/0 0
Pitchpine	11/0 0	11/0 0
Rio Deals	35/0 0	35/0 0
Teak	27/0 0	27/0 0
Honduras Mahogany logs	0 12 0	0 12 0
English Oak Planks	0 6 0	0 6 0
English Ash Planks	0 7 0	0 7 0
VEGETABLE OILS (per ton net)—		
Linseed, naked	22/10 0	21/12 6
Rape, refined	33/0 0	33/0 0
Cotton-seed, crude	17/10 0	17/5 0
Coconut, crude	16/0 0	15/10 0
Palm	13/5 0	12/17 6
Oil Cakes, Linseed, Eng.	9/5 0	9/5 0
Oil Seeds, Linseed	11/11 3	10/13 9
La Plata, June	12/5 0	11/15 0
Calcutta	31 3	31 3
Turpentine	31 3	31 3

COMMODITY STATISTICS

Coal				
COAL OUTPUT ('000 tons)				
District	Week ended		Jan.-Apr.	
	May 14, 1938	May 21, 1938	1937	1938
Northumberland	273.7	274.2	4,718.7	4,792.3
Durham	675.5	677.1	10,846.6	11,584.8
Yorkshire	846.1	820.5	15,711.0	16,320.0
Lancs, Cheshire and N. Wales	351.8	346.5	6,120.8	6,188.3
Derby, Nottingham & Leicester	583.9	587.8	12,181.6	12,594.0
Staffs, Worcs, Salop & Warwick	402.4	381.1	7,110.4	7,239.3
South Wales & Monmouth	756.3	721.3	12,504.2	13,353.0
Other English districts*	106.6	107.8	1,800.7	1,987.1
Scotland	597.7	580.0	10,933.8	10,884.9
Total	4,594.0	4,496.3	81,927.8	84,943.7

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)				
Variety	Week ended		Total Deliveries	
	May 20, 1938	May 27, 1938	Aug. 1, 1936	Aug. 1, 1937
American	18.2	18.6	1,005	1,048
Brazilian	3.4	2.9	310	243
Peruvian, etc.	1.7	1.2	122	99
Egyptian	6.5	6.6	350	295
Sudan Sakel	1.3	2.4	136	122
East Indian	4.0	13.8	476	312
Other countries	1.6	2.0	183	145
Total	36.7	47.5	2,582	2,264

Metals

SALES ON LONDON METAL EXCHANGE				
	Week ending		From Jan. 1 to June 1, 1938	
	May 25, 1938	June 1, 1938		
Copper	Tons 13,350	Tons 10,400	Tons 190,300	
Wheat	1,225	1,505	34,490	
Lead	8,300	4,900	143,950	
Spelter	5,225	5,700	121,400	

U.K. STOCKS		
	May 21, 1938	May 28, 1938
Copper (Br. official whouses):	Tons 7,647	Tons 7,204
Refined	25,369	25,835
Rough	5,639	5,630
Tin (London and Liverpool)	...	...

Foods				
WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)				
From	Week ended		Season to	
	May 21, 1938	May 28, 1938	May 27, 1937	May 28, 1938
N. America	403	638	23,854	19,643
Argentina and Uruguay	166	89	18,988	7,063
Australia	359	337	11,170	13,552
Russia	11	31	11	5,046
Danube and dist.	62	37	9,061	6,055
India	9	1,160	1,194	...
Other Countries	...	...	1,888	691
Total	1,001	1,141	65,132	53,244
To—				
U.K.	205	239	15,065	13,204
"Orders"	248	180	17,212	11,599
France	19	63	1,318	755
Belgium	19	92	4,139	4,287
Holland	19	45	2,047	2,679
Italy	5	11	5,097	869
Greece	45	163	1,728	2,075</

(Continued from page 559)

prospect of early improvement in demand. The announcement that the prices of forge and foundry pig will remain fixed for the rest of the year has not induced forward buying, consumers appearing content to cover their current needs. There are considerable stocks both at furnaces and works, and output is being further curtailed, another Derbyshire blast furnace having been put out of operation this week. A few small parcels have changed hands, but there is an absence of important business. Demand for hematites, with the exception of special qualities, is virtually at a standstill. Buying of finished iron has declined sharply, and it is suggested that prices may be revised at the end of the half-year.

The steel market is less active, although a steady run of business is being maintained in basic billets. Acid qualities are steady. There is a substantial call for wire rods, strip and stainless steel sheets. Prices are firm.

Production of steel ingots and castings in April amounted to 144,500 tons, which is 15,000 tons lower than in March. But for the first four months of the year the output was 34,000 tons above that for January-May, 1937.

*

Middlesbrough.—The market position is unchanged, but it is hoped that the fixing of pig iron prices until the end of the year will bring in buyers who have been hoping for a reduction. Most foundries, however, have good stocks of iron and actual business passing is very small, though there are some inquiries. The production of East Coast mixed numbers hematite still exceeds market requirements, and deliveries under existing contracts continue to be curtailed. One of the local works has booked an order from South Africa for a substantial quantity of railway chairs. On the other hand, owing to the lack of demand, four more blast furnaces are to be blown out.

Semi-finished steel is now in good supply with demand easier, whilst the heavy steel departments continue active under orders already on their books. Prices remain unchanged, with the exception of black sheets for export. Heavy steel melting scrap is in less demand owing to the reduced requirements at the steelworks.

It is confidently expected that the price of blast furnace coke will be reduced by 2s. 6d. per ton for deliveries after the end of June. Deliveries of foreign ore during May amounted to 217,000 tons, which is about 42,000 tons above the total for April.

*

Glasgow.—On the whole the situation in the West of Scotland is satisfactory. Plate makers are still working to capacity and anticipate being able to continue operations on this basis until the middle of July at least, when works will be closing down for the annual holidays. An important addition to the work on hand at bar mills is the large order placed with Messrs. Colville for ferro-concrete bars. Local sheetmakers have a considerable tonnage of unexecuted orders on books and are keeping a large proportion of their mills and galvanising plant well employed. Clyde shipbuilders have secured several new contracts within

the past couple of weeks and most of the yards are at the moment very busy.

*

Cardiff.—The market position in the tinplate industry shows no improvement, but prices are nominally stable at the recently revised minimum f.o.b. prices. The position in the heavier branches of the industry continues unsatisfactory, but with a heavy reduction in imports, stocks are gradually being reduced, and there are hopes of an improvement later in the year. Figures for production, shipments and stocks compared with last week and last year are given in the accompanying table.

Tinplate Industry Statistics

	Week ended		
	May 22, 1937	May 14, 1938	May 21, 1938
Production—per cent. of capacity	70.25	35.59	35.51
Shipments			
Week ended			
May 25, 1937			
May 19, 1938			
May 26, 1938			
Tons	8,193	2,934	4,638
Stocks (warehouse and in vans)	6,588	6,412	5,935
Twenty-one Weeks ended			
May 25, 1937			
May 26, 1938			
Tons	172,446		109,985

Textiles

Cotton (Manchester).—Business has been disorganised by the further sharp decline in raw cotton prices, and most buyers have adopted a waiting policy. The latest developments have caused much concern and the depreciation in the value of yarn and cloth stocks may have serious consequences. Persistent liquidation of contracts in the raw cotton markets has brought prices of the American staple to the lowest point for six years. The easier movement has uncovered stop losses and some speculators have lost much money. World consumption remains disappointing and supplies exceed demand.

The yarn market has been easier, prices having fallen equally with the decline in raw material rates. Most of the demand in American qualities has run on counts that are not under any price agreement. Some spinners, however, have sold more freely than for several weeks.

In the cloth section all the contracts arranged have been for retail lots, the absence of demand being decidedly marked. The stoppage of looms tends to increase, and many firms are making arrangements to close down for a longer period than usual at Whitsuntide.

*

Jute (Dundee).—Trade in all departments is very moderate. The Indian jute mills are still working long hours and there are no signs of the conclusion of an agreement for the limitation of production, in spite of the fact that they are producing much in excess of the world's requirements. Stocks of both hessians and sackings are mounting in Calcutta and their disposal will last many months after any decision to curtail output has been reached. The owners of only 2 per cent. of the looms refuse to agree, but these are apparently adamant. It is reported that a few Indian mills have closed down owing to the unsatisfactory and unremunerative working conditions. Prices for Calcutta goods have displayed some weakness and they are ruling at a very low level.

Dundee spinners and manufacturers are delivering sand bags to the Government at the rate of two million bags per week, otherwise they would require to curtail their production even more. It is believed that the mills and factories are working only at about 50 per cent. of capacity. Nevertheless, prices for yarns and cloth are being maintained.

THE COMMODITY MARKETS

THE downward movement in the prices of primary products has lost none of its force during the past week. Consumers are still purchasing sparingly, and, as many of them have not yet worked off the stocks accumulated last year, sales of some commodities remain below the current level of consumption. Moreover, there has been nothing in the latest international developments to provide an incentive for consumers to increase their purchases. Consequently, the outlook for prices, despite the sharp fall in recent months, remains unpromising.

Hardly any of the sensitive commodities were unaffected by the general downward trend last week. Wheat, raw cotton, copper, lead, and spelter were all marked down in price. Raw sugar, rubber, and tin, exceptionally, were slightly firmer than a week ago. The decline in rubber and tin was arrested, at least temporarily, by the drastic cut in the export quota of the former, and by the Colonial Office's acceptance, in principle, of a buffer pool for tin.

In the United States, Moody's index of the prices of staple commodities (December 31, 1931 = 100) fell from 132.7 to 130.1 during the week ended last Wednesday. A month ago the index stood at 136.7 and a year ago at 204.4.

Metals

Copper.—Early this week, the publication of the Copper Institute figures for April had a favourable effect on prices and the cash price rose to £35 15s. per ton. Consumption outside the United States reached a record level of 129,577 short tons (against 125,270 short tons in March) and stocks fell from 197,470 to 185,916 short tons. Later, however, the continued weakness of the American copper market brought the cash price down to £32 18s. 9d., a loss of 6s. 3d. on the week.

*

Tin.—The price of tin fluctuated during the week and closed 5s. per ton higher at £163 per ton; the meeting of the Tin Committee on Thursday overshadowed the market. New supplies are already below deliveries, so that the retention of part of the current quota for the buffer pool should soon lead to a shortage of current supplies.

*

Lead and Spelter.—Lead declined by 8s. 9d. to £13 6s. 3d. per ton, while spelter declined by 12s. 6d. to the new low level since 1935 of £11 17s. 6d. per ton. Although current stocks are below normal, demand continues to be very poor, so that the outlook of the two markets remains unfavourable.

(Continued on page 572)

COMPANY MEETINGS

J. LYONS AND COMPANY, LIMITED

ANOTHER SUCCESSFUL YEAR

PROFITS MAINTAINED

ADOPTION OF DECIMAL NOTATION

BOARD'S SOUND CONTINGENCIES RESERVE POLICY

BUSINESS ALWAYS KEPT UP TO DATE

IMPORTANCE OF SCIENCE IN MODERN BUSINESS

SIR ISIDORE SALMON'S ADDRESS

The forty-fourth ordinary general meeting of J. Lyons and Company, Limited, was held, on the 2nd instant, at the Trocadero Restaurant, Piccadilly Circus, London.

Sir Isidore Salmon, C.B.E., D.L., J.P., M.P. (one of the managing directors), presided.

Messrs Turquand, Youngs, McAuliffe and Company, the auditors, retire and are eligible for re-election.

(Signed)

ISIDORE SALMON

HARRY SALMON

Managing Directors.

Cadby Hall, London, W.14.

May 19, 1938.

DIRECTORS' REPORT

The report of the directors for the year ended March 31, 1938, states that:—

The directors have the pleasure to submit their forty-fourth annual report, with a balance sheet and profit and loss account, made up to March 31st last, showing the financial position of the company at that date.

The balance of trading account after providing reserve for contingencies (including N.D.C.) is	£ 1,011,000.00
To which is to be added the amount brought forward from last year	42,203.43
Showing available for distribution a total of	1,053,203.43
From this total the following dividends have been paid or provided:—	
On preference and preferred ordinary shares to March 31, 1938	490,353.27
On ordinary, "A" ordinary, proportional and "B" proportional profit shares—interim paid December 1, 1937	154,689.42
And the directors propose to deal with the balance as under:—	
To pay a final dividend of 2/10 per share on the ordinary shares and "A" ordinary shares for the year ended March 31, 1938	236,055.34
To pay a final dividend of 6.8d. per share on the proportional and "B" proportional profit shares for the year ended March 31, 1938	26,916.66
Leaving to carry forward to next account	145,188.74

The dividends received from subsidiary companies have been included in the company's trading account. In the aggregate the profits of the subsidiary companies exceeded the declared dividends. Losses of subsidiary companies so far as they concern this company have been dealt with in this company's accounts.

Messrs I. M. Gluckstein and S. I. Salmon retire from the office of director and, being eligible, offer themselves for re-election.

Messrs G. A. Pollard and L. H. Lampitt, employé directors, retire and are eligible for re-election.

Messrs Julian Salmon and A. H. Salmon, who have been appointed ordinary directors by the board since the last general meeting, retire and are eligible for re-election.

CHAIRMAN'S SPEECH

Mr H. H. G. Bennett (one of the secretaries), having read the notice convening the meeting and the report of the auditors,

The Chairman said:—Ladies and gentlemen,—I am pleased to welcome you to the forty-fourth annual general meeting of the company and to be able to report to you on the successful outcome of the company's activities for another year.

We regret to record the death, in February last, of our old colleague and friend Mr George Dec, who retired at the beginning of 1936 on account of ill-health. He was held in high esteem by us all and will be remembered for his loyal service to the company during a period of over forty years.

Before dealing with the figures, I should like to mention that since the close of the financial year we have appointed Mr Julian Salmon and Mr A. H. Salmon to the board. Since, later in these proceedings, they will be proposed for re-election in accordance with the articles of association, I need not at this stage say more than that, in common with every member of the board, they have received a long and thorough training in the business which has fitted them for the positions which they have now attained. I am sure they will continue to show that devotion to the company's interests which has been characteristic of their work hitherto.

ADVANTAGES OF DECIMAL NOTATION

The balance sheet figures call for little comment. You will have noticed that we have shown last year's figures side by side with those of this year to facilitate comparison. This being so, it seems unnecessary for me to make particular reference to the differences by pointing out that this figure is greater or that figure smaller—you have, I am sure, done that for yourselves. The variations are normal to the company's trading activities and need no comment. Another point of difference in the form of the balance sheet is that we have, for this year's figures, used the decimal notation. As I told you last year, the board is interested in the adoption of a decimal coinage, being convinced that it would be of real value to business and to the country generally. (Hear, hear.) We feel that anything we can do, however small, to give others the same conviction is a step towards the ultimate achievement of this object. The gain in simplicity is apparent to anyone who will take the trouble to add the decimal figures and convert the total into pounds by the operation of dividing by ten instead of adding two columns which must be divided by twelve and twenty respectively.

It will be best to deal with the figures by way of the report of the directors where the results of the year's trading, as affecting the available balance for distribution, are shown. But, perhaps, I might first say a word as to the year's business.

ADJUSTMENT OF SELLING PRICES

The volume of business done has been greater with, what is not always the case, a consequent increase in turnover. Increased turnover is expected to yield increased profit but again that is not always the case. I am pleased to say, however, that profits have been maintained notwithstanding the fact that we withheld for as long a time as possible those increases in selling prices which were justified by the rise in the cost of raw materials and other expenses. However, one cannot say what loss the delay in adjusting selling prices may have caused, for no one can tell how much the volume and turnover might have diminished if we had raised prices to our customers earlier. That is always an unknown quantity and our statisticians, however capable they may be, cannot give a measure which the management could use.

The amount brought in from the trading account is the round figure of £1,011,000. It is a round figure because it is a remainder after setting aside a sum for contingencies reserve, odd pounds, shillings and pence, being transferred to contingencies reserve rather than shown in the trading balance, the latter method being perhaps misleading in the sense of implying an exact sum of annual profit which the balance from trading account does not purport to be. The amount placed to contingencies reserve is not stated for the factors which are taken into account by the directors in arriving at the figure are unknown to you and were they known I suggest, with the greatest respect, would be of no value to you without the long experience of your directors in what I can assure you is a very complex business. Indeed, we do not claim that we, even with our experience, always arrive at a correct assessment of those factors—there are always some present which the economic expert describes, I believe, as "imponderable" and things which cannot be weighed are difficult to assess.

To the balance from trading account—£1,011,000—we add the amount brought forward from the previous year, giving us a figure of £1,053,203 as the amount which we consider available for distribution and, after deducting dividends paid and to be paid amounting to £908,014, we are left with an amount of £145,188 to carry forward in the profit and loss account.

NATIONAL DEFENCE CONTRIBUTION

In view of the nature of our figures, there are debatable points with regard to the actual amount assessable to N.D.C., which could not be decided at the time of making up the annual accounts and we therefore thought the most satisfactory method of dealing with this charge against the company's profits would be to make an estimate of the amount required and include it in this year's provision for contingencies reserve, which account, when the amount is agreed and paid, will bear the debit.

You will have seen that this year we have made no further addition to the reserve shown on the balance sheet out of the sum available for distribution, but that we have carried forward in the profit and loss account the whole balance after providing for payment of dividends. The reason for this is not that we think the present amount of reserve, which is £2,000,000, is such that no further additions need at any time be made to it, but that we do not think the present a suitable time for such additions. We do not know how long the present heavy taxation may continue nor whether it has reached its maximum in view of the demand for increased armaments.

I do not wish this to be understood as a criticism of the N.D.C. nor of the expenditure on re-armament. This expenditure is of the nature of an insurance premium for at least some degree of security. While the world is divided into different States, some of which seem to think violence is the only way of overcoming difficulties, it is a duty which we all readily accept to see that the country is fully armed to resist violence until such time as all States are prepared to accept justice as the measure of their obligations and privileges and to refer all disputes regarding them to arbitration by a properly constituted authority.

CONTINGENCIES RESERVE

But to return to our figures; we want to make provision, as far as possible, that these contributions to National Defence shall not have the effect of diminishing your dividends nor do we wish them to diminish the amount which we feel it essential from year to year to set aside for contingencies reserve. Contingencies reserve cannot be diminished while we have the present state of international affairs,

which gives rise to many trade difficulties. It does not need a European war to create these difficulties—they are inherent in the unsettled international conditions.

I have said that we are carrying forward a much larger undistributed balance in the profit and loss account and this will be available, if necessary, to make contribution to next year's N.D.C. payment. You may say quite properly that it would have had exactly the same effect if we had transferred it to the reserve—that the matter is merely one of book-keeping—since the reserve could be drawn upon in a like manner. But "reserve" has been in existence on our balance sheet for 40 years and it has never been so drawn upon. In our minds, apart from the definition in the articles of association of its possible uses, it is a capital reserve. It has almost become a tradition with us that there should be no reduction of the figure unless it takes the form of a transfer of capital. If this and any future addition by way of carry forward in the profit and loss account is never called upon, a stroke of the pen will take it from the profit and loss account and transfer it to reserve.

You will appreciate from this rather lengthy exposition that our method of conducting this business is to try to provide for the incalculable; a method which you will agree tends to stability, a fundamental principle in our policy.

DEVELOPMENT OF THE BUSINESS

On our general activities during the year, of which the figures show the tangible results, there is little for me to say. We think we can claim that we are taking advantage of every opportunity of developing the business. To use a hackneyed phrase which hardly does justice to the facts, we keep "up to date"—perhaps I might say even in advance of that—in all our ventures. That in itself is a process of development and calls for great effort and alertness on the part of everyone engaged in the business. It is a commonplace to say that science—represented by the chemist and the engineer—is playing a steadily increasing and important part in business to-day. That is no less true of our particular business, where the chemist and the engineer have their function as instruments in our technical control. Production on the large scale we have reached would be impossible without the mechanisation the engineers have provided for us in our factories.

The effect of large-scale production of this kind makes itself felt to the benefit of the consumer in the price he has to pay for the goods, the first of the two important factors which make up value. The second factor in value is quality, and it is in the control of quality that the chemist plays his part. We have a large staff of chemists qualified in every branch of the chemistry of food and working in laboratories equipped and organised for the purpose of rigidly controlling the quality and the suitability of our materials of all kinds and the purity and standard of the resulting products. They are also constantly engaged in the investigation of problems which touch the many processes and products with which the business is concerned. They have contributed materially to the general fund of scientific knowledge in relation to food, in addition to their direct contribution to our own business. The value of this work is shown by the fact that members of this scientific staff have on a number of occasions collaborated in investigations carried out by various Government Departments.

I cannot conclude without saying that, once again, we should like to pay tribute to the part played by our staff in the successful carrying on of the business. The results we have been able to put before you are only achieved by the keenest devotion of everyone concerned to the interests of the company. The staff continues, year by year, to display a loyalty and enthusiasm for which both you, as shareholders, and we, as directors, of this great enterprise have every reason to be grateful.

I now propose the resolutions which the secretary will read and shall ask Mr Harry Salmon to second them. (Applause.)

The secretary then read the resolutions as follows:—

"That the report of the directors and the balance sheet submitted to this meeting be and are hereby adopted; that the payment of interim dividends of 1s. 8d. per share on the issued ordinary and 'A' ordinary share capital of the company and 4d. per share on the proportional profit and 'B' proportional profit share capital of the company be and are hereby confirmed; and that a final dividend be paid for the year ended March 31, 1938, of 2s. 10d. per share to the holders of ordinary and 'A' ordinary shares of the company and 6.8d. per share to the holders of proportional profit and 'B' proportional profit shares of the company who were on the registers on the 6th day of May, 1938."

MR HARRY SALMON'S REMARKS

Mr Harry Salmon, J.P. (one of the managing directors): Mr Chairman, Ladies and Gentlemen,—I have much pleasure in seconding the resolutions proposed by the chairman. I do not think that

I can usefully add anything to his remarks on the figures of the past year. They are evidence that the company still maintains its position in the forefront of the catering industry. In this connection I cannot refrain from expressing the satisfaction your directors feel in the compliment paid to the company by the appointment of its chairman as Hon. Adviser on Catering to the British Army. (Applause.)

You will not expect me, I am sure, to say much about the prospects, but you, with us, can feel, or should feel, very gratified at the present state of the company's affairs, built up, as it has been, on a very sound policy, and we can see no reason why it should not further progress. (Applause.)

The Chairman: Before I put the resolution, are there any questions?

GRATITUDE OF SHAREHOLDERS

Mr Chas. W. Goff said that on behalf of the shareholders he would like to compliment and thank the board for all they had done for the company, not only during the year under review but during previous years. He was not sure that shareholders always fully appreciated the amount of work entailed in producing a profit of a million a year, and he therefore felt that they should express their gratitude to the board for the hard work which they must have done in producing once more such a wonderful balance sheet. They had at the head of the company a board which was second to none in the kingdom. (Applause.)

The resolution was carried unanimously.

The chairman then proposed the re-election of Mr I. M. Gluckstein and Mr S. I. Salmon as directors. In doing so, he said that both these gentlemen had in the past rendered great services to the company, and he was sure that they would continue to do so in the future. (Hear, hear.)

Colonel G. R. Harding seconded the resolution and it was carried unanimously.

Mr I. M. Gluckstein, on behalf of Mr S. I. Salmon and himself, thanked the shareholders for their re-election and assured them that they would continue to do their best to serve the interests of the company with which they were so proud to be associated.

METHOD OF SELECTING DIRECTORS

Mr George W. Booth proposed the re-election of Mr Julian Salmon and Mr A. H. Salmon, who had been appointed to the board during the year. In doing so, he said he would like to say a few words on the board's method of recruiting its members. That method was instituted at the company's inception by the original directors, and consisted of putting everybody who aspired to a seat on the board through a most rigorous training so that anyone who reached that position was a thoroughly practical and qualified man. The results shown by the company were, he thought, sufficient proof of the wisdom of the system. The assets shown in the balance sheet of 1895 were just short of a quarter of a million; to-day they were £16,500,000, and that should be sufficient to show the value of having a thoroughly trained board.

It was generally accepted that the result was a board of highly skilled executives, but there were two other aspects not often referred to that he would like to mention. Ageing companies, like human beings, were apt to suffer from a tendency to hardening of the arteries by developing traditions, some of them good and some of them not so good, and one of them was a tradition of a method of control, which was apt to degenerate into a hide-bound routine. They thought the way to prevent that was periodically to inject into the board young blood, because young men in a position of authority, having vision and energy, did not readily submit to having their activities curtailed by red tape.

The second point was the value of all the directors having been workmen working with and alongside the body of workpeople so that they knew them as men and women and not merely as numbers in a wages book. That meant that they did not incur the reproach so often heard that the governing body of a large organisation was something remote and soulless, an inhuman machine with no thought beyond the earning of profits. It was on these two grounds that he had great pleasure in proposing the re-election of Mr Julian Salmon and Mr A. H. Salmon to the board. (Applause.)

Mr M. G. Liverman seconded the resolution, and it was carried unanimously.

MR JULIAN SALMON'S REMARKS

Mr Julian Salmon said that on behalf of Mr A. H. Salmon and himself he would like to say how proud and honoured they felt at having been appointed to the board and how grateful they were to the shareholders for the confidence they had shown in re-electing

them. They fully appreciated the responsibilities which rested on their shoulders, and if they succeeded in carrying them out, he felt that it would be very largely due to the wisdom and foresight of the senior members of the board, who had seen to it that they had had the training to which Mr Booth had referred. They owed more than he could say to the example and advice they had always had before them. They had had a great deal of encouragement and not a little criticism—(laughter)—and with those advantages they hoped that they might be worthy members of the board. The shareholders could be sure that they would continue to work, as they always had done, with the best interests of the company at heart. (Applause.)

On the motion of Mr Harry Salmon, seconded by Mr C. R. S. Taylor, Mr G. A. Pollard and Dr L. H. Lampitt were re-elected employee-directors of the company, and on behalf of Mr Pollard and himself, Dr Lampitt thanked the shareholders.

Mr C. W. Goff proposed the re-appointment of Messrs Turquand, Youngs, McAuliffe and Company as auditors, and this was seconded by Mr N. Hamblin and carried unanimously.

VOTE OF THANKS

Mr M. G. Liverman proposed a hearty vote of thanks to the chairman and directors for once more presenting such an excellent report and balance sheet. In his judgment, the shares of their company were a gilt-edged security in the industrial market, and that was the highest compliment that could be paid to the shares of any large company outside the gilt-edged market. He felt that they owed a debt of gratitude to those responsible for a sound and conservative policy, which gave the shareholders a feeling of confidence in the business.

Mr A. J. Wood, in seconding the proposal, said that in the forty-four years since its inception the company's progress had been continuous, and he thought that to-day it was in a better position than ever before in its history. (Applause.)

The vote was unanimously accorded.

The chairman said that he would like first of all to thank Mr Goff for his kind remarks and also the proposer and seconder of the vote of thanks and the meeting generally for the confidence they had shown in the board. He could assure them that so far as the directors were concerned they were always ready to do their best to further the interests of the company. (Applause.)

The proceedings then terminated.

PEASE AND PARTNERS

A GOOD YEAR

The ordinary general meeting of Pease and Partners, Limited, was held, on the 30th ultimo, at the company's offices, 20-26 Northgate, Darlington.

Mr J. Frater Taylor (the chairman) said that the profit on trading for the year just ended was £480,054, against £278,192 for the previous year. A considerable part of the profit had come from the sale of pig iron. Because of the abnormal position now prevailing, largely through excessive imports, the contribution of pig iron to the 1938-39 profits might not be quite so substantial. Each succeeding year for the last six years had shown a substantial increase in profits.

With regard to the performance of their main subsidiary companies, in both T. and R. W. Bower, Limited, and the Skinningrove Company, their trading profits were ahead of those for the previous year, and greater reserves had been made this year, especially for taxation in the case of the Skinningrove Company. Henry Stobart and Company, which for a long time had been backward, showed an increased trading profit of roundly £48,000 and had been able to provide for greater depreciation and increased reserves for renewals and contingencies. The balance sheet of that company was healthier than it had been for a long time. Excluding Skinningrove, the outputs of the year under discussion were coals 3,250,000 tons, coke 425,000 tons, ironstone 450,000 tons, pig iron 157,000 tons, limestone 138,000 tons, castings 37,000 tons, and substantial quantities of by-products, sulphate of ammonia, tar, crude and refined benzole, etc.

The present outlook for iron and steel was not quite so good. Once more he must voice his belief in real rationalisation. Natural mergers still appeared to him to be necessary. It was essential that costs should be lowered and that the export business should not be allowed to go.

With regard to coal, the nation industrially was dependent upon cheap coal, and he believed that the compression of the industry into a fewer number of companies was essential. In his opinion there were only two courses—effective private ownership and control from a private head source or national control. He preferred the former.

The report was unanimously adopted.

MARKS AND SPENCER, LIMITED

MR SIMON MARKS ON THE COMPANY'S FURTHER DEVELOPMENT

INCREASING SEARCH FOR HIGHER QUALITY GOODS

STAFF WELFARE

The Twelfth Annual General Meeting of Marks and Spencer, Limited, was held, on May 31st last, at Winchester House, Old Broad Street, London, E.C., Mr Simon Marks (chairman and managing director) presiding.

After referring to the sorrow and distress felt at the tragic death of Lord Milford Haven, a member of the board, the chairman in the course of his speech said:—

It is with pleasure that I am again able to report a satisfactory increase in the net earnings of the company. The net profit for the past year, after providing for directors' fees, management remuneration, depreciation, and other charges, amounts to £1,602,450, an increase of £169,200 over the preceding year.

ALLOCATION OF PROFITS

The directors recommend the following allocations:—	
To Staff Benevolent and Pensions Fund ...	£25,000
Debenture Redemption Fund	£11,760
Properties Contingency Reserve	£64,598
General Reserve Account	£324,730
Payment of a final dividend on the Ordinary and "A" Ordinary shares at the rate of 27½ per cent., thus making 42½ per cent. for the year ended March 31, 1938	£480,509
Carry forward to next year's accounts	£85,641

ISSUE ON BONUS TERMS

The directors recommend that £174,730 from the General Reserve Account be capitalised, and that a distribution by way of bonus be made to the holders of the existing ordinary and "A" ordinary shares of the company in the proportion of one "A" ordinary share for every ten ordinary and/or "A" ordinary shares held.

RESERVES

After making the proposed allocations and provision for the bonus shares, our general reserve will stand at £2,000,000, the whole of which is invested in the business and the proposed appropriation to Properties Contingency Reserve will bring the amount of that fund up to £265,000.

Freehold, leasehold and leased properties stand at £7,994,598, showing a net increase of £715,003. The furniture and fixtures stand at £729,387, a net increase of £92,342, and the stock-in-trade at £1,505,802 is an increase of £326,661 over last year.

The cash with the bankers and in hand stands at £872,139, a decrease of £620,087 compared with last year. Last year our cash-in-hand was swollen by the proceeds of the debenture issue which had then been only partially utilised for the development of the business.

CO-OPERATION WITH SUPPLIERS

Retail distribution is becoming more complicated and more exacting. The distributor must take into account new developments in technical processes and in materials at the production end, and must also follow the changing tastes, fashions and needs of the consumer. The public are much more discerning as to quality, durability and design of goods in relation to price, and indeed for this very reason they are more responsive to any improvement in values.

The greatest service that industry and the business sections of the community can render is to increase the public's purchasing power for the goods and the services which it needs.

Our policy has been based on the view that there is still in this country a vast untapped market which we can reach only by the creation of better merchandise values.

Our search for higher quality goods within our present price range is unceasing. This demands a close co-operation with the producer and an understanding of the joint problems involved.

I have frequently stressed the importance which we attach to close collaboration with our suppliers, and have told you how through this association both parties derive substantial advantages.

In recent years we have found it necessary to advance one step further and to establish direct contact with the producers of the material on which our manufacturers depend for their supplies. Jointly with them, our research department examines the quality and durability of the cloths or materials used by our manufacturers. We endeavour to follow the progress of research, and when new materials are discovered, to suggest their proper adaptation in the production of our goods.

The importance of our direct contact with the producer of materials in this country can be gauged by the fact that the yardage used by our makers-up equals in quantity the amount of cotton piece-goods exported to some of Lancashire's largest markets.

By linking up the three parties in this way—the producer of basic materials, the maker-up, and the distributor—goods of a higher grade and quality have been manufactured and entirely new markets have been opened up. Our experience shows that modern methods of production, allied to the continuous and expanding rate of sales provided by our company, result directly in a fourfold benefit: firstly, in better value to the customers; secondly, in an increased use of raw materials; thirdly, in greater employment; and lastly, in substantial improvements in the wages earned by the workers engaged.

The continued expansion of the volume of business which your company enjoyed in the past year indicates that the policy which I have tried to outline to you is appreciated by the public.

DEVELOPMENT

We have considerably extended the range of our goods and added new departments. This has forced us to create additional space in our stores to display our wares adequately, and compelled us to increase the size of the unit. In the past year we built 11 new stores (including one replacement) and enlarged 31 other stores. We are now operating 228 stores; and our programme for the current year embraces 11 new stores (including three replacements) and 40 extensions.

FINANCE

It has been the considered policy of your board to finance a substantial part of the development programme out of earnings. The beneficial effect of this is twofold. In the first place, it reduces the amount of capital which has to be obtained from time to time from outside sources, and in consequence relieves the company of a substantial annual charge for interest; and in the second place, the fact that the company's issued share capital and free reserves are constantly increasing strengthens the financial foundations of the business. This enables such additional capital as the company requires from outside sources to be obtained at lower rates of interest than would otherwise be the case.

The profits which we have earned during the past ten years, after making ample provision for depreciation and repairs and renewals, and after meeting interest on debentures and loans, have been dealt with as follows: Approximately 70 per cent. is accounted for by dividends paid in cash upon our share capital and by provision for income tax, and the balance of approximately 30 per cent. is represented by sums carried to free reserves, part of which have, as you know, been applied in the issue of bonus shares from time to time.

Notwithstanding that we have every year increased the ordinary share capital by the issue of bonus shares, the percentage rate of dividend has risen during the ten years from 15 per cent. to 42½ per cent.

The funds now in hand will be sufficient to take care of part of our proposed immediate programme, but in order to secure the continuity of development we have in mind we have made the necessary arrangements for additional finance, which will enable us to expand our business over the next two or three years.

WELFARE

For some years we have been much occupied with the improvement of the conditions under which our staff—which now number

well over 16,000—are employed. The various services and benefits which have been provided for them cost the company in the past year nearly £250,000, including direct welfare expenditure of approximately £100,000.

During the year we have put into operation an increased scale of wages for all grades, and have evolved a flexible wage system which takes account of age, length of service, and efficiency. We introduced the 48-hour week some years ago, and to-day our normal average working week is 46 hours. The holiday with pay, now much discussed, has long been an established institution with us, and at Christmas every member of the staff receives a bonus.

The company attaches great importance to the general health of the staff. Hospital, dental, optical and medical services are provided at nominal charges. Convalescent home service is provided for those who require rest after serious illness.

Subject to a minimum of six months' service, every employee who is away from work owing to sickness is entitled to wages in supplement of the National Insurance benefit for a minimum period of two weeks in each calendar year, and in a very large number of cases the Welfare Committee extend these payments over much longer periods.

As you are aware, there is in addition the Group Life Assurance and Pensions Fund, and also the Staff Benevolent Fund.

The Welfare Department organises and subsidises social and sports clubs, summer camps, and canteens, where wholesome food is provided at a cheap cost.

The system of training which we have developed is steadily improving the service which we are able to put at the disposal of our customers.

The board value very highly the co-operation and the loyalty of their staff of every grade, and I take this opportunity on your behalf, as well as on behalf of the board, to place on record our thanks to them.

Mr Marks then moved the adoption of the report and accounts.

MR I. M. SIEFF'S SPEECH

Mr Israel M. Sieff, B. Com. vice-chairman, in seconding the resolution, said:—

The merchandising principles which underlie our development policy have again justified themselves by the increased net earnings we are able to show for the last financial year.

As our chairman has emphasised, we take great trouble to discover what our customers prefer.

In this connection I would like to pay a tribute to the adaptability and to the progressive attitude of mind of the majority of British manufacturers who supply us. Indeed, it is no exaggeration to say that the initiative of our merchandising development has found a fertile field in the adaptability and efficiency of British producers, who have responded admirably to the demands of our public once these have been made clear to them.

The fact is that there are still many needs of our public which have to be satisfied. Through our merchandising development department we believe we are finding the mechanism which will enable manufacturers to keep in closer contact with these untapped demands.

STAFF WELFARE

I would like to add one or two words to the observations made by the chairman regarding our staff. The different steps we have taken, both in regard to the improvement of the conditions under which they are employed and in regard to their welfare, are creating not only a more contented, but a more understanding, staff. Our sales staff is increasingly composed of a more easily trained type of saleswoman, who is taking a deeper interest in her job. She is learning more about the way our goods are made and finished, and is able to impart useful information to the potential customer.

The fact that we are taking such a close interest in the health, welfare, and working conditions of our staff brings out in our employees a ready response and a desire to develop a team spirit in the interests of our company.

I desire also to express my thanks to our staff for their loyal and devoted co-operation.

The resolution for the adoption of the report and accounts was carried unanimously.

Resolutions were also passed re-electing the auditors and the director who retired by rotation, and approving the proposed capitalisation of reserves and the bonus issue of one in ten to holders of ordinary and "A" ordinary shares.

It was announced that dividend warrants and letters of allotment in respect of the bonus issue would be posted on June 3rd to those shareholders whose names were on the register of members on May 2, 1938.

EVER READY

MANUFACTURERS OF BATTERIES

DRY CELLS - ACCUMULATORS - RADIO EQUIPMENT
MOTOR CAR ACCESSORIES - PORTABLE ELECTRIC
LAMPS

POINTS from the Speech of Mr MAGNUS GOOD-FELLOW (Chairman) at the Annual General Meeting of THE EVER READY COMPANY (GREAT BRITAIN) LIMITED on June 1st, 1938

SATISFACTORY BUSINESS

While the report and accounts for the past year are satisfactory, nevertheless we must all feel regret that the expansion in our business that has continued year after year since the existing company was formed in 1920 was in the past year arrested—let us hope but temporarily.

Until the end of the year 1937 we recorded a normal expansion in our sales, but during the last four months ending March 31, 1938, we experienced a considerable recession, due to the fall in public consumption. It is well known that many important manufacturing businesses throughout the country experienced a similar falling off in business, and I have read the expression of many thoughtful views on the reasons for this state of affairs. It appears to me that during the past year we have all been brought to realise more clearly the very disturbed conditions existing throughout the world—and reflected in our country by the continued increase in the heavy burden of taxation, the fall in investment values, and the consequent curtailment of public spending.

COMPETITION

We have had to meet competition by price cutting during the period under review—not, for us (who have spent 35 years in developing and fostering this trade) a novel experience, and we are aware that some of these competitors are sustaining actual trading losses in selling their goods at the prices they do. It is fortunate for this company that the complete reorganisation of our manufacturing facilities, begun now some six years ago, enables us to view this competition with composure and to maintain in the face of it our business and our profits.

REPORT AND ACCOUNTS

The surplus of profit, over the sum required for the dividend we recommend to you, amounts to £151,000.

The various items of capital investment (buildings, plant and machinery, subsidiary companies and trade investments) have not yet had time to be reflected to any considerable extent in our profits. It is, however, our hope and expectation that we shall obtain advantages in the future. We do not anticipate any considerable expenditure under these heads during the coming year.

DIVIDENDS

The dividend of 35 per cent. on the ordinary stock we recommended for the year calls for the amount of £56,500 more than the similar dividend of a year ago. Whilst the surplus profits would have admitted of the payment of a bonus, we came to the conclusion that, having regard to the disturbed conditions of the world and our widely spread interests, we should best be discharging our duty by following the more prudent course of retaining this surplus in the business.

PRESENT YEAR'S TRADING

Whilst sales in the new year have not opened well (at this time last year we were benefiting from the Coronation festivities), the strength of our trading position, assisted as it will be by considerable saving in costs of production, gives me the hope that I shall come before you a year hence with a satisfactory report.

GOLD FIELDS AUSTRALIAN DEVELOPMENT COMPANY, LIMITED

DIVIDEND PROSPECTS

The fifth annual general meeting of this company was held, on the 30th ultimo, at 20 Aldermanbury, London.

Mr John A. Agnew (the chairman) said: At the Moonlight property the main features of interest have been the deepening of the Adelaide Shaft to the 874-ft. horizon, completion of development at the 630-ft. level, and the opening up of the ore body at the 830-ft. horizon. Further work, too, of a noteworthy character has been the exploration of the West Heading Lode between the 340-ft. and 450-ft. horizons.

Reference was made last year to the coming together of the Adelaide and No. 1 East Lodes in depth, and development to date on the 830-ft. level appears to confirm this theory, as at this horizon they have apparently merged into one and the same body of ore. Present indications tend to show that in the case of the No. 1 West Heading Lode this ore channel also is merging into the No. 1 East Lode Shear at about the 450-ft. horizon.

The total footage driven for the year amounted to 5,644 ft., or some 2,800 ft. less than in the preceding period, when a rather abnormal amount of work was done in connection with stope preparation down to the 450-ft. level.

INCREASE IN ORE RESERVES

The ore reserve position again shows a very gratifying increase over last year's figures. At the close of 1936 the reserve stood at 338,000 tons, averaging 6.1 dwts. per ton, so that this year's total of 409,000 tons, averaging 6 dwts. per ton, shows an increase of 71,000 tons. This increase is all the more satisfactory when it is remembered that just over 100,000 tons have been milled during the year. Last year it was pointed out that indications were that a considerably greater tonnage of ore would be developed between the 450-ft. and 630-ft. horizons than in the similar vertical interval above. Further development proved that both widths and lengths could be added to, so that actually at the end of this year, after drawing quite a considerable tonnage from below the 450-ft. level, the remaining reserve in this section is still estimated at some 35,000 tons more than the upper section is expected to produce.

It is equally satisfactory to be able to tell you that the next block down to the 830-ft. level is already estimated to yield practically the same as the block above, so that the joining of the two lodes has had, as anticipated, no detrimental effect on the tonnage. The reserve position is thus very sound, being, on a conservative estimate, over four years ahead of mill requirements.

ENCOURAGING RESULTS

The year's results have again on the whole been distinctly encouraging. Our principal asset, the Moonlight Mine, has responded exceedingly well to development at deeper levels.

We have again examined a number of properties in various parts of the State, but none of these has offered sufficient promise of success to warrant our exercising the options held. At present a geological, geophysical and aerial survey of the economic possibilities of the mineral bearing regions of Australia is being carried out by the Commonwealth Government. Such a survey should be of great assistance.

I am sure that you would like me to say a few words regarding the dividend outlook. You will, of course, appreciate that we are a developing company and that in our search for suitable properties a considerable sum of money has been already spent. We have already disposed of a large portion of this expenditure, so far as the balance sheet is concerned, by applying in reduction thereof a certain amount of the premium received on shares issued and the whole of the dividends accruing to us in respect of our Yellowdine holding. At the moment very little expenditure is being made in respect of search for further properties, but that does not mean that if something promising turns up we shall not look carefully into the prospects thereof. The Moonlight Company had in hand at the end of the year cash and bullion valued at £33,386 Australian currency, and that company is, of course, making steady monthly profits which we hope will increase as time goes on.

The indebtedness of the Moonlight Company to this company is still considerable, and it will be a matter for consideration of the local board as to whether the funds in hand will be applied by way of repayment of this loan or distributed in the form of a dividend. In the former event the money in our hands cannot be regarded as revenue, but if it is distributed by way of dividend it will in turn permit us to pay a dividend to our own shareholders. So far as it is possible to speak at the moment, I think there is little doubt about our being able to look forward to the payment of a dividend some time later in the present year.

The report was unanimously adopted.

EAST GEDULD MINES, LIMITED

YEAR OF CONTINUED PROGRESS INCREASED PROFIT AND DIVIDEND

The eleventh ordinary general meeting of East Geduld Mines, Limited, was held at Johannesburg, on May 4, 1938.

Mr P. M. Anderson, chairman of the company, presided, and, in the course of his remarks, said: The year under review has again been one of continued progress. The extensions to the reduction plant—to which I referred when addressing you last year—were completed in October last, and as a result the ore milled rose to 1,496,000 tons exceeding the previous year's figure by 127,500 tons. I might mention here that a further substantial increase in the tonnage milled is anticipated for the current year, which will reflect the full benefit of the enlarged plant, now capable of treating about 1,700,000 tons per annum.

Compared with the previous year the average yield at 5.83 dwt. per ton milled was slightly lower, but the price realised for gold was 3d. per ounce higher, and there was a reduction of 8d. in the working costs per ton milled, which averaged 17s. 1d. The net result was an increase in the working profit of £173,500, but, owing to the incidence of taxation and other minor causes, the dividend for the year was only increased by 1½ per cent.

PROFIT AND APPROPRIATIONS

The gold recovered amounted to 436,337 ounces, or 32,868 ounces more than in the previous year, and the revenue from this gold, together with a small quantity of silver amounted to £3,063,598, equivalent to 40s. 11d. per ton milled. The working profit was £1,782,959, and, with the inclusion of sundry revenue less sundry expenditure, the gross working profit totalled £1,787,297. An amount of £807,469, or about 45 per cent. of the working profit, had to be provided for taxation, but, owing to the changed method of assessment under the Income Tax Act introduced by the Inland Revenue Department, to which I referred last year, no payment is due in respect of Government share of profits as such share was insufficient to offset the increase that has taken place in taxation since the lease agreement was entered into. After allowing for taxation and donations, the net profit amounted to £972,804, or £53,931 more than in the previous year, and, with the balance brought forward at the beginning of last year, there was an amount of £1,063,801 to be dealt with. Of this £67,440 was appropriated for capital expenditure; £877,500 was absorbed by the two dividend distribution, aggregating 48½ per cent., and, after providing certain incidental items, there remained a balance of £108,061 to be carried forward to the current year's accounts.

In past years there have been substantial appropriations of profits to meet capital expenditure, but the coming into commission of the extensions to the reduction plant completed the main capital expenditure programme so that future appropriations, if any, of profits for this purpose will be of a minor nature, and a much higher proportion of the enlarged net profits will become available for distribution as dividends.

DEVELOPMENT WORK

The mine as a whole continues to open up in a remarkably satisfactory manner; the development footage driven during the year totalled 37,786 feet, and the footage on reef and sampled amounted to 30,625 feet, of which 72 per cent., or 22,150 feet, was payable, the average value being 12.7 dwt. over a width of 40 inches. It is pleasing to record that working conditions in the No. 2 Shaft area have been considerably improved by better ventilation, resulting from additional connections between the two shafts.

The ore reserves as at the end of last year, which were recalculated on a slightly lower pay limit, amounted to 10,100,000 tons of an average value of 6.2 dwt. over an estimated stoping width of 60 inches. In comparison with the previous year the tonnage shows the substantial increase of 1,100,000 tons, the value being one-tenth of a pennyweight lower and the width unchanged. The opening up of the No. 2 Shaft area has yielded gratifying results, the value and width being fully up to the average of the ore reserve as a whole, and the satisfactory position attained in building up the tonnage renders it unnecessary to carry out development on the same scale as in previous years.

THE CURRENT YEAR

In the first quarter of the current year the tonnage milled amounted to 426,000 tons, being 79,000 tons more than in the corresponding

period of last year. The yield per ton milled was approximately the same as the average for the year 1937, and the gold production of 122,922 ounces represented an increase of over 20,000 ounces compared with the first quarter of last year. Working costs at 16s. 5d. per ton milled reflect a further decline of 8d. in comparison with the average for 1937, 6d. of this decrease being due to a reduction in the development redemption charge; while the working profit for the quarter was £507,790, or an increase of £81,256 over the same period of last year. Development work continued to yield gratifying results, and, out of a total of 6,832 feet driven, 6,220 feet were on reef and sampled, the payable footage being 5,350 feet, or 86 per cent., with an average value of 11.1 dwt. over 38 inches, equivalent to 420 inch-dwt.

Our interest in Grootvlei Proprietary Mines has been increased to 134,400 shares by our subscribing for 14,400 shares at the price of 75s. under the offer made by the company early this year.

The report and accounts were adopted.

THE GROOTVLEI PROPRIETARY MINES, LIMITED

MR P. M. ANDERSON'S REVIEW OF OPERATIONS

The thirty-first ordinary general meeting of The Grootvlei Proprietary Mines, Ltd., was held at Johannesburg, on May 4, 1938.

Mr P. M. Anderson, chairman of the company, presided, and in the course of his remarks said: Since the end of the year the authorised capital has been increased to £2,800,000. 290,824 shares were offered to shareholders for subscription at 75s. per share on February 18th last and 10,636 were subscribed at this price by the guarantors. In this way the issued capital of the company has been increased to 2,725,000 £1 shares and 75,000 shares remain in reserve. The net amount of approximately £1,100,000 which has accrued to the company from this issue has been raised for the purpose of completing the present programme to commence milling with a reduction plant of a nominal capacity of 60,000 tons per month; for increasing the capacity to 80,000 tons per month as soon as the additional plant can be obtained, and for a further increase to about 120,000 tons per month when No. 3 Shaft has been connected with the workings of No. 4 Shaft and the necessary development work completed. Present expectations are that the initial reduction plant will start up about the end of next quarter, that the capacity of 80,000 tons per month will be reached about the middle of next year, and that 120,000 tons per month or thereabouts should be reached towards the end of 1940. The necessary additional plant for the extension to 80,000 tons per month has already been ordered and, provided there is no material increase in prices when the time arrives to order the plant for the further increase, the funds now in hand should be ample for all requirements to the stage of about 120,000 tons per month at present visualised. In addition, the company has 75,000 shares in reserve for future contingencies, such as an additional shaft and further increase in plant capacity.

EXPANSION IN DEVELOPMENT WORK

Development work has been expanded considerably. In all, 35,356 feet were accomplished during the year, as against 10,720 in the previous year. The footage on reef was 23,650 and the sampling and assaying of this showed 62 per cent. to be payable with an average value of 10 dwt. over a width of 35 inches, equivalent to 350 inch-dwt. During the first quarter of the current year a further 8,055 feet was developed, of which 5,115 was on reef and sampled and 58 per cent. found to be payable, the average value being 12 dwt. over 35 inches, equivalent to 420 inch-dwt. This brought the total development since the commencement of operations to 64,505 feet, of which 38,580 feet was on reef and sampled and 25,450 feet or 66 per cent. found to be payable with an average value of 10.4 dwt. over 36 inches, equivalent to 373 inch-dwt.

The ore reserves as re-calculated at the end of last year were estimated to amount to 2½ million tons of an average value of 5.8 dwt. over an assumed stoping width of 57½ inches. This represented an increase of 900,000 tons for the year, the average value and width being respectively 3/10ths of a pennyweight and 1 inch less than at the end of the previous year.

Four headings from the No. 2 Shaft of East Geduld Mines have now been extended into our property with the object of connecting with workings from our No. 4 Shaft and two of these have already been connected. The No. 1 South Incline from our No. 4 Shaft has also been connected recently with our workings from the No. 1

Shaft of East Geduld Mines. This will greatly facilitate the opening up of the South-Western section of our property.

The sinking of the No. 3 Shaft has proceeded satisfactorily and it is expected that the reef will be reached at an early date, which will be much sooner than was anticipated at last year's Annual Meeting. Connection between the workings from this shaft and those from the No. 4 Shaft is expected to be effected about the middle of next year.

PALMIETKUIL GOLD MINING COMPANY

As you know, we hold a share interest in our Eastern neighbour, the Palmietkuil Gold Mining Company, Limited. That Company's North and South Shafts were completed during the year and development work is proceeding from both. At the end of March last 33,539 feet had been developed, of which 17,320 was on reef and sampled and 4,855, or 28 per cent., disclosed payable values averaging 176 inch-dwt. These results, which have been obtained nearly three miles from our nearest workings, are a strong indication that payable values may be expected to extend right across our large property.

The report and accounts were adopted.

MARIEVALE CONSOLIDATED MINES, LIMITED

ENCOURAGING PROSPECTING WORK

The third ordinary general meeting of Marievale Consolidated Mines, Limited, was held, at Johannesburg, on May 5, 1938.

Mr P. M. Anderson, chairman of the company, presided, and in the course of his remarks, said:—As you are aware, the prospecting of the main portion of the property, which lies on the Vlakfontein farm, was initiated from the No. 1 vertical shaft to the west, which cuts the reef horizon at 755 feet, and from the No. 2 Incline haulage to the east, which starts from the surface at a point slightly outside our mining area.

RESULTS IN NO. 1 AND NO. 2 SHAFTS

Work in the No. 1 Shaft section has proceeded quite normally and the total footage accomplished on reef in this section from the start of work to March 31st is 13,240 feet, of which 5,100 feet was payable, averaging 15.3 dwt. over 20 inches, equivalent to 306 inch-dwt. A point of some interest is that a borehole which was put down recently to determine the depth of the reef horizon at a point some 1,400 feet north of our workings in this area showed 7.5 dwt. over 40 inches, equivalent to 300 inch-dwt.

Work in the No. 2 Shaft section was somewhat affected by an inrush of water. The water-bearing fissures in question have, however, now been successfully cemented and the total footage on reef accomplished to March 31st has not been unduly affected. The results are 8,905 feet sampled, showing 2,265 feet payable with an average of 29.5 dwt. over 6 inches, equivalent to 177 inch-dwt. During February of this year these two sections were connected by the holing of the 5th level drive, and further connection on the 7th level will be effected shortly. These connections will improve ventilation and will assist materially in laying out further work.

The scale of operations in the south-western portion of the property on the farm Draaikraal, has been relatively small. After doing a fair amount of work in the section opened up by the No. 3 Incline Shaft, without disclosing values of interest, the conclusion was reached that, as further development in this section would be costly, the money available for prospecting would yield more tangible results if spent in other areas and work from this shaft was therefore temporarily suspended. A small amount of work has also been done in the far south of the property, where some workings from an old incline, now called No. 4 Shaft, have been re-sampled. There remained intact in these old workings 350 feet of payable development, giving 16½ dwt. over 10 inches, and 455 feet of new work has been done, of which 200 feet showed payable values averaging 176 inch-dwt.

From the quarterly reports you will have noted the progressive improvement in reef disclosures by development work, and, taken as a whole, the results of our prospecting work must be considered as very encouraging. It is satisfactory to note that the development results from the No. 1 and No. 2 Shafts show definite signs of improving in depth. For example, the 6,345 feet which have been sampled on the 7th Level show 49 per cent. pay, running 19.2 dwt. over 18 inches, or 346 inch-dwt. If the work proceeds normally and disclosures continue to be equally encouraging, it is hoped that towards the end of the year our Consulting Engineer will be able to make a recommendation in connection with the erection of a Reduction Plant.

ADEQUATE FUNDS IN HAND

After making allowance for the call on the partly paid shares, we had available just under £457,000 at the close of last year. The call in question has now been made and, on the basis of the present programme, the funds in hand should suffice for all requirements during the current year. There will then remain in reserve 678,334 shares available for subscription at par by shareholders and by the Union Corporation Limited, in equal parts; 500,000 shares which are available for offer to the same parties at a premium provided the price does not exceed 15s. per share; and a balance of 17,500 shares, being the remainder of the shares originally reserved for acquiring neighbouring properties. According to present estimates, the funds provided by the issue of these shares as outlined above should suffice to bring the Company to the producing stage.

The report and accounts were adopted.

GEDULD PROPRIETARY MINES,
LIMITED

TONNAGE MILLED AGAIN A RECORD

The thirty-seventh ordinary general meeting of Geduld Proprietary Mines, Limited, was held at Johannesburg, on May 4, 1938.

Mr P. M. Anderson, chairman of the company, presided, and in the course of his remarks said:—For the ninth successive year a record tonnage was milled, the secondary crushing plant installed about 18 months ago having had the effect of increasing the total to 1,301,000 tons, which exceeded the previous year's figure by 25,000 tons. The yield per ton milled showed a slight decrease of 0·18 dwt. to 5·02 dwt., while the average price realised for the gold produced was 140s. 3d. per ounce, or 3d. more than in the previous year, and working costs increased 2d. to 14s. 5d. per ton milled. The net result of these changes was that the working profit of £1,354,379 was £58,891 lower. Sundry revenue less sundry expenditure amounted to £350,654, which is some £8,000 more than in the preceding year, due mainly to the higher dividend received by your company on its East Geduld mines shareholding. Out of the gross profit of £1,705,033 provision was made for taxation amounting to £615,317, and donations and sundry contributions absorbed £5,366, resulting in a net profit of £1,084,350, or £36,037 less than in 1936. With the balance of £312,235 brought into the appropriation account from the previous year, there was an amount of £1,396,585 available for disposal. The two dividend distributions totalling 75 per cent., which maintained the rate of the previous year, accounted for £1,095,643; after providing for expenditure on capital account of £39,650 in respect of calls on your company's shareholding in Grootvlei Proprietary Mines and certain incidental items there remained to be carried forward to the current year's accounts an amount of £252,492.

DEVELOPMENT WORK

As regards development work, the policy pursued during the last few years of splitting large blocks of ground and opening up low grade areas continued to give satisfactory results, though I would again point out that, owing to the nature of the work, the results disclosed are liable to show wide fluctuations from time to time. The footage driven amounted to 14,763 feet, and, of the footage sampled, 4,475 feet, or 41 per cent., was payable, the average value being 9·3 dwt. over 40 inches. The ore reserves were maintained at 9,100,000 tons, while the value and width, at 5·0 dwt. and 57 inches, respectively, also remained unchanged. The ore reserves position can be considered as most satisfactory and it is gratifying to record that a substantial portion of the tonnage milled has been drawn from sources outside the ore reserves, that is, from ground where actual stoping has disclosed more payable tonnage than indicated by development work.

THE CURRENT YEAR

In the first quarter of the current year, the tonnage milled, the yield and working costs per ton milled show little variation from the average for the whole of last year, but the profit of £332,320 showed a decline of about £12,900 in comparison with the first quarter of the previous year, due in the main to the lower price obtained for gold during the period. The development footage driven closely approximated to that of the first quarter of last year, while of the footage sampled 925 feet, or 30 per cent., was classed as payable with a average value of 5·9 dwt. over 32 inches. In the near future an additional tube mill and Dorr agitator will come into commission

and it is anticipated that the rate of milling will thereby be slightly increased.

Your company's substantial shareholding in East Geduld Mines remains intact, and that in Grootvlei Proprietary Mines has been increased to 89,600 shares by the subscription of 9,600 new shares at the price of 75s. per share under the offer made by the Grootvlei Company in February this year. Operations at East Geduld Mines continue to give every cause for satisfaction and the outlook for Grootvlei Proprietary Mines, which will enter the production stage in about five months' time, is most encouraging.

The report and accounts were adopted.

VAN DYK CONSOLIDATED MINES,
LIMITED

MILLING OPERATIONS COMMENCED

The fourth ordinary general meeting of Van Dyk Consolidated Mines, Limited, was held at Johannesburg, on May 5, 1938.

Mr P. M. Anderson, chairman of the company, presided, and in the course of his remarks, said:—At the extraordinary general meeting held on February 9th last, your directors were empowered to increase the authorised capital by £300,000 to £2,800,000 for the purpose of providing the additional funds needed for completing the initial programme of bringing the mine to the producing stage with a reduction plant of a nominal capacity of 60,000 tons per month, and for increasing the milling capacity at the earliest possible date to 80,000 tons per month. Under these powers, 500,000 new shares have been created and were issued to shareholders at 21s. 0d. per share on February 28th last, and the company now has ample funds available for the whole of the financial requirements to the 80,000 tons stage, which we may expect to reach towards the end of next year.

DEVELOPMENT WORK

The development work accomplished last year totalled 55,029 feet which was considerably more than double the previous year's footage. In addition, considerable work was done in widening and straightening old drives, raises, cross-cuts, etc.

An important feature of last year's work was the completion of the horizontal haulage way connecting Nos. 2 and 3 shafts, a distance of nearly 12,000 feet. An incline haulage, which will have a total length of about 8,800 feet, has now been started from the surface and will intersect the horizontal haulage about midway between these two shafts. This incline is expected to be completed early next year and will greatly facilitate the opening up of the shallower portion of the mine.

The development on reef amounted to 29,215 feet and the sampling and assaying of this showed 12,975 feet, or 44 per cent., to be payable with an average value of 10 dwt. over a width of 25 inches—equivalent to 250 inch-dwt. During the first quarter of the current year a further 11,591 feet have been developed, of which 6,335 feet was on reef and sampled and 3,125 feet, or 49 per cent., gave payable assay values averaging 11·8 dwt. over 27 inches, equivalent to 318 inch-dwt. The combined total of the old work done by previous companies and the new development work by this company as at the end of last quarter was 135,203 feet, of which 74,390 feet was on reef and sampled and 31,500 feet, or 42 per cent., payable, with an average assay value of 10·5 dwt. over 25 inches, equivalent to 262 inch-dwt. In the course of this work adequate stope faces have been provided to ensure continuous operation of the initial reduction plant at full capacity.

The payable ore reserves as at the end of last year were estimated at 1,800,000 tons of an average value of 5·8 dwt., over an assumed stoping width of 40 inches, the increase during the year being 800,000 tons with no change in either width or value.

COMMENCEMENT OF MILLING OPERATIONS

The most important event since we last met has been the commencement of milling operations. The various sections of the plant were tried out in turn during last month and from the beginning of this month the whole plant has been almost in full operation. It has of course still to be tuned up, and there will be the usual absorption of gold, so that representative outputs must not be expected for the first few months. The whole plant is, however, operating entirely satisfactorily, and I do not doubt that the hopes of a maiden dividend declaration at the end of this year, as expressed at the extraordinary meeting, will be realised.

The report and accounts were adopted.

WIGGINS, TEAPE AND CO. (1919)
LIMITED

FOREIGN COMPETITION

LORD PORTAL'S REVIEW

The nineteenth annual general meeting of Wiggins, Teape and Company (1919), Limited, was held, on the 27th ultimo, at Winchester House, Old Broad Street, London, E.C.

Lord Portal, D.S.O., M.V.O. (chairman of the company), said: Ladies and Gentlemen,—The report and accounts have been in your hands for the requisite period, and I propose, with your permission, to take them as read.

For the fifth year in succession your directors, in their report, have been able to report a larger volume of trade done by your company and its subsidiary companies during the year under review. During the greater part of the year 1937 trading conditions in almost all industries were more prosperous than during the year 1936. The latter end of the year, however, saw some slight recession, and though orders in the paper trade were naturally affected the mills were so booked up with orders that there was no question of running short time except in isolated cases.

THE CARTELS CRITICISED

Owing to the Trade Agreements with Scandinavia it has been necessary for various sections of the paper trade in this country to form Cartels with the Scandinavian countries. I must emphasise in my speech to-day that instead of the British firms being allowed to be the advisers in the policy of these Cartels, which anyone would consider to be the natural course to be pursued in our own markets, these Cartels are governed from Scandinavia, and we have to follow humbly in their footsteps. This is a Gilbertian situation which cannot be allowed to continue unless one wishes to see the whole of the paper trade in this country sink into a worse depression than that of 1930.

SCANDINAVIAN PULP AND PAPER PRICES

The Governments of the Northern countries apparently do not appreciate that their wood pulp and paper industries should be regarded for purposes of trade with this country as divisions of one unit. It is useless for them to assume that their pulp mills can go on indefinitely selling their pulps to this country at high prices whilst their paper mills seek to sell paper in this market at prices which not only leave the United Kingdom manufacturer, whose paper prices have to be strictly competitive, with no margin for conversion or profit, but actually involve him in many cases in financial loss. It is submitted that this situation is one which as a matter of principle merits the most serious attention of H.M. Government.

SATISFACTORY PROSPECTS

With regard to our own prospects, you have already received the progress report which gives the results for the first three months of the year 1938. The report shows that the profits for that period have been practically maintained as compared with those for the similar period of last year. Unless trading conditions deteriorate

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

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In order to test the value of your publication I should like you to forward it to me by post for the next four weeks. If I then decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover their cost.

Name

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I think we can look forward to being able to place before you next year a satisfactory balance sheet.

You will see that we recommend a payment of a final dividend on the ordinary stock of 5 per cent., less income tax, which brings the dividend for the year 1937 up to 8 per cent. In addition, we are recommending the payment of a bonus on the ordinary stock of 2 per cent., less income tax. Then we propose that £10,000 be transferred to income-tax equalisation reserve and £15,000 to special obsolescence reserve. We also propose the transfer of £96,322 to general reserve, bringing that account up to £660,000. The total allocation to these reserves of £121,322 compares with £110,000 for 1936, an increase of £11,322.

The chairman then moved the adoption of the report and accounts.

Mr L. W. Farrow (deputy chairman) seconded the motion, which was unanimously passed.

The dividend and bonus, as proposed, were approved; the retiring directors were re-elected; and the auditors were reappointed.

UNITED SUA BETONG RUBBER
ESTATES, LIMITED

POSITION OF OIL PALM INDUSTRY

MR J. G. HAY'S ADDRESS

The twenty-ninth annual general meeting of the United Sua Betong Rubber Estates, Limited, was held, on the 1st instant, at 19 Fenchurch Street, London, Mr J. G. Hay (the chairman of the company) presiding.

Dealing with the accounts, Mr Hay said:—In 1937 we succeeded in earning a profit of £220,000. Although that profit represents a not inconsiderable percentage on our issued capital, on the real capital engaged in the business it is just short of 11 per cent. After making what we deem to be necessary appropriations, we are able to recommend and pay dividends for the year which, on the same basis, are equivalent in total to approximately 7 per cent. Carrying that basic calculation a little further, it may interest you to know that our earnings for the years 1928-37 inclusive are equal to 4·87 per cent., and that the average rate of dividend for the same period is 3·74 per cent.—that is without making any deductions for amortisation. For any company engaged in tropical agriculture such earnings are modest indeed, and, since they relate to a company which is supposed to have enjoyed a singular success, my citation would seem to demonstrate that during the last decade the rubber plantation industry has been poorly required for its endeavours.

Referring to the company's holding in Oil Palms of Malaya, Limited, Mr Hay reviewed the general situation in the following terms: As in rubber, palm oil is consumed to a large extent in the United States, and the depression there has, unfortunately hit the palm oil industry just as heavily as any other. A further contributory cause is the very heavy processing tax of approximately £13 per ton which is levied on all palm oil used in the United States. Even at its present depressed world price of £14 per ton, this tax makes it quite expensive to the American consumer at £27 per ton. This acts as a very severe handicap to trade with America, and it seemed to your directors that the trade negotiations now proceeding between Great Britain and America offered a favourable opportunity of endeavouring to secure a remission or reduction of the tax. On making representations to the British Government to that effect it was a great disappointment to be informed that it had been decided to omit palm oil from the list of articles on which concessions would be sought by the British negotiators. The British Empire is still the largest producer of palm oil, and the omission of this commodity from the list is inexplicable.

ATTITUDE OF IMPERIAL GOVERNMENT

Our recent experience in this and other Colonial matters engenders the depressing thought that the Imperial Government take little interest in Colonial affairs until they have assumed the serious and disagreeable form of unrest in Jamaica and insurrection in Palestine.

Given a fair field, I am confident that we can make an adequate profit, but if we are to continue to be impeded by the self-sufficient policies of the chief consumer and refused help by our Government, I cannot deny that our chances of full success are seriously diminished.

Reverting to the position of rubber, Mr Hay examined the causes of the decline in price, and suggested that in the present state of political and economic unsettlement no prediction of future consumption could be made, and that it might be of greater advantage to turn attention to the question of production costs, and pointed

out that Malaya, which formerly enjoyed the advantages of economic agricultural production, had in recent years lost ground.

Mr Hay concluded: Malayan production is approximately 80 per cent. of the British share of the plantation industry. In 1937 the value of Malayan exports of rubber produced within that territory was over £40,000,000. Any decline in competitive power must eventually result in the loss of valuable export trade which can be ill afforded. For Malaya in particular any deterioration in her rubber industry is a serious matter, indeed, for on that industry depends, more than any other, the economic welfare of the whole country.

I suggest that the question of cost of production is a fitting one for close inquiry, and that if our performances are fairly measured by those of other competing countries, our complacency will be seriously disturbed. I hope sincerely that the Governments concerned, and the industry through its associations both in London and in the East, will enter into close and friendly collaboration for a proper ascertainment and study of the facts and with a determination to take all such steps as are within their competence to restore to Malaya's chief industry its former power to compete.

The report and accounts were unanimously adopted.

DALKEITH (CEYLON) RUBBER ESTATES, LIMITED

SUBSTANTIALLY INCREASED PROFIT

The twenty-eighth ordinary general meeting of the shareholders of The Dalkeith (Ceylon) Rubber Estates, Limited, was held, on the 30th ultimo, at the offices of The Rubber Growers' Association, 19 Fenchurch Street, London.

Sir Delves Broughton, Bt. (the chairman of the company), who presided, said:—Gentlemen,—From the annual accounts shareholders will appreciate that the profit for 1937, £18,567, shows a very substantial increase when compared with £7,616 in 1936. To this amount must be added £9,902 brought forward, making a total credit balance available for dividend as at December 31, 1937, of £28,470. Your directors recommend that replanting expenditure incurred during the year, £2,805, be written off, and a dividend of 10 per cent. (less income tax) be declared for the year 1937, which, with bonuses payable to the estate staff and additional remuneration to the directors, will absorb £15,320, leaving £10,345 to be carried forward to 1938, as against a balance of £9,902 brought forward from 1936, apart from the company's reserve of £10,000 invested in Government securities.

In view of the limited dividends paid to shareholders in recent years your directors feel that this distribution will be welcomed, having regard to the company's strong financial position, the result of a continued conservative policy extending over many years, current assets having increased as at December 31, 1937, by £10,484 to £39,931, of which sum no less than £33,423 is represented by cash £18,291 and gilt-edged investments £15,132.

The standard assessment for the estate has been slightly increased

Grains

Rising estimates of the United States winter wheat crop, and better weather reports in Europe and Australia brought a fall in wheat prices, though there was a better tone in the market at the end of the week. No. 2 Northern Manitoba is quoted at 42s. 3d. compared with 45s. per 496 lb. last week. The maize market has been quiet and prices have tended downwards; there has been little business in barley.

Other Foods

Provisions.—Bacon prices are unchanged and the market has been steady. Butter prices, affected by a slow demand, have fallen by 3s. per cwt., New Zealand now being quoted at 125s. per cwt. Meat and egg prices show little alteration.

*

Colonial Produce.—The fall in sugar prices during the previous week has been reversed and prices were restored to their former level on Tuesday.

Demand was slow at the tea auctions and prices were somewhat lower. The coffee and cocoa markets have been quiet.

*

Vegetables.—Prices of both old and new potatoes are lower, but demand is steady. There is still a shortage of cauliflowers, but spring greens and cabbage did not sell well over the week-end. There is a good demand for asparagus, at 1s. to 1s. 6d. per bundle, and also for tomatoes, whose prices are a little lower.

Miscellaneous Commodities

Oilseeds and Oils.—Very depressing conditions and falling prices have been experienced in these markets, largely caused by the unsatisfactory situation in the United States. The price of linseed fell by £1 per ton and Egyptian cotton seed is now quoted at less than £5 per ton for the old crop.

for 1938, being fixed at 1,212,151 lb., but the international and local percentage deductions, estimated at 50 per cent., together with the average price of rubber ruling to date, preclude any advantage to the company during the current year.

Colonel L. Bayly, in seconding the resolution, said:—I inspected the company's properties in April last and am very glad to give you a most satisfactory report of their condition, not only of the original plantations, but also of the replanted area of 743 acres, which, in my opinion, surpasses any estate that I visited in Ceylon.

The report and accounts were unanimously adopted.

RIO DE JANEIRO CITY IMPROVEMENTS COMPANY, LIMITED

EXCHANGE DIFFICULTIES

The seventy-sixth ordinary general meeting of this Company was held, on the 1st instant, in London.

Mr Francis M. G. Glyn, the chairman, in the course of his speech, said that the net balance of profit carried to the balance sheet amounted to £105,000, against £49,000 for 1936. That improved result was due to the fact that the payments received from the Government had been at the rate of 340 milreis per house.

The company had been able to remit the balance of the revenue for the first half in 1937, but no remittances had been received for the amount available out of the second half year. The board had thought it wise to limit the final dividend to 2 per cent., free of tax, making 4 per cent., free of tax, for the year, and increase the amount carried forward by £29,517. Shareholders, he thought, would not consider such a result unsatisfactory.

Towards the close of last year there had been a severe political and financial crisis in Brazil, resulting in events of outstanding importance, such as the publication by the President of the Republic of the New Constitution, the temporary suspension of the service of the foreign debt and a drastic change in the coffee policy of the country.

In the meantime, undoubtedly the exchange position was difficult. Unless exchange was obtainable to remit the milreis balances at present accruing in Brazil, the future distribution of profits in sterling must, of necessity, be problematical. The board were making constant applications to the Exchange Authorities, who had assured them that exchange would be allotted to the company in due course.

In the new contract signed with the Government last year there was a clause in which the company undertook to drain certain new areas, such expenditure being only undertaken upon receipt of a payment covering the difference between the net rate of 340 milreis per house and that of 218 since November, 1933. That payment had not yet been received, and the new drainage works, therefore, had not been commenced. Negotiations were now taking place with the Government regarding the payment of that sum.

The report and accounts were unanimously adopted.

The demand for oilcakes has fallen to insignificant levels.

*

Rubber.—Little business was done, pending the decision of the International Regulation Committee, but the rise in prices which the cut in quotas was expected to produce was short-lived and prices on the week are unchanged. The depressing outlook in America prevents any real recovery in this market.

*

Furs.—At the London spring silver fox sale, which opened on May 23rd and lasted until the middle of this week, a total of about 100,000 skins was on offer, of which 65 to 70 per cent. were sold. London and Paris buyers were responsible for the largest purchases. The general trend of the sale was better than expected and prices, except for some medium grades, showed no change on the January levels. The comparatively steady undertone of the sales does not indicate a changed trend on the fur market; silver fox skins are particularly favoured by fashion, and in recent years the silver fox market has frequently shown much more strength than the general fur market.

CURRENT STATISTICS

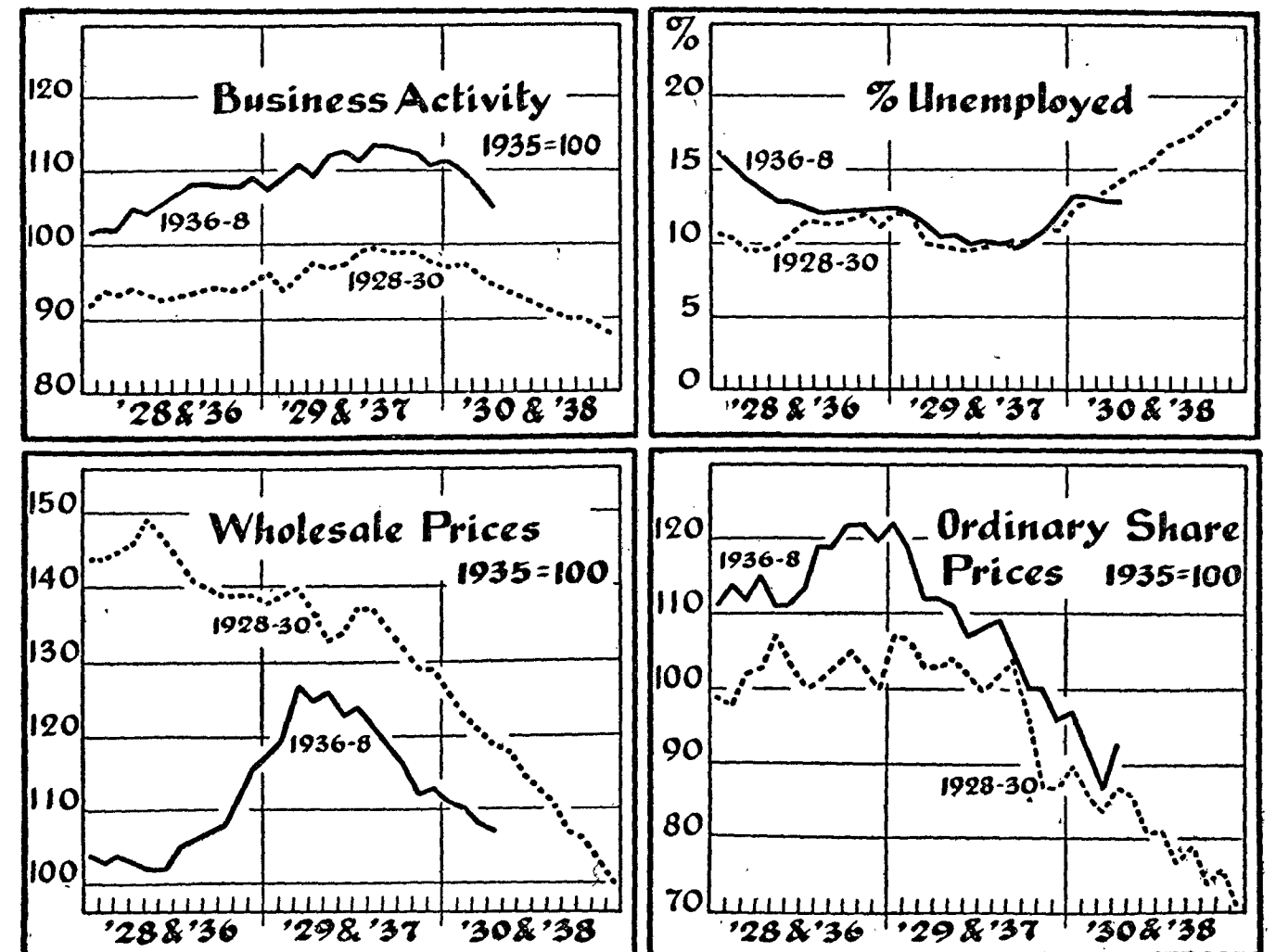
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

Then and Now

When signs of another recession in industrial activity are accumulating, it is interesting to examine the movement of the principal economic indicators in the months preceding the last great depression. The following charts have been designed to facilitate this comparison. In each chart the figures for the years 1928 to 1930 are compared month for month with those for the years 1936 to 1938. We have used our own indices for business activity and wholesale prices and that of the London and Cambridge Economic Service for industrial share prices. The unemployment percentages refer to insured persons aged 16-64 in the United Kingdom and the 1936-38 line is broken at September, 1937, when the new method of counting was introduced. Strictly comparable figures for the subsequent period would be somewhat higher than those shown.



Finance

GOVERNMENT RETURNS

For the week ended May 28, 1938, total ordinary revenue was £6,709,000, against ordinary expenditure of £10,413,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £43,107,000, against a deficit of £21,414,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1, 1937, to May 29, 1937	April 1, 1938, to May 29, 1938	Week ended May 29, 1937	Week ended May 29, 1938
ORDINARY REVENUE				
Income Tax	11,578	10,376	5	7
Sur-tax	3,930	5,020	230	340
Estate, etc., duties	14,820	11,320	1,550	1,880
Stamps	2,660	2,700	800	270
N.D.C.	70	70	...	140
Other inland Rev.	...	...	...	...
Total I. Revenue	33,058	29,976	2,585	2,637
Customs	35,889	34,498	4,904	4,878
Excise	18,047	17,604	747	704
Total Customs and Excise	53,936	52,102	5,651	5,582
Motor duties	4,275	4,139	124	...
P.O. (net receipt)	5,680	4,000	Dr. 750	Dr. 1600
Crown Lands	230	240	70	90
Receipts from Sun. Loans	271	275	...	...
Misc. receipts	826	756	...	...
Total Ordinary Rev.	98,276	91,688	7,765	6,709
SELF-BAL. REVENUE				
Post Office and Broadcasting*	9,170	10,800	2,350	2,800
Total	107,446	102,488	10,115	9,509

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1, 1937, to May 29, 1937	April 1, 1938, to May 29, 1938	Week ended May 29, 1937	Week ended May 29, 1938
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	39,207	39,329	403	309
Payments to N. Ireland	836	770	339	257
Other Con. Fund Services	335	359	...	14
Total	40,378	40,458	743	580
Supply Services†	79,312	94,337	9,686	9,833
Total Ord. Expend.	119,690	134,795	10,429	10,413
SELF-BALANCING EXPENDITURE				
Post Office and Broadcasting Votes	9,170	10,800	2,350	2,800
Total	128,860	145,595	12,779	13,213

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting.

WEEK'S CHANGES IN DEBT (£ thousands)	
NET INCREASES IN DEBT	
Treasury bills	5,346
NET REPAYMENTS, ETC.	
Public Dept. Adv.	1,020
Nat. Savings Certs.	200
P.O. & Tel. (Mon.)	300
Acts	300
N. Atlantic Shipping	1,550

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to May 28, 1938, are shown below:—

(£ thousands)	
Ordinary Exp.	134,795
Inc. in balances...	577
Ordinary Rev.	91,688
Gross bor. 44,469	
Less:	
New S.F. 785	
Net borrowing	43,684
135,372	135,372

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Dept.	Bank of England		
1937						
Mar. 31	674.6	23.5	...	...	698.1	171.0
May 29	530.0	151.0	20.0	...	701.0	...
Dec. 31	899.7	39.4	55.7	...	984.9	...
1938						
Feb. 5	572.0	281.7	33.6	...	887.3	315.3
" 12	557.0	276.9	31.9	...	865.8	308.8
" 19	542.0	273.1	39.2	...	854.3	312.3
Mar. 5	522.0	282.4	39.8	...	844.2	322.2
" 12	517.0	283.8	39.9	...	839.8	322.7
" 19	512.0	288.5	35.6	...	836.1	324.1
Apr. 5	512.0	304.9	30.6	...	853.5	335.5
" 12	522.0	306.8	28.6	...	858.9	335.4
" 19	532.0	296.1	27.2	...	855.3	323.3
May 5	545.0	288.6	36.5	...	870.2	325.1
" 12	560.0	281.6	35.9	...	887.5	317.3
" 19	570.0	276.0	41.8	...	887.8	317.8
" 28	570.0	281.4	40.8	...	892.2	322.2

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
May 28	45.0	72.2	45.0	10 6-99	49
Dec. 31	50.0	80.5	50.0	10 11-59	47
1938					
Feb. 5	30.0	88.4	30.0	10 0-98	18
" 11	30.0	87.7	30.0	10 0-89	18
" 18	35.0	86.6	35.0	10 1-04	23
" 25	40.0	92.0	40.0	10 1-39	33
Mar. 4	45.0	97.1	45.0	10 0-94	30
" 11	45.0	92.1	45.0	10 1-35	36
" 18	50.0	82.3	50.0	10 1-54	54
" 25	50.0	84.6	50.0	9 11-31	55
Apr. 1	50.0	77.0	50.0	10 3-24	71
" 8	50.0	85.2	50.0	10 2-65	56
" 15	45.0	85.6	45.0	10 2-82	41
" 22	45.0	88.5	45.0	10 2-95	41
" 29	45.0	80.3	45.0	10 1-99	60
May 6	45.0	87.8	40.0	10 0-69	29
" 13	30.0	73.5	30.0	10 1-12	29
" 20	35.0	74.3	35.0	10 1-11	35
" 27	45.0	69.0	45.0	10 9-37	57

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On May 27th, applications at £99 17s. 3d. per cent. for bills to be paid for on any day except Saturday of the following week were accepted as to about 35 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Saturday at £99 17s. 4d. per cent. and above were allotted in full. £50.0 millions of Treasury bills are being offered on June 3rd.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number		Purchase Price	
19 weeks to —		12,858,742		9,644,055	
May 15, 1937		12,901,465		9,676,097	
Week to —		429,946		322,459	
May 15, 1937		719,334		539,500	
May 14, 1938		694,458		520,843	

† After adjustments to March 27th. N.B.—Net Exchequer receipts, week to May 14, 1938: Dr. £150,000.

BANK OF ENGLAND RETURNS

JUNE 1, 1938

ISSUE DEPARTMENT

(£ thousands)	
Notes Issued:	
In circula.	14,953,000
In Bnk. De- partment	41,489,029
Govt. Debt...	11,015,100
Other Govt. Securities	188,375,775
Other Secs.	600,321
Silver coin	8,804
Am. of Fid. Issue	200,000,000
Gold Coin & Bullion	326,409,953
526,409,953	526,409,953

BANKING DEPARTMENT

(£ thousands)	
Props. capital	14,953,000
Rest	3,227,128
Govt. Secs.	109,676,164
Public Depts.*	24,867,913
Other Depts.	102,802,912
Bankers	35,462,044
Other	138,264,956
Gold & Silv. Coin	41,489,029
Notes	837,533
180,912,997	180,912,997

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

THE WEEK'S CHANGES (£ thousands)

Both Departments		Compared with	
Amt. June 1, 1938		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	484,921	+ 4,721	+ 9,368
Deposits: Public	24,868	+ 1,609	+ 14,636
Deposits: Bankers	102,803	+ 11,534	+ 6,697
Others	35,462	+ 641	+ 1,839
Total outside liabilities	648,054	+ 14,025	+ 15,469
Capital and rest	17,780	+ 15	+ 33
COMBINED ASSETS			
Govt. debt and securities	309,067	+ 13,900	+ 11,505
Discounts and advances	8,934	+ 594	+ 4,185
Other securities	20,576	+ 664	+ 5,405
Silver coin in issue dept.	9	—	—
Gold coin and bullion	327,248	+ 72	+ 5,158
Reserves			
Res. of notes & coin in banking department	42,327	+ 4,649	+ 4,211
Proportion of reserve to outside liabilities			
(a) Bankers' dept. only ("proportion")	25.9%	+ 4.6%	+ 3.7%
(b) Gold stocks to deposits and notes ("reserve ratio")	50.5%	+ 1.1%	+ 0.4%

COMPARATIVE ANALYSIS (£ millions)

	1937		1938	
	June 2	May 11	May 18	June 1*
Issue Dept.:				
Notes in circ.	475.6	492.2	478.6	480.2
Notes in bank- ing dept.	45.7	44.2	47.8	46.2
Govt. debt and securities	194.7	199.7	199.2	199.4
Other sec.	5.2	0.3	0.7	0.5
Gold	321.2	326.4	326.4	326.4
Deposits:				
Public	10.2	36.6	28.5	26.5
Bankers'	109.5	87.9	93.2	91.2
Others	37.5	35.5	36.0	35.4
Total	157.0	160.0	157.7	163.1
Bkg. Dept. Secs.:				
Government	102.8	105.7	98.3	95.7
Discounts, etc.	4.7	7.6	7.8	8.9
Other	20.7	19.4	20.7	20.0
Total	128.2	132.7	126.8	124.6
Banking dept. reserve	46.5	45.0	48.5	47.0
"Proportion"	26.9	28.7	30.8	30.5
Reserve ratio†	50.9	50.9	51.4	50.5

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £8,804; capital, £14,953,000; rest, £3,227,128.

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Roumania appeared in *The Economist* of April 23rd; Bank of International Settlements and Denmark, of May 14th; Estonia and Poland, of May 21st; Reichsbank, Canada, Czechoslovakia, Danzig, Egypt, Japan, Java, Lithuania, South Africa, Spain and Switzerland of May 28th.

U.S. FEDERAL RESERVE BANKS

(£ millions)	
12 U.S.F.R. BANKS	
RESOURCES	
Gold certifs. on hand and due from Treas.	8,838
Total U.S. Govt. secs.	9,122
Total cash reserves	273
Total bills discounted	17
Bills bt. in open mkt.	6
Total bills on hand	24
Industrial advances	2,526
Total U.S. Govt. secs.	2,572
Total bills and sec.	12,453
Total resources	12,453
LIABILITIES	
F.R. notes in actual circulation	4,235
Aggregate of excess mt. bank res. over reqts.	860
Deposits — Member-bank reserve account	6,854
Govt. deposits	11,429
Total deposits	7,724
Cap. paid in and surplus	306
Total liabilities	12,453
Ratio of total res. to deposits	79.6%
U.S.F.R. BANKS AND TREASURY COMBINED	
RESOURCES	
Monetary gold stock	12,027
Treasury and Nat. Bk. currency	2,548
LIABILITIES	
Money in circulation	6,487
Treasury cash and deposits with F.R. Bks.	3,297

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

(£ millions)	
June 3, 1937	June 2, 1938
Total gold reserves	3381.8
Total bills discounted	1.0
Bills bt. in open mkt.	2.0
Total U.S. Govt. sec.	725.0
Total bills and sec.	741.1
Deposits — Member-bank reserve account	2962.4
Total res. to dep. and Fed. Res. note liab.	83.9%

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

(£ millions)	
June 3, 1937	June 2, 1938
ASSETS	
Loans, total	9,500
Investments	12,667
Reserve with Federal Reserve banks	5,349
Due from domestic bks.	1,781
LIABILITIES	
Deposits: demand (ad-justed)	15,425
Time	5,205
U.S. Government	182
Inter-bank	5,642

BANK OF FRANCE.—Million francs

(£ millions)	
May 27, 1937	May 26, 1938
ASSETS	
Gold*	57,359
Advances on gold coin	1,090
Bills: Commercial	9,830
Bought abroad	1,024
Advances on securities	3,777
Thirty-day advances	385
Loans to State without interest: (a) general	3,200
(b) provisional	19,980
Negotiable bonds	5,642
Sinking Fund Dept.	3,872
Other assets	5,575
LIABILITIES	
Notes in circulation	85,745
Deposits: Public	3,154
Private	14,628
Gold reserve to sight liabilities	55.3%

* From July 29, 1937, based on franc at 43 (against 49) milligrams.
† Of which Frs. 18,050 millions under Convention of June 30, 1937 (permissible limit, Frs. 20,000 millions).

CENTRAL BANK OF ARGENTINA

1576

THE ECONOMIST

June 4, 1938

CLEARING BANKS

LONDON

(£ thousands)

	Month of May			Week ended Wednesday		Aggregate from January 1 to	
	1937	1938	Change	June 2, 1937	June 1, 1938	June 2, 1937	June 1, 1938
Number of wkg. days:	24	26	%	6	6	126	128
Town	2,775,567	2,853,182	- 5.1	782,596	645,431	16,082,021	14,230,832
Metropolitan	174,660	172,562	- 8.8	43,310	36,909	930,033	899,974
Country	305,523	311,262	- 6.0	69,512	60,348	1,607,158	1,589,607
Total	3,255,750	3,337,006	- 5.4	895,418	742,688	18,619,212	16,720,413

† Based on average working day.

PROVINCIAL

(£ thousands)

	Month of May			Week ended Saturday		Aggregate from January 1 to	
	1937	1938	Change	May 29, 1937	May 28, 1938	May 29, 1937	May 28, 1938
No. of working days:	24	26	%	6	6	124	126
BIRMINGHAM	10,275	9,982	- 10.3	2,014	1,802	57,633	51,249
BRISTOL	4,959	5,857	+ 9.0	1,200	1,207	27,413	27,260
HULL	3,800	3,422	- 10.0	897	689	19,921	18,669
LEEDS	3,972	4,047	- 6.0	886	785	22,779	21,846
LEICESTER	3,049	2,991	- 9.4	632	571	16,369	15,246
LIVERPOOL	27,769	22,434	- 25.4	6,576	5,004	157,864	113,083
MANCHESTER	45,969	40,088	- 19.5	8,421	7,589	238,460	206,336
NEWCASTLE	6,486	6,705	- 4.6	1,298	1,426	31,078	33,790
NOTTINGHAM	2,200	2,091	- 12.3	397	404	11,384	11,076
SHEFFIELD	4,174	4,487	- 0.8	711	714	23,563	24,455
Total: 11 Towns	117,050	105,322	- 10.9	24,179	21,125	629,979	540,607
DUBLIN	...	...	...	5,060	11,289	128,645†	137,547†

† Based on average working day. ‡ 22 calendar weeks.

MONEY RATES

LONDON

	May 26, 1938	May 27, 1938	May 28, 1938	May 30, 1938	May 31, 1938	June 1, 1938	June 2, 1938
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount:							
60 days' bnlr. drafts	1732	1732-916	1732-916	1732-916	1732-916	1732-916	1732-916
3 months' do.	1732	1732-916	1732-916	1732-916	1732-916	1732-916	1732-916
4 months' do.	1732	1732-916	1732-916	1732-916	1732-916	1732-916	1732-916
6 months' do.	1732	1732-916	1732-916	1732-916	1732-916	1732-916	1732-916
Discount Treasury Bills:							
2 months'	12-1732	1732	1732	1732	1732	1732	1732
3 months'	12-1732	1732-916	1732-916	1732-916	1732-916	1732-916	1732-916
Loans—Day-to-day	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Short	12	12	12	12	12	12	12
Deposit allwncs.: Bk.	12	12	12	12	12	12	12
Discount houses at call	12	12	12	12	12	12	12
At notice	54	54	54	54	54	54	54

Comparison with previous weeks

	Short Loans	Bank Bills			Trade Bills		
		3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938	%	%	%	%	%	%	%
May 5	1/2	1/2	1/2	1/2	1/2	1/2	1/2
May 12	1/2	1/2	1/2	1/2	1/2	1/2	1/2
May 19	1/2	1/2	1/2	1/2	1/2	1/2	1/2
May 26	1/2	1/2	1/2	1/2	1/2	1/2	1/2
June 2	1/2	1/2	1/2	1/2	1/2	1/2	1/2

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	June 2, 1937	May 4, 1938	May 11, 1938	May 18, 1938	May 25, 1938	June 1, 1938
Call money	1/2	1/2	1/2	1/2	1/2	1/2
Time money (90 days' mixed coll.)	1/2	1/2	1/2	1/2	1/2	1/2
Bank acceptances	1/2	1/2	1/2	1/2	1/2	1/2
Members—eligible 90 dys.	1/2	1/2	1/2	1/2	1/2	1/2
Non-mem.—eligible 90 dys.	1/2	1/2	1/2	1/2	1/2	1/2
Commercial accept., 90 dys.	1/2	1/2	1/2	1/2	1/2	1/2

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges
(Range of the day's business)

London on	Par of Exch. per £	May 27, 1938	May 28, 1938	May 30, 1938	May 31, 1938	June 1, 1938	June 2, 1938
New York, \$...	4.862	4.94	4.94 1/2	4.94 1/2	4.94 1/2	4.94 1/2	4.94 1/2
Montreal, \$...	4.862	4.94	4.94 1/2	4.94 1/2	4.94 1/2	4.94 1/2	4.94 1/2
Paris, Fr.	124.21	178 1/4	178 1/2	178 1/2	178 1/2	178 1/2	178 1/2
Brussels, Bel.	35.00a	29.30-39	29.26-32	29.27-35	29.27-32	29.23-30	29.24-27
Milan, L.	92.46	93.95	93.95	94.00	94.12	94.10	94.00
Zurich, Fr.	25.22 1/2	21.70-72	21.70-72	21.71	21.71-73	21.71-73	21.71-73
Athens, Dr.	375	540-55	540-55	540-55	540-55	540-55	540-55
Amst'd'm, Fl.	12.107	8.96 1/4	8.96-97	8.96-97	8.96 1/4	8.96 1/4	8.96 1/4
Berlin, Mk.	20.43	12.30-33	12.30-33	12.30-35	12.32-34	12.31-34	12.31-33
Registered Marks:							
Br. India Kup.	† 18d.	49-54	49-54	49-54	49-54	49-54	49-54
Hong Kong, \$	† ...	14 1/4-15	14 1/4-15	14 1/4-15	14 1/4-15	14 1/4-15	14 1/4-15
Shanghai, \$...	† ...	10 1/2	10 1/2	10 1/2	9 1/2	9 1/2	9 1/2
Rio, Mil.	† 899d.	213 1/2	213 1/2	213 1/2	213 1/2	213 1/2	213 1/2
B. Aires, \$...	† 11.45	16.12 1/2	16.12 1/2	16.12 1/2	16.12 1/2	16.12 1/2	16.12 1/2
Valparaiso, \$...	† 40	125 1/2	125 1/2	125 1/2	125 1/2	125 1/2	125 1/2
M'vide, \$...	† 51d.	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2
Lima, Sol.	† 17-38	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2
Mexico, Pes.	† 9.76	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
Manila, Pes.	† 24.66d.	24-24 1/2	24-24 1/2	24-24 1/2	24-24 1/2	24-24 1/2	24-24 1/2
Moscow, Rbls.	† ...	26-21	26-18 1/2	26-24 1/2	26-24 1/2	26-22 1/2	26-21 1/2

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8-23 1/2 since dollar devaluation on February 1, 1935. (g) Prior to devaluation on April 2, 1935. (c) Per cent. discount. (e) Late export "rate." (g) Official rate is \$15 sellers. (h) Average remittance rate f.o. importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (j) Nominal. (m) Official.

(b) Other Exchanges

London on	Par of Exch. per £	May 27, 1938	June 1, 1938	June 2, 1938
Helsingfors, M.	193.23	226-226 1/4	226-226 1/4	226-226 1/4
Madrid, Pt.	25.22 1/2	80-150 (f)	80-150 (f)	80-150 (f)
Lisbon, Esc.	110	110-110 1/2	110-110 1/2	110-110 1/2
Budapest, Pen.	27.82	24 1/2-25 1/2	24 1/2-25 1/2	24 1/2-25 1/2
Prague, Kc.	164 1/2	142-142 1/2	142 1/2-143	142 1/2-143
Warsaw, Zl.	25.00	26-26 1/2	26-26 1/2	26-26 1/2
Riga, Lat.	48.38	24 1/2-25 1/4	24 1/2-25 1/4	24 1/2-25 1/4
Bucharest, Lei.	813.8	660-685	660-685	660-685
Constantinople, Pst.	110	620*	620*	620*
Belgrade, Din.	276.32	213-223	213-223	213-223
Kovno, Lit.	48.66	29-30	29-30	29-30
Sofia, Lev.	673.66	390-420	390-420	390-420
Tallinn, E. Kr.	18.159	174-184	174-184	174-184
Oslo, Kr.	18.159	19.85-95	19.85-95	19.85-95
Stockholm, Kr.	18.159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr.	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst.	973.8	973.8	973.8	973.8
Kobe, Yen.	† 24.58d.	13 1/2-14 1/2	13 1/2-14 1/2	13 1/2-14 1/2
Singapore, \$	† 28d.	27 1/2-15 1/2	27 1/2-15 1/2	27 1/2-15 1/2
Batavia, Fl.	12.11	8.93-97	8.94-97	8.93-96 1/2
Bangkok, Baht.	† 21.82d.	22-22 1/4	22-22 1/4	22-22 1/4

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par, 197-10 1/2 since dollar devaluation on February 1, 1935. Rate for payments to the Bank of England:—(f) Under Anglo-Spanish Agreement. (g) Under Anglo-Turkish Agreement. (i) Nominal.

LONDON—FORWARD

(Closing quotations)

London on	May 27, 1938	May 28, 1938	May 30, 1938	May 31, 1938	June 1, 1938	June 2, 1938
New York cent.	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)
Paris, francs	1 Month (d)	1 Month (d)	1 Month (d)	1 Month (d)	1 Month (d)	1 Month (d)
Amsterdam, cent.	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)
Brussels, cent.	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)
Geneva, cent.	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)

(p) Premium. (d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	May 26, 1938	May 27, 1938	May 28, 1938	May 30, 1938	May 31, 1938	June 1, 1938
London:—							
60 days ...	4.8666	4.94 1/2	4.94 1/2	4.94 1/2	4.94 1/2	4.94 1/2	4.94 1/2
Cables ...	4.8666	4.94 1/2	4.94 1/2	4.94 1/2	4.94 1/2	4.94 1/2	4.94 1/2
Demand ...	8.2397	4.94 1/2	4.94 1/2	4.94 1/2	4.94 1/2	4.94 1/2	4.94 1/2
Paris, Fr.	6.63	2.77 1/2	2.76 1/2	2.77 1/2	2.77 1/2	2.77 1/2	2.77 1/2
Brussels, Bel.	23.54	16.86	16.86 1/2	16.89 1/2	16.91	16.88 1/2	16.88 1/2
Switz'd Fr.	32.67	22.78 1/2	22.77	22.78 1/2	22.78 1/2	22.78 1/2	22.78 1/2
Italy, Lira.	8.91	5.26 1/4	5.26 1/4	5.26 1/4	5.26 1/4	5.26 1/4	5.26 1/4
Berlin, Mk.	40.33	40.16 1/2	40.15 1/2	40.18	40.17	40.15	40.15
Vienna, Sch.	23.82	...	...	...	...	...	...
Madrid, Pt.	32.67	...	...	...	...	...	...
Amst'd'm Gldr.	68.06	55.17	55.13 1/2	55.18	55.16	55.15	55.15
Cop'h'g'n, Kr.	145.37	24.87 1/2	24.85	24.85	24.87 1/2	24.85	24.85
Oslo, Kr.	1.29 1/2	0.907	0.903	0.903	0.907	0.907	0.907
St'h'm, Kr.	25.52 1/2	25.50	25.50	25.50	25.52 1/2	25.50	25.50
Athens, Dr.	1.29 1/2	0.907	0.903	0.903	0.907	0.907	0.907
M'zcal, Can. \$	169.31	98.870	98.750	98.810	98.900	98.930	98.930
Yohama, Yen.	84.40	28.84	28.83	28.85	28.87	28.85	28.85
Shanghai, \$	...	22.87	22.50	22.62	21.50	21.37	21.37
B. Aires, Peso	...	30.69	30.66	30.68	30.70	30.69	30.69
Rio, M. t.	11.96	5.90	5.90	5.90	5.90	5.90	5.90

Usance: T.T. * Dollars per £1. † Official.

EXCHANGE RATES (Monthly Tables)

SOUTH AFRICA

(BUYING RATES PER £100 STERLING)

	T.T.	Sight	30 days' sight	60 days' sight	90 days' sight
London on:—					
Rhodesia	100 17 6	100 11 3	100 13 9	102 3 9	102 13 9
South Africa	100 17 6	101 3 9	101 13 9	102 3 9	102 13 9

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THE ECONOMIST

June 4, 1938

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended May 29 (£'000)					Aggregate Gross Receipts, 21 weeks (£'000)				
	Pass- enger	Merch- andise	Coal & Coke	Total Goods	Total Receipts	Pass- enger	Merch- andise	Coal & Coke	Total Goods	Total Receipts
L. M. & S.—										
1937	504	502	269	775	1,275	8,297	10,223	5,764	15,987	25,284
1938	467	458	222	680	1,147	9,042	10,030	5,698	15,728	24,770
L. & N. E. (a)—										
1937	319	356	257	613	932	6,091	7,070	5,373	12,443	18,524
1938	302	312	214	526	828	5,897	6,961	5,366	12,347	18,244
Great Western—										
1937	210	209	124	333	543	3,892	4,088	2,397	6,485	10,377
1938	197	194	102	296	493	3,789	4,058	2,421	6,479	10,268
Southern—										
1937	328	66	35	101	427	5,988	1,272	693	1,965	7,953
1938	304	63	27	90	394	5,878	1,265	681	1,946	7,824
Total—										
1937	1,359	1,133	685	1,818	3,177	25,288	28,653	14,227	35,880	62,148
1938	1,270	1,027	565	1,592	2,862	24,606	27,334	14,166	36,500	61,106

(a) Week ended May 28.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+1,329	+1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+1,443	+1,099	+ 647	+ 372
Gross decrease first half 1938, over first half 1937	- 514	- 290	- 109	- 129
21 weeks to May 29, 1938	- 514	- 290	- 109	- 129
Weekly Figures				
Av. weekly decrease, 1st half 1938	-24.48	-13.81	- 5.19	- 6.14
Latest week compared with 1937	- 128	- 104	- 50	- 33
Latest week compared with average 1927-30	- 117	- 156	- 43	- 71

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended May 27 (£'000)			Aggregate Gross Receipts 21 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	2.2	0.4	2.6	40.6	10.4	51.0
1938	2.0	0.4	2.4	38.8	9.2	48.0
Great Northern—						
1937	9.9	9.9	19.8	181.5	200.8	382.3
1938	9.1	9.2	18.3	181.8	183.4	365.2
Great Southern—						
1937	31.0	39.8	70.8	619.8	884.0	1503.8
1938	32.7	38.2	70.9	627.3	831.3	1458.6

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Pay- able	Prev. Year	Company	*Int. or Final	Total	Pay- able	Prev. Year	Company	*Int. or Final	Total	Pay- able	Prev. Year
RAILWAYS					MINING					Forster's Glass				
Bengal-Nagpur	2*	...	July 1	2*	Malayan Tin	7½*	...	June 17	30*	Fortnum and Mason	2½*	...	June 29	2½*
Netherlands Indian	3½	...	...	Nil	Sihm. Malayan Tin	3½*	...	June 16	20*	General Cable	6*	...	June 30	25 c*
BANKS					INDUSTRIALS					Gillette Razor	15 c*	...	June 30	25 c*
Bank of N. Zealand	5½	10	...	10	Aberthaw Cement	...	7½	...	7½	Globe Telegraph, etc.	6½	...	July 1	5½
Ottoman Bank	...	1½	...	1½	Allied Ironfounders	...	11½	...	11½	Goldsborough Mort.	5*	...	...	8
TEA & RUBBER					Amsterdam Trading	...	25	...	16	Hattersley (Ormskirk)	11½	...	...	17½
Doolahat Tea	15½	17½	July 1	12½	Anglo-Iranian Oil	...	...	...	...	Hector Powe	12½	...	...	15
Gen. of Ceylon Rbr.	21	4	June 17	4	Argosy Laundries	...	7½	...	7	Henekeys	...	...	July 1	7*
Harmutty Tea	7½	10	July 1	7½	Asphalte Roadways	...	5	...	10½	Hewitt Brothers	5*	...	July 1	5*
Itakhoili Tea	12½	17½	...	20	Barnagore Jute	...	...	...	...	Holbrooks	7½	...	...	12
Singlo Tea	10½	15	July 1	12½	Berry Hill Brick	...	3*	...	3*	Hope (Henry) & Sons	...	...	June 30	10
Amsterdam Rubber	...	15	May 31	8	Blockleys	...	5*	...	8	Imp. Tob. (Canada)	10 c*	...	June 10	10 c*
Attaree Khat Tea	...	...	...	...	Blumel Bros.	...	2½*	...	2½*	Int. Harvester	50 c*	...	July 15	62½ c
Borjan Tea	...	15	...	6	Bona Pure Drugs	...	...	...	...	Kelly's Directories	10*	...	June 15	15
Borji Tea	10½	15	...	10	Brit. Columbia Pwr.	...	50 c*	...	45 c*	Lillywhites Hides	10*	...	June 15	...
British Assam Tea	...	6	...	3	British Maritime Tst.	...	2*	...	2*	Manchester Collieries	...	...	...	4½
British Indian Tea	15½	17½	June 29	12½	Brit. Tobacco (Aus.)	...	3*	...	2*	Manchester Corn	1*	...	...	2*
Highfields Ceylon Tea	3½	5	June 9	2½	Brockhouse (I.)	...	47½*	...	7½*	Maroc	7½*	...	June 30	12½*
Jhanzie Tea	6½	8	July 2	6	Brownlee & Co.	...	11½	...	15*	Millars Timber	10	...	July 1	7½
Jugra Estate	4†	8	June 17	7½	Butons	...	3½*	...	3½*	Mono Containers	...	...	June 30	5*
Madingley Rubber	...	5	June 28	5	Card Clothing	...	2½*	...	2½*	Moss Empires	5*	...	June 30	5*
Memakut Estates	...	6	...	5	Cardinal Investment	...	3*	...	3*	Mountstuart Docks	...	...	...	4
Meabund Tea	...	10	...	6	Carlton Main Colliery	...	6½	...	5	Natal Steam Coal	5*	...	July 1	2½*
New Sylhet Tea	12½	22½	June 14	17½	Carr's Flour Mills	...	4½	...	15	Nat. Mt. of N.Z.	...	...	June 15	10
Nth. Hummock Rbr.	...	3	...	...	Consent Iron	...	10	...	7½	Oceana Laundry	...	...	June 30	3*
Rajmai Tea	10†	22½	...	15	Cope Brothers	...	11½	...	14	Odham's Properties	...	...	...	8
Romai Tea	35†	42½	...	30	Crompton Parkinson	...	6*	...	6*	Plymouth Gas	4†	...	July 1	8
Rub. Est. of Krian	...	6	...	5	Crossley Motors	...	10	...	7½	Revo Electric	12½	...	...	17½
Rupajuli Tea	7½	10	...	5	Darwins	...	5	...	6	Ribble Motor	6†	...	...	10
Scottish Assam Tea	...	12	...	5	Don. & General Tst.	...	2½	...	2½	Rickett Cockerell	...	...	June 24	5
Selama Rubber	7½	12½	July 12	10	Doncaster Collieries	...	2½*	...	3*	Ruston and Hornsby	...	...	...	6½
Surmah Valley Tea	...	...	...	20	Dussex Brothers	...	3*	...	3*	Sanders & Co.	...	...	...	15
Tai Tak Ptns.	...	5	...	6	Duttons Blackbn. Bwy.	...	6†	...	7	Sec. Ln. Sct. Amr. Tst.	2†	...	June 15	3
Tanar Datar Rub.	...	12½	...	9	Electric Furnace	...	5½†	...	8	Shiple Collieries	8½†	...	...	12
Zaloni Tea	...	6	...	5	Fisher's Foils	...	5	...	5	Stanton Ironworks	6†	...	...	10

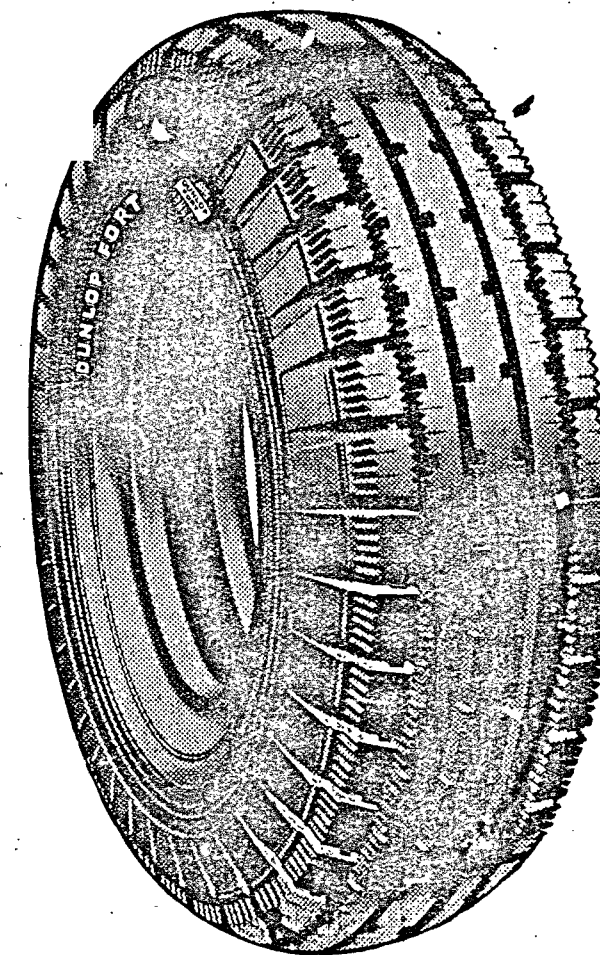
(Continued on page 580)

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C.F.H.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit	Dividend
					Prefce. Amount	Ordinary Amount	Rate				
		£	£	£	£	£	%	£	£	£	%
Breweries											
Dutton's Blackburn Brewery	Mar. 31	21,989	46,560	68,549	21,000	23,400	8	2,000	22,149	45,492	7
Financial Land, etc.											
Bechuanaland Exploration	Mar. 31	8,620	24,308	32,928	...	11,280	5	17,806	3,842	28,519	6
Raglan Property Trust	Mar. 31	375	11,379	11,754	4,125	...	...	3,086	4,543	(a)	(a)
Regional Properties	Mar. 31	29,198	15,430	44,628	4,500	5,900	4	...	34,228	29,430	8
Rio de Janeiro Land	Dec. 31	Dr. 28,857	Dr. 2,679	Dr. 31,536	...	...	...	...	Dr. 31,536	Dr. 2,836	Nil
St. Martin's-le-Grand Prop.	Mar. 25	4,006	24,969	28,975	...	18,000	6	7,948	3,027	24,321	6
Texas Land & Mortgage	Mar. 31	9,002	15,570	24,572	...	9,900	6†	5,000	9,672	10,224	5†
Iron, Coal and Steel											
Harland and Wolff	Dec. 31	3,508	13,804	17,312	...	...	...	...	17,312	86,007	Nil
Oil											
Burmah Oil	Dec. 31	647,155	4,516,437	5,163,592	300,000	2,747,302	30	1,479,019	637,271	3,824,502	27½
Venezuelan Oil Conscons.	Dec. 31	148,085	2,045,819	2,193,904	112,462	967,145	22½	956,803	157,494	1,610,482	22½
Rubber											
Allied Sumatra	Dec. 31	53,498	88,693	142,191	...	84,000	6	...	58,191	78,393	5
Bader	Dec. 31	11,886	18,144	30,030	...	9,313	10	8,000	12,717	13,370	10
Chota	Dec. 31	1,002	5,045	6,047	...	2,982	4	1,500	1,565	4,145	4
Glenshiel	Dec. 31	2,391	10,472	12,863	...	7,000	10	2,000	3,863	6,529	8
Java Para	Dec. 31	3,323	29,432	32,755	...	...	...	6,156	26,599	19,523	10
Sialang	Jan. 31	45,344	34,473	79,817	...	21,000	7	12,500	46,317	26,580	7
Tai Tak	Mar. 31	1,609	6,220	7,829	...	4,584	5	1,500	1,745	2,500	6
Shops and Stores											
Bradlow's Stores	Dec. 31	...	223,515	23,515	4,949	12,375	7½	6,005	186	(a)	(a)
Great Universal Stores	Mar. 31	11,452	294,244	305,696	41,642	182,574	50	69,299	12,181	275,436	50
Tea											
Derby	Dec. 31	11,481	7,461	18,942	713	4,660	15	2,000	11,569	8,263	15
Doom Dooma	Dec. 31	35,548	47,801	83,349	...	46,375	17½	...	36,974	48,874	15
Isa Bheel	Dec. 31	6,053	10,844	16,897	450	8,181	25	2,250	6,016	9,078	20
Jetinga Valley	Dec. 31	2,962	12,979	15,941	3,068	6,443	10	3,990	2,440	7,354	7
Kerala	Feb. 28	Dr. 12,137	79	Dr. 12,058	...	...	...	...	Dr. 12,058	Dr. 1,898	Nil
Textiles											
Bleachers' Association	Mar. 31	183,412	197,197	380,609	...	...	...	193,249	187,360	217,149	Nil
Salts (Salthouse)	Mar. 31	55,164	61,906	117,070	72,000	...	...	5,227	39,843	229,527	50
Trusts											
Abbotts Investment	Apr. 15	3,142	18,818	21,960	...	13,042	3½	...	8,918	18,057	3½
Forward Trust	Apr. 30	3,679	30,872	34,551	2,514	8,775	20	18,670	4,592	26,870	17½
Investment Trust Corp.	May 2	156,538	259,691	416,229	87,000	139,804	13	...	189,425	263,206	13
Nineteen Twenty Nine Inv.	Mar. 31	4,459	37,620	42,079	22,470	10,257	3½	4,607	4,745	42,252	4
Witan Investment	Apr. 15	129,940	169,658	299,598	48,061	107,250	10	50,000	94,287	166,436	9
Other Companies											
Associated Biscuit	Mar. 31	1,082	50,049	51,131	29,250	...	...	...	21,881	70,056	3†
Associated Newspapers	Mar. 31	548,430	785,036	1,333,466	25,000	733,334	7 & 25	50,000	525,132	931,822	7 & 26½
British Bedaux	Mar. 31	1,761	26,845	28,606	...	22,050	10	6,000	556	32,911	12
Denny, Mott & Dickson	Mar. 31	34,886	75,523	110,409	52,800	20,400	6	...	37,209	155,985	10
Field (J. C. & J.)	Mar. 31	11,007	35,069	46,076	8,750	18,750	15	7,500	11,076	37,749	15
Fisher and Ludlow	Mar. 31	75,716	168,531	244,247	7,000	87,000	20	59,237	91,010	174,056	20½
Harper (John) & Co.	Mar. 29	7,776	44,070	51,846	5,541	23,350	16	10,984	11,971	39,104	14
Hart (Thomas)	Mar. 31	4,276	4,955	9,231	1,800	544	2½	2,568	4,319	4,922	3½
Jury Holloware (Stevens)	Mar. 31	11,489	5,240	16,729	...	...	...	...	16,729	24,634	7
McColl (R.S.)	Apr. 29	4,783	20,549	25,332	8,850	6,797	6½	4,500	5,185	15,293	5
Millars' Timber, etc.	Dec. 31	27,132	138,350	165,482	55,250	22,667	10	32,100	55,465	107,700	7½
National Trading Co.	Dec. 31	1,835	61,927	63,762	6,875	25,000	20	20,000	11,887	29,562	16
Sena Sugar Estates	Dec. 31	8,606	148,642	157,248	22,500	63,000	9	49,000	22,748	113,009	6
Total Profits, 1938, in £000's											
To May 28	1,164	45,999	165,739	211,738	27,871	85,491	...	47,972	50,404	146,580	...
To June 4	1,206	48,291	175,346	223,637	28,811	90,953	...	51,063	52,810	155,410	...

† Free of Income Tax. (a) No comparable figure. (b) Absorbed £72,000. (d) From February 15, 1937, to December 31, 1937.

DIVIDEND ANNOUNCEMENTS—(continued from page 578.)

Company	*Int. or †Final	Total	Payable	Prev. Year
INDUSTRIALS cont.				
Sussex Brick	6*	...	...	6*
Thames Grit, etc.	10	...	...	10
Tredgare Iron, etc.	10	...	...	10
Trinidad Central Oil	4	...	...	4
Trust Union	6	...	...	6
Twylfords	10	...	...	10
United Tob. (Sth.)	15	...	...	15
Usher's Brewery	2½*	...	...	2½*
Venezuelan Oil	2½*	...	...	2½*
Virol	22½	...	...	22½
Westburn Sugar	10	...	...	10
White (A. J.)	12½	...	...	12½
Witan Investment	10	...	...	10
Yorkshire Dyeware	20	...	...	20

* Free of Income Tax. (a) Paid on a larger capital. (b) Free of South African normal income tax and payable in South African currency. (c) Equal to 6½ per cent. on the capital of £742,029, now reduced to £463,770.

ANGLO-IRANIAN OIL.—Final ordinary distribution is again 20 per cent., making 25 per cent., less tax. The £6,712,500 bonus capital ranks for the full 1937 payment.

BRITISH EMPIRE FIXED TRUST (Comprehensive Series).—Distribution 3d. per sub-unit on all purchases up to May 6, 1938.

CONSETT IRON.—Ordinary dividend raised from 7½ to 10 per cent.

CROMPTON PARKINSON.—Interim dividend of 6 per cent. maintained on larger capital.

CROSSLEY MOTORS.—Ordinary dividend raised from 7½ to 10 per cent.

FIRST PROVINCIAL FIXED TRUST.—Seventh distribution on Series "B". Certificates payable on June 16th at rate of 5-2137d. net per sub-unit. It compares with 4-3325d. for previous six months and 4-6064d. for corresponding period last year.

GERMAN DYE TRUST.—Dividend increased by 1 per cent. to 8 per cent.

MANCHESTER COLLIERIES.—Ordinary dividend raised from 4½ to 5 per cent.

METALS AND MINERALS TRUST.—Distribution 3-6d. per unit, free of tax, on account of half-year to April 29, 1938.

MILLARS' TIMBER AND TRADING.—Ordinary dividend raised from 7½ to 10 per cent.

STANTON IRONWORKS.—This company is making a free share issue of one in five, in addition to the usual final dividend of 6 per cent., making 10 per cent. for the year.

SUEZ CANAL COMPANY.—The board recommend increased total gross dividends for 1937 on the capital shares, bonus shares, and founders' shares:—
1936 1937
Capital shares 600-00 820-00
Bonus shares 555-39 756-36
Founders' shares 625-79 852-23

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Barbarism Unleashed

FAMILIARITY, say the wiseacres, breeds contempt; and it is indeed the case that the tale of other peoples' sufferings, when oft repeated, ceases in the end to shock or to stir the imagination. But the world has this week been shaken out of its indifference by the news from the countries where war is raging. These latest massacres of civilians in Spain and China are so ruthless, so devoid of direct military purpose, and so frankly a return to the methods of barbarians that we find ourselves in the presence of something which threatens the very basis of Western civilisation.

The aerial frightfulness in Spain has been the prelude to another offensive by General Franco and his foreign levies in a desperate attempt to "solve the Spanish problem." But belief in the speedy victory of the Spanish insurgents has waned, and the Italian authorities are preparing public opinion for the possibility that the war may not end this year. It is, moreover, reported that the German authorities, distrusting General Franco's ability to settle the matter with his present resources, have decided to plunge deeper into the Spanish cauldron. If this expectation be realised, it will play havoc with British policy; for Mr Neville Chamberlain's much-heralded Anglo-Italian Agreement will be suspended between heaven and hell while the

lation of the first principles of non-intervention." After s no one will dare to accuse Signor Gayda of possessing sense of humour! The steps taken by France to protect the Pyrenees frontier and reported to be in preparation by Britain to give greater protection to British ships are signs that there are limits to the patience of the most peace-loving governments.

Even, however, if these moves are effective and the rams of Spain and China unroll without an overt clash with other countries, and if we reach a precarious and unstable peace, this week's events—as we have said—raise an even more far-reaching question. What kind of peace can we establish if the groundwork of civilisation is blown to smithereens? For the sake of peace, for the sake of civilisation, for the sake of an understanding with Italy and with Germany—and, *pro tanto*, with Japan—we have been adjured to face facts, to be realistic. Let us do so without delusion. We have been officially informed, by the spokesmen of the Japanese Navy and of the Italian Foreign Office, that aerial frightfulness aimed at civil populations and property is justified because it can shorten war. War is to be abbreviated by a kind of perverted humanitarianism! We have heard this doctrine before, but it has never been so openly applied since the barbarian invasions of Europe. And if it is ever applied on the grand scale and is not checked by the civilised conceptions of humanity and justice, then indeed we shall be destroyed by forces we have created but cannot control.

To their credit, the British Government have not acquiesced. They have suggested to European Governments and to that of the United States that a corps of observers be established to determine whether aerial bombardment in future is militarily justified. Further, our Minister in Spain last week was instructed to report, on that very basis, whether the bombing of Granollers last week was warranted; and the Minister has roundly replied that

it was not. The Swedish and Norwegian Governments promptly offered to send observers. The American Government, to the manifest satisfaction of the German and Italian official Press, has been hampered, as usual, by the fear of European entanglements.

But if the British, French and other freedom-loving peoples cannot persuade the wave of barbarism to retreat, they will have to dam it. Reliance upon the policy of the "good neighbour" and upon argument and example has made non-intervention a laughing-stock and jeopardised the vital interests of this country—to say nothing of those of other countries, belligerents and neutrals alike. It takes two to make good neighbours, to reach agreement, or to preserve peace. What has occurred in and about Spain during the last few days reveals the second inadmissible attempt—the first was stopped by the establishment of the Nyon patrol last September—to institute an effective blockade of Republican Spain. The terror that lurked beneath the waves last summer and autumn now flies by night and day, and for the same illicit purpose: to enable intervening Powers to impose their will on another country.

To this policy of aggression, which is producing so rapid a deterioration in European affairs, the British Government must forthwith reply by equally firm demands. If these prove unavailing, Britain must unhesitatingly reply by acts. We trust His Majesty's Government will stand solidly with the Government of France in doing whatever may be necessary to prevent a conquest of Spain by foreign Powers. Protests to General Franco have proved fruitless. This week's news has made it crystal clear that unless Germany and Italy withdraw, General Franco is not, and will not be, in control of Spain, however his military campaign progresses. There are only two courses open that are consistent with British interests and the safety of France. One is that non-intervention should be made a reality. The second is to take other steps to see that intervention is not allowed to determine the fate of Spain.

The Arab World

WHILE the authorities in Downing Street have been taking their slow steps to follow up the recommendations of the Peel Commission, the political temperature in Palestine has been steadily rising again. The technical commission that is to look more closely into the partition scheme which the Peel Commission roughed out is now, at last, at work on the ground. But by this time the volume of outrages, with their heavy toll of deaths by violence, is also rapidly mounting; and the British police and troops in Palestine are finding it as hard as ever to keep order.

The latest suggestion for solving this police problem is that Palestine should be insulated by a wire fence; and this suggestion shows, in a flash, where the crux of the problem lies. If Palestine really could be insulated, it ought not to be difficult for the armed forces of the British Crown to re-establish order in a country no larger than Wales, with a population of no more than 1,400,000. The crux, however, is just this, that Palestine is impossible to insulate, even if we were to hedge it about with a Hindenburg Line of live wire. This is impossible because Palestine is a mere enclave in the Arab World; and no physical barrier can prevent the one million Arabs on the Palestinian side of the post-war frontier from feeling and thinking and acting in concert with the forty or fifty million Arabs who inhabit the vast spaces in the hinterland.

North and south and east and west of Palestine the Arab world extends; northward to Alexandretta and Turkey; eastward to Persia and the Persian Gulf; southward to Aden and Khartoum; south-westward to Lake Chad; and westward to the Atlantic seaboard of Morocco.

Throughout this vast expanse the Arabic language is not only the universal *lingua franca*; it is actually the mother-tongue of all the present inhabitants of South-Western Asia and Northern Africa, apart from a few islands of alien speech. Some of these islands are pre-Arabic survivals; others are encroachments on what has once been an Arabic domain. The principal survivors are the still Berber-speaking highlanders of the Algerian Kabylia and of the Moroccan Rif and Atlas. The principal intruders are three groups of European colonists who are all of recent date. In the French territories and protectorates in North-West Africa there is now a resident population of about one million French citizens (of whom a considerable proportion are of Spanish, Italian and Maltese origin). This French citizen body in Africa has come into existence since the French made their first landing in Algeria in 1830. Then in Tunisia, side by side with the local community of French citizens in that French protectorate, there is a separate and rival community—about 100,000 strong—of European settlers who are Italian citizens, and whose settlement in Tunisia began about the middle of the nineteenth century. Finally, in Palestine to-day, there is a community of about 400,000 European Jews, the great majority of whom have come in since the end of the War.

In this situation, what are the prospects? Are the recent European settlers in the Arabs' ancient domain going to increase and multiply and populate a hitherto Arab earth until the Arabs themselves have been pushed out of the town into the desert? There are perhaps some Zionists who dream of making Hebrew the language of the Levant from Tel-Aviv and Haifa to the western edge of the

Syrian desert; and there are certainly some Frenchmen who dream the similar dream of carrying their own language from Oran and Algiers to the northern edge of the Sahara and making new Frenchmen out of any Berbers who have not yet been turned into Arabs. Are these European dreams of expansion at Arab expense sheer fantasies? Or are they practical politics? The answer to this question depends on the Arab reaction to this European impact.

What are the omens? Mere community of language does not, of course, imply a common social consciousness, still less a common will or aim; and up till now the Arabs have been at sixes and sevens. Their lack of solidarity is signified by the very patchwork of colours on the political map. At the present moment there are four Arab countries—Saudi Arabia, the Yemen, Iraq and Egypt—that are fully sovereign independent States; three Arab countries—Syria, the Lebanon and Transjordan—that have come within sight of independence; and two—Tunisia and Morocco—which have kept the forms of statehood but have been reduced to the status of French protectorates. Three Arab countries—Palestine, the Sudan and Libya—are all being governed *de facto* as Crown colonies, though *de jure* Palestine is a mandated territory and the Sudan an Anglo-Egyptian condominium. Finally, in Algeria there are three French departments, administered by *préfets* under the Ministry of the Interior at Paris, which rank as integral parts of the metropolitan territory of France.

The present state of the Arab world is not unlike its condition in the time of the Crusades. The war-map itself is strikingly similar; for then, as to-day, Palestine and Tunisia were the two points at which the European invaders made their most effective lodgment on Arab ground; and then, as now, the deadliness of the danger evoked a movement of co-operation which would have seemed inconceivable only a short time back. The Normans were cleared out of Tunisia by deliverers from Morocco, and Saladin stemmed the Third Crusade by mobilising against it the united forces of Syria and Iraq and Egypt. Is history likely to repeat itself? There are signs which point that way.

At the present time the desperate resistance of the small and weak Arab population of Palestine to the combined forces of Jewry and the British Empire is arousing en-

thusiasm and emulation among Arabs far and wide. Sparks sent flying from Palestine have already started fires in North-West Africa, where anti-Jewish feeling has for long been hot. In Algeria, the French citizenship which the native Algerian Muslims have not yet acquired was conferred upon the native Algerian Jews *en masse* as long ago as 1870; and in Tunisia and Morocco likewise the Jews have aroused the jealousy and hostility of their Muslim fellow-countrymen by the greater ability which they have shown in profiting by the economic opportunities which French rule has opened up. In Tunisia and Algeria, the Arab now looks at his quarrel with the Jews in terms of his fellow Arabs' struggle with the Zionists in Palestine. In Morocco, where Germany looms larger on the Arab horizon, the Arab attacks the Jew to the war-cry of "Heil Hitler."

Until the other day, the Moroccan lowlands were, of all Arab countries, the most isolated and old-fashioned. The Atlas and the Rif, with their Berber tribesmen, cut off Arab Fez from Arab Tunis. In 1930, however, a violent Arab national movement was suddenly conjured up in Morocco by a French ordinance, issued in the Sultan's name, which threatened to remove the Moroccan Berbers from the influence of the Arabic and Islamic culture and to expose them to French influence instead. Ever since then the Moroccan Arabs have been on the warpath; and their restiveness under French rule has been increased by the spectacle of their fellow Moroccans from the Spanish zone campaigning in Spain in the footsteps of the ancient Muslim conquerors of the Peninsula. In Algeria and Tunisia, the native as well as the European element in the population has been stirred by the upheaval which has been taking place in France since the victory of the popular front. And here there is a strange confluence of influences which have nothing in common except the quality of being disturbing; for the Algerian Muslims are simultaneously being stirred by the Wahabi puritanical reforming movement from Central Arabia, and the Tunisian Muslims by the success of the nationalist movement in Egypt. From end to end, the Arab world is thus in ferment, and we may anxiously speculate on what is likely to happen if the pot boils over.

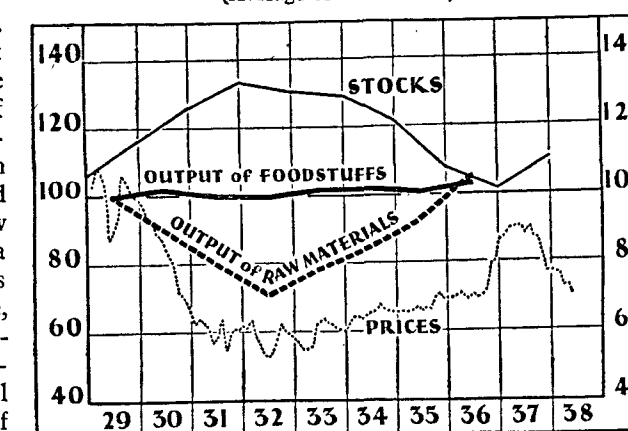
The Course of Prices

THE sudden collapse of the boom in primary products at the end of March, 1937, provided one of the first warnings of the coming recession in world economic activity. At first the headlong fall in prices was regarded as a necessary corrective to the inordinate bidding-up of quotations which preceded it. But the downward movement persisted. In examining the outlook in *The Economist* of December 4, 1937, we suggested that it would be rash to assume that the decline had reached its limit. This view has been confirmed by a further sharp drop in prices this year. The time, therefore, is opportune for a re-examination of the causes and implications of the abrupt reversal of the trend in the spring of last year and for an appraisal of the factors likely to influence the future course of prices.

Recent movements in prices of individual primary products have been far from uniform, though the trend

for the majority of commodities conforms to a general pattern. Before tracing the divergences between individual commodities, we may conveniently examine briefly the general tendencies at work. These are illustrated graphically in the accompanying chart, which shows the trend of the world production of industrial raw materials and crude foodstuffs, as well as of world stocks and sterling prices of primary products since 1929.*

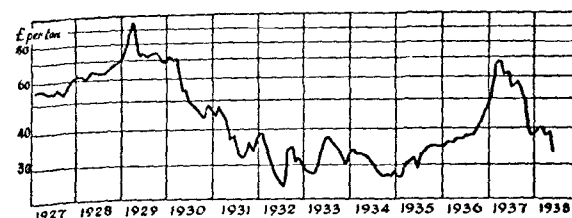
WORLD PRODUCTION, STOCKS, AND STERLING PRICES OF PRIMARY PRODUCTS, 1929-38
(Average of 1929 = 100)



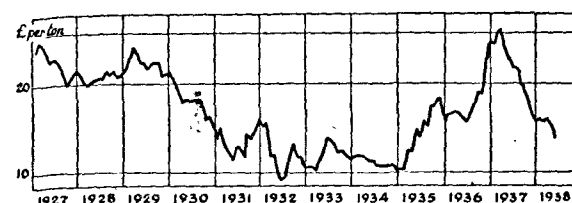
* The annual indices of production and the figures for stocks at the end of each year are those calculated by the League of Nations. The index of stocks is based on twelve industrial raw materials and twelve crude foodstuffs. The data for stocks relate to "visible" supplies as distinct from "invisible" supplies held by consumers. The trend of prices is shown on the basis of *The Economist's* index of seventeen primary products. For the purpose of comparing the movements of prices in 1929-30 with those in 1937-38 we have calculated this index back to January, 1929. All indices are based on 1929.

RAW MATERIAL PRICES

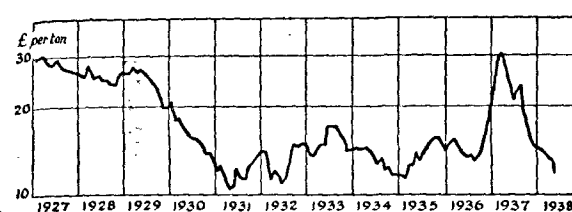
COPPER (Standard)



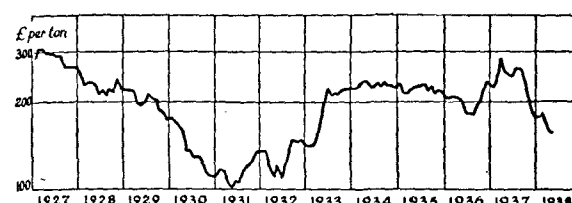
LEAD (Soft Foreign)



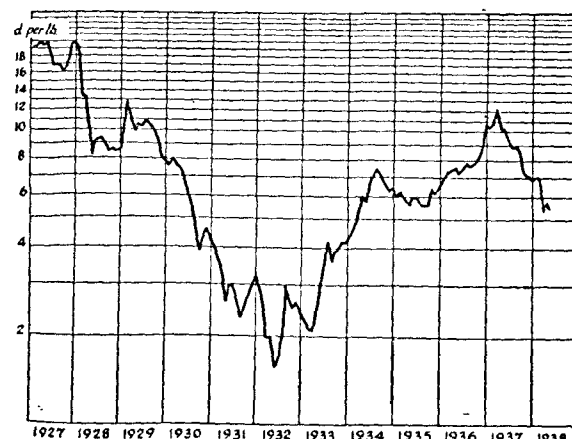
SPELTER (G.O.B.)



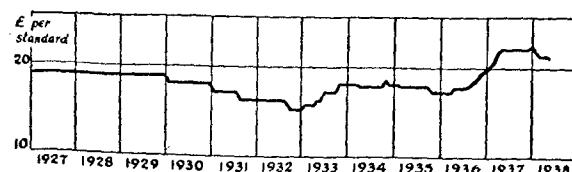
TIN (Standard)



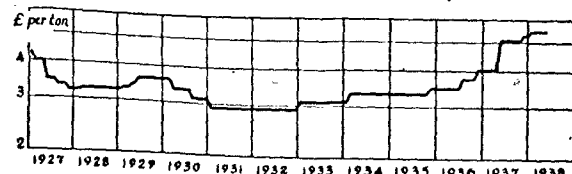
RUBBER (Smoked Sheet)



TIMBER (Swedish)



PIG IRON (Cleveland No. 3)



The diagram illustrates the instability of the prices of many primary products, due mainly to the difficulty of adjusting supply to demand at short notice. As a result of this short-term inelasticity of supplies, stocks invariably tend to increase, and prices to fall, during a period of declining demand. Conversely, a recovery in demand is accompanied by falling stocks and rising prices. Hence the close inverse correlation between the movements of stocks and prices shown by the diagram.

These tendencies are well known, but they do not, in themselves, explain the violence of the downswing of prices during the early phase of economic recession in 1929-30 and in 1937-38. Nor do they throw much light on the violence of the upswing in prices in the winter of 1936-37, which had no counterpart in the last phase of the previous world recovery movement. The explanation is to be found in the lack of synchronisation between consumers' purchases and actual consumption. Towards the end of a boom, as in 1929, consumers invariably over-estimate their future requirements and tend to lay in supplies in excess of their actual needs. And if, as in the winter of 1936-37, this re-stocking movement by consumers is accentuated by the fear of an actual shortage of supplies (which was absent in 1928-29), it may develop into a veritable scramble. Producers, in turn, confronted with an acceleration of purchases, tend to increase production beyond current consumption. When consumption falls off, however, consumers are as anxious to reduce their stocks as they were previously to increase them. Consequently, their purchases of new supplies tend to fall appreciably below current consumption. Producers, therefore, are faced with the problem of reducing output much more than proportionately to the decline in actual consumption. Hitherto, however, production has not shown sufficient elasticity to prevent the rapid accumulation of stocks during a period of falling consumption. Moreover, if, as in the case of wheat, farmers attempt to maintain their income by increasing output during periods of falling prices, the maladjustment between output and demand is seriously aggravated. This tendency powerfully reinforces the desire of consumers to reduce their new purchases to a minimum in the expectation of lower prices later on. Hence a violent slump in prices occurs in the early stages of economic recession.

As the diagram shows, the fall in *The Economist's* index of the prices of primary products between the end of March, 1937, and the end of last month, amounting to 27½ per cent., has been even more violent than during the corresponding period in 1929-30, when the index fell by 18½ per cent. As the fall since the end of March, 1937, was preceded by a consumers' re-stocking movement of greater magnitude than eight years ago, its violence is scarcely surprising. But it has certainly shattered the widespread belief that the existence of output or export control for many primary products, and the fact that prices did not recover to the level of eight years ago, would prevent prices from declining as sharply as they did during the last depression.

The movements of the prices of fourteen individual commodities, monthly from January, 1927, are revealed in the remaining diagrams which accompany this article. In order to bring out proportionate price changes, these diagrams have been drawn on a logarithmic-ratio scale.

A comparison of the price movements of the four non-ferrous metals is significant; for two of them (copper and tin) are subject to control, while the others (lead and spelter) are not. Early in 1937, quotations for lead and spelter rose above the highest level reached in 1929, while the prices of copper and tin failed to reach that level. All four metals rose sharply during the scramble in the winter of 1936-37, but the control of copper and tin did not prevent their prices from falling sharply in 1937-38 with those of lead and spelter.

Similarly, the control of rubber exports did not prevent prices from being driven up inordinately during the hectic boom of the winter of 1936-37 and from falling abruptly during the past fifteen months. The restriction of timber shipments by the leading exporting countries has driven prices during the intense demand of 1936-37 well above the 1929 level. Nor has the fall since then been as violent as in the case of certain other commodities. Similarly, the price of pig iron was raised well above the level of eight years ago; moreover, as a result of the substitution of central control for free competition among producers, it has so far been possible to maintain prices despite a fall in demand accompanied by an increase in stocks. It is intended to maintain the prices of forge, foundry, basic and hematite pig iron at their current levels until the end of 1938.

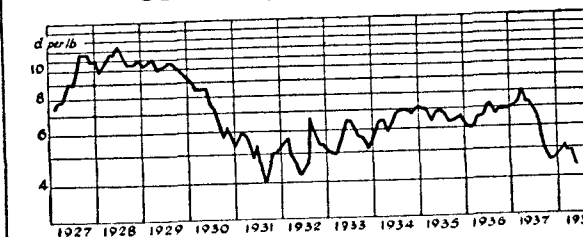
Of the remaining seven commodities, only wheat recovered to the pre-depression level during the boom in the winter of 1936-37, when prices rose sharply as a result of a short crop. But the anticipation of a harvest in excess of requirements during the current year has sharply reversed the price trend. The rise in raw cotton prices in the winter of 1936-37 was less steep than that of metals, for example, but the subsequent fall has been equally steep, the downward movement having been accentuated by a record crop harvested in the United States last year. Moreover, the current price of American raw cotton is almost as low as in 1931. In the case of raw wool, too, the rise of prices was fairly gradual in the winter of 1936-37, but prices have since fallen sharply, as the reduction in consumption took place at a time when supplies showed an increase.

Although the area sown to jute in India (the main source of supply) has been deliberately restricted in recent years, the recovery in prices was not very marked. But the absence of a more marked recovery did not prevent an appreciable fall in prices since last spring. The tea restriction scheme has been among the most successful. An inordinate rise in prices during recovery, as well as an abrupt decline since last spring, has been successfully prevented. Raw sugar hardly rose in price before the 1936-37 boom, when recovery was reinforced by a restriction scheme. But despite the scheme, prices have since suffered a severe setback. Coffee stands in a separate category, and is among the few commodities whose prices have fallen appreciably below the lowest level of the depression. Persistent efforts on the part of the Brazilian Government have failed to eliminate the tendency to over-production.

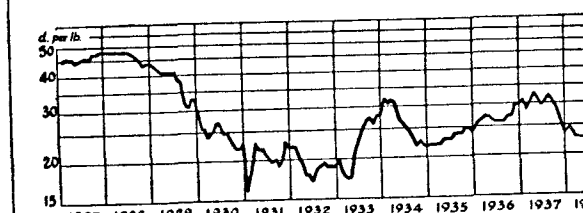
Despite the severe fall in prices since last spring, which has already carried the quotations for many commodities with a free market well below the level of the winter of 1936-37, there is still no conclusive evidence of an early reversal of the trend. As the United States consumes a large proportion of the world's output of primary products, the trend of prices in coming months will depend, to a large extent, on the course of events across the Atlantic. Most observers appear to agree that recovery in the United States is unlikely to make headway before the autumn—if then. Meanwhile, even substantial cuts in new supplies may do no more than temporarily avert the downward movement of prices. Consumers cannot easily be tempted under present circumstances to increase their purchases; and that condition is essential to a reversal of the downward trend of prices. There is some evidence, however, that stocks of industrial raw materials in the hands of consumers have been substantially reduced in recent months as a result of the widespread curtailment of purchases. Moreover, stocks in producers' and merchants' hands are not yet as unwieldy as they were some years ago. Market demand and prices, therefore, would now respond more rapidly to an improvement in consumption than five years ago.

TEXTILE AND FOOD PRICES

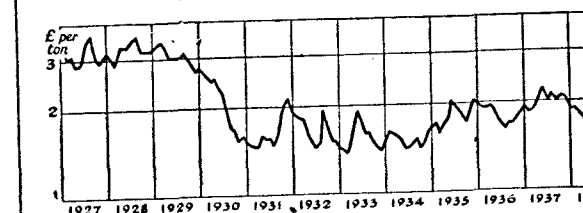
COTTON (American Middling)



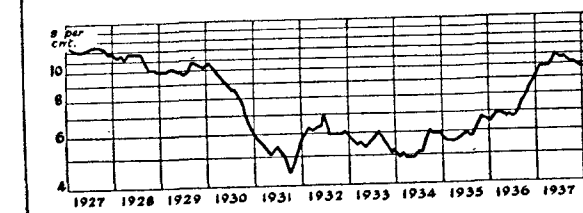
WOOL (Queensland)



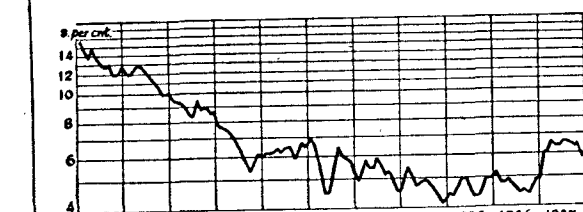
JUTE (Native First Marks)



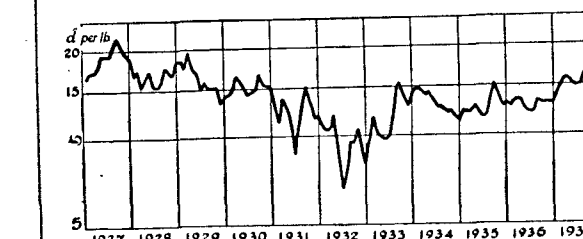
WHEAT (Average British Import Price)



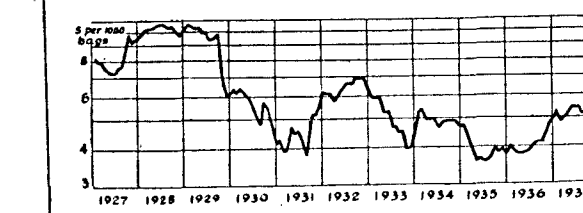
SUGAR (Centrifugals 96°)



TEA (Auction Average)



COFFEE (Santos Superior)



Britain's Future Budgets

THE task of the British Chancellor of the Exchequer in the years that lie ahead will clearly be a thankless one, and it is highly desirable that the problems involved should be considered in good time. In the Budget Supplement contained in our issue of April 9th, we endeavoured to sketch in outline the scale and trend of British revenue and expenditure in the next decade or so, and the difficulties which this picture brings are more fully examined in the memorandum by a group of economists which we print on pages 591 to 597.

Briefly, the authors conclude that we must expect expenditure to persist at a figure in the neighbourhood of £1,000 millions. It is not likely that the debt charge can be further reduced by a significant amount, and though we may hope in time for a reduction on defence expenditure, it would be taking a very rosy view to anticipate that it will fall below £200 millions for a long time to come. Even this figure represents a big reduction from the present high level, but against this saving we must anticipate that the rising tendency of civil expenditure, which has been rapidly growing since the beginning of the century, will continue.

To balance so large a Budget means that there is little hope of tax reductions, for, with a stationary or falling population, national productivity—and therefore taxable capacity—can hardly be expected to grow in the same spectacular way as it did during the nineteenth century.

Moreover, there are numerous features of the present situation which were not present a hundred years ago, such as the effect of a stationary population on the cyclical movements of trade; or, to take a problem with a more immediate bearing, the situation that will be created when re-armament and the resulting diversion of the resources of our metallurgical industries come to an end.

The net effect of this survey is a rather pessimistic one; for there can be no quarrelling with the general conclusion that the Chancellor's problem will not solve itself by the mere passage of time. It is therefore essential that the issue should be studied by the powers that be. For their consideration the authors of the memorandum have several suggestions to make. They are, for example, impressed by the difficulty of always balancing the Budget year by year, and in order to avoid the effects of restriction in bad times, they would like to see the principle established of balancing over a considerable number of years—which would mean, in effect, budgeting for surpluses in good years and deficits in bad. There is, however, an obvious political difficulty in resisting the pressure of the taxpayer for relief and persuading him that the surpluses of good years should be hoarded to make up the losses of the bad. The authors of

the memorandum therefore suggest that the desired result can be achieved in part by means of extra-budgetary funds, such as the Unemployment Fund which collects revenue in good years and dispenses it in bad. Again, the authors attach great importance to securing, and encouraging the public to expect, a lower level of the long-term rate of interest. This would help to maintain the volume of capital investment, which they fear may otherwise diminish in the decades that lie ahead.

These and other suggestions palliate, but do not solve, the main problem, which is that of meeting a steadily rising expenditure out of a static revenue. There are three possible ways out of the difficulty, namely, reduction of expenditure, an increase in the proportion of the National Income taken by taxation, or the discovery of some means of greatly increasing productivity. These possibilities—which are not in any way exclusive of one another—raise searching economic questions; and there may be, in fact, more hopeful possibilities than the authors of the memorandum suggest. For example, it is important to bear in mind that a very substantial proportion of the increased civil expenditure of recent years has been incurred in subsidies to industries of various kinds. This means a transfer from the taxpayer's pocket to concerns engaged in forms of production which in some cases are notoriously uneconomic. The time may come when we may decide that we cannot afford this luxury. Again, it has been the policy of the Government in recent years to encourage methods of control of industry and agriculture, which tend to restrict and limit output. This, on a short view, may safeguard profits, but in the long run is in grave danger of limiting the National Income, on which the nation's ability to pay its way depends. Again, it would not be unreasonable to expect that the growth in the wealth of this and other nations would be much greater than we have experienced in recent times, if there were less restriction upon international trade. The authors of the memorandum seem to think it unlikely that productivity will increase faster than in the nineteenth century; but, with the advantages brought within our reach by science and invention, there is no reason why the pace should not be greatly accelerated if we can free ourselves from the economic nationalism engendered by suspicion and fear.

The Budgets of the future will be determined by economic progress, and it is towards the problems of economic policy as a whole that this portrayal of our Budgetary dilemma will direct attention. The authors of the memorandum are well aware of that. And it is to be hoped that their work will help to stimulate public interest in so vital an issue.

Topics of the Week

Parliamentary Conspectus.—On Monday, Parliament reassembles after the Whitsun adjournment. Mr Chamberlain, who succeeded Earl Baldwin as head of the National Government just over twelve months ago, has difficult days ahead. Since the New Year, the events, which led to the resignation first of Mr Eden and then, more recently, of Lord Swinton have shown the limits within which, to retain his Government's prestige and support in the country, the Prime Minister must set his course. Since 1935, when Mr Baldwin (as he then was) brought back the National Coalition to Westminster with a very substantial majority, the world scene has changed. An international armaments race is now in full swing, and all parties have recognised the grim need for building

up national power. Yet, the Eden crisis revealed that over a wide front, ranging from within the Government's ranks to the extreme Left of British politics, the memory of the policy of collective security put before the electors by Mr Baldwin in 1935 had not faded. The Government's supporters still hope that Mr Chamberlain's Anglo-Italian Agreement may avert an international clash, while Lord Halifax has gained the credit of helping to stay Her Hitler's hand in Czechoslovakia. But the present impossibility of bringing the deal with Signor Mussolini to fruition leaves the Government's policy in a state of suspense where one false step, one move clearly detrimental to the international interests of peace and democracy, would gravely endanger Mr Chamberlain's prestige.

If the Government is not appreciably weaker than in January, the Opposition has scored some successes. On foreign affairs they ask for a foreign policy which does not compromise with principle. At home, they support the defence programme, but ask that it should be efficiently executed. Steady pressure, both within and without Government circles, has secured promises and some earnest of more adequate deliveries of aircraft and more effective development of air-raid defences. Mr Eden's departure was a warning to the Government in its foreign policy. Lord Swinton's resignation followed a widespread warning that all was not judged to be well in the field of home defence. And there have been secondary disturbances since the year began. The impossible task of unscrambling the Palestinian omelette has been pursued in surroundings of murder and repression. Riots in the West Indies have drawn attention to fundamental economic problems in the dependent Empire. Among domestic legislative projects the Coal Bill has been almost mortally wounded by the skilfully deployed opposition of vested interests. On the other hand, some useful measures have been passed. A harsh Budget has met the present emergency without seriously alienating the electorate. A notable agreement with Eire has been ratified. Bills to regulate hire-purchase and road transport wages have won popular favour; and legislation to facilitate the concession of holidays with pay is promised. Measures to rehabilitate the good name of Britain in a world of base propaganda, through the radio and other agencies, have been well-devised. In eight bye-elections, the Government groups have held three seats, and lost three to Labour, while Labour has retained the other two. But in spite of these reverses, the Government has lost little ground this year, though its position has grown much more precarious. The Anglo-American Agreement after a propitious beginning to the negotiations has hung fire. The promised Bills to reorganise electricity distribution and to reform prison conditions have yet to appear. The Government may catch up all these loose ends before the Session ends in the autumn. But its future almost wholly depends upon the part which Britain plays in the course of world events during the next few months.

Trade Recession.—Fears that the downward trend of business activity is not likely to be halted in the near future have been confirmed by the unemployment returns of the Ministry of Labour for May (which we discuss in detail on page 623). The total number of unemployed on the register on May 16th was 1,778,805, of which 1,314,118 were wholly unemployed. This was 31,041 more than on April 4th and 382,000 more (on a comparable basis) than the figure for May, 1937. Usually, unemployment falls in May. Although the number of workless in that month is commonly swollen by a seasonal decline in coal-mining activity and the appearance on the labour market of boys and girls leaving school without jobs, in most years these unfavourable influences are more than counterbalanced by

increased employment in the summer trades. Last month, however, diminished unemployment in building, public works contracting, the distributive, hotel and boarding-house trades, hosiery, bread and biscuit manufacture, and shipping was not sufficient to outweigh the increased number of unemployed persons recorded in the export and metal trades. It is true that the number of unemployed school-leavers, which increased by 10,236 between April 4th and May 16th, was larger than usual; that frost and drought had interfered with farming; and that temporary stoppages in coal and cotton swelled the number of workless. Nevertheless, the latest returns, even if these accidental factors are discounted, bear witness to a distinct and growing recession in trade. In a year, unemployment in the textile trades has risen by 105,000; in the metal trades by 27,810; in engineering by 18,070; in iron and steel by 17,710; and in motor, cycle and aircraft manufacture by 11,860.

The majority of consumers' goods trades are still active. Activity in building and public works contracting has been surprisingly well maintained, and is little less marked than a year ago. Yet the consumers' goods trades cannot long escape the unfavourable repercussions of the slump in the export and capital goods industries; and building plans approved have declined this year. When the current seasonal stimulus in general business has abated, therefore, a sharp decline from present levels of activity may be indicated; and the vitally important constructional trades may suffer an appreciable recession. Clearly, the demands of the re-armament programme upon industry are proving inadequate to sustain the whole structure of business activity at a time when wars, diplomatic tension, and falling commodity prices are taking their toll of British trade.

Birthday Honours.—The latest Honours List, published to mark the King's birthday, which was formally celebrated on Thursday, is relatively small. The organisation of a political party during years of great Parliamentary strength is no nominal task. Lord Stonehaven, promoted to a viscountcy, played a notable part between 1931 and 1936 as Chairman of the Conservative Party Organisation in removing friction among Conservatives held in National bonds. Mr Hacking, the present Chairman of the Conservative Party, is made a baronet. Civil servants, very properly, are widely honoured. But the most striking (and well-deserved) award is the conferment of a barony upon Sir Josiah Stamp. Sir Josiah, President of the London, Midland and Scottish Railway, member of the Economic Advisory Council, director of the Bank of England, and a former president of the Institute of Transport, the British Association and the Royal Statistical Society, bestrides the entire compass of our national economic life. Fittingly president of the new Institute for Economic Research, Sir Josiah bridges the gap between academic economics and

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business. Other personages in the world of practical economics have been honoured. Mr R. C. Davison, authority on unemployment administration, has been knighted—for political services. Mr Arthur Reader, Deputy Director of Statistics in the Ministry of Labour, receives the O.B.E. Lord Weir, who recently withdrew from the Air Council, becomes a viscount; and among the minor beneficiaries several have played an important part in A.R.P. organisation. Sir Arthur Eddington receives the Order of Merit. Sir Arthur, by scattering star-dust in popular writings, which have startled his pragmatic colleagues and encroached upon the philosopher's field, has added a more general fame to his world reputation as a scientist. Arts and letters are under-represented in the List. Altogether, the Honours List continues to be no more and no less than a mirror of prevailing values in British public life.

★ ★ ★
France and Italy.—Having got Mr Eden out of office and an Italo-British agreement concluded on paper, Signor Mussolini has lost no time in justifying our former Foreign Secretary by differentiating between Italian nominal friendliness towards us and undisguised hostility towards our ally France. In the Chamber at Paris on the 2nd of this month, M. Bonnet told the Foreign Affairs Committee that, while there has been no contact between the French *chargé d'affaires* in Rome and Count Ciano since May 17th, he hoped for an early resumption of the negotiations for a Franco-Italian agreement on the Anglo-Italian pattern. At the same time, he made it clear, once again, that the reintroduction of international control along the Pyrenees frontier of France was to be conditional upon the simultaneous reintroduction of effective control along the Portuguese frontier and over seaborne traffic. On the same day at Milan, Count Ciano made a speech in which he said not a word about the resumption of the Franco-Italian negotiations, but boasted of Italy's "glorious participation" in a fight that was being "victoriously waged" in Spain. His only reference to Franco-Italian relations was, though indirect, both unmistakable and offensive. "Nothing is more dangerous," he declared, "than to conclude agreements which conceal, under ephemeral compromises, ambiguities and mental reservations." On Monday, at the Socialist Congress, M. Blum told his audience that if non-intervention were made, by agreements, to mean intervention by certain Powers only, France would take full liberty of action. We hope that Mr Chamberlain has been applying Count Ciano's words to the Anglo-Italian agreement, and has been taking the moral to heart. On Sunday, bombers from Spanish insurgents' territory went 48 miles into France and dropped 18 bombs of 220 lb. weight—happily without damage to life or limb, though with some destruction of property. On Monday they were driven off after having penetrated only 2½ miles, and before they had done any bombing. Both raids were the work of nine planes flying in formation, and it is difficult to explain them except as provocation. The French Air Force has now been given orders to attack at sight any foreign aircraft that shows itself in French air. "By gad, sir, Eden was right," is the comment suggested by these latest happenings on the Spanish front.

★ ★ ★
Germans and Slavs.—The attempt to solve the Czech-German problem by negotiations between Herr Henlein's deputies and M. Hodza is still dragging its slow length along. During the last week, however, the Sudeten German Party have simultaneously slowed down their demands, and increased their propaganda, both from within and without Czechoslovakia. On Wednesday it was unofficially reported in Prague that the extension of military service from two to three years (foreshadowed in our *Survey Europe Beyond Germany*, May 14th, page 351) was being introduced this week. Whether this becomes official or not, it is known that the Czechs fear a long-drawn-out campaign of nerve-racking pressure from Germany, by propaganda, economic

means and political incidents. Accordingly, Czech military preparations, especially at the frontier and now as close as fifty kilometres round Prague, together with the organisation of the new reservists, are not being curtailed. The military authorities are said to attach little importance to the withdrawal of German troops about thirty kilometres from the frontier, for they point out that the German road system would enable concentrations to take place on the frontier itself within less than an hour. The general worsening of the European situation this week has naturally been felt in Czechoslovakia.

★ ★ ★
Czechoslovakia's relations with Poland and with her Southern Slav ally in the Little Entente have this week taken a turn for the worse. The Slovak autonomists, led by M. Hlinka, have always been supported by certain Polish and Hungarian interests. On Whit-Sunday, these autonomists held a big meeting in Bratislava, and it was hailed by the German and Polish official press as a sign that Czechoslovakia was already splitting up. The autonomists, however, have only 30 per cent. of the votes in Slovakia. Before Poland and Hungary together could hope to nip off Slovakia, something like a major European conflict would have already broken out. This does not, however, prevent Colonel Beck from continuing to run with France and hunt with Germany. The position of M. Stoyadinovitch, on the other hand, is rapidly becoming as dangerous, *vis-à-vis* Germany, as that of Signor Mussolini. After the annexation of Austria, the endangering of Trieste—recognised this week by the announcement that new Italian subsidies are to be paid to compensate the port for its loss of Austrian trade—has been paralleled by German penetration of Slovenia. For some time Germans have been purchasing property in Slovene districts bordering upon Austria, and recently the purchases have greatly increased. The two largest towns, Maribor (Marburg) and Ljubljana (Laibach) have become centres of Nazi influence; and the Slovene Minister of the Interior at Belgrade, Father Koroshetz, has been driven to make several arrests. His action, however, has been hampered by the Government over the head of which the German Consul-General, who is also the Nazi Gauleiter for Yugoslavia, is said to have strong influence. While the Catholic Slovenes feel very bitterly against Germany, they are not strong enough to oppose German pressure through their narrow corridor to the Adriatic if M. Stoyadinovitch and his Government do not oppose it. It begins to look as if both Italy and Yugoslavia have already given up the attempt to keep Germany from the Adriatic, as they both gave up the attempt to keep her out of Austria.

★ ★ ★
Further Disturbances in Jamaica.—The mixture of responsible labour agitation with mere lawless violence, which has characterised the trouble in Jamaica, has continued during the past week. There have been several deaths as a result of firing by the police, but there are occasions when drastic action, in which the innocent may suffer, is necessary if a much greater number of lives is to be preserved. The acting Administrator has reported that conditions are normal in Kingston, and less difficult in the smaller towns than had been expected. An earnest of intention to alleviate the lot of the poor people of the colony has been given in the announcement, which has been well received throughout the island, that £500,000 would be spent on land settlement. In a debate initiated in the House of Lords by Lord Olivier, last week, Lord Dufferin declared that, while the economic problem in Jamaica was bound up with that of over-population, due to the high birth-rate and the closing of outlets for emigration, it fundamentally turned upon the price obtained for the colony's staple crops. The root cause of discontent, he admitted, was the low rate of wages paid, and wages could be raised only if the price of sugar were raised. Both Lord Dufferin and Lord Harlech defended the international sugar agreement, which they claimed had failed to ensure a satisfactory price, not by reason of its own

defects, but because the general fall of prices had brought down sugar prices with it, and because the Sino-Japanese war had curtailed Far-Eastern markets. The Government were hopeful that further surrenders of quotas would be made and would result in a higher price. Until it was clear that such efforts had failed, we should honour our signature to the agreement.

★ ★ ★
National Anthem in South Africa.—On the morrow of an election that had manifested the burying of South African racial hatchets, a tactless official decision provoked an unpleasant exhumation and embittered inquest. It appears that at certain military celebrations on Union Day, orders were given for the playing of a few bars of "Die Stem van Zuid Afrika" for the General Salute. This in itself was not objectionable, but the total omission of "God Save the King" from the musical programme naturally enraged many English-speaking South Africans. The apparent adoption of "Die Stem" as the Union's sole and privileged national anthem seemed to them a deliberate betrayal of pledges given only a few weeks before by the Prime Minister, and a breach of the understanding on which the General Election had been fought and won. A sharp swing against the Government in a provincial by-election in Johannesburg showed which way the wind was blowing. Mr Stuttford, Minister of the Interior, tendered his resignation from the Cabinet, but withdrew it when an agreed statement was issued, undertaking that on all formal occasions, under Government auspices, when either "God Save the King" or "Die Stem" was played, the other would be played also. It is to be hoped that this compromise will assuage an inflammation that ought never to have been so clumsily excited. The lesson of experience in mixed racial communities in the British Commonwealth is that democratic public life is constantly harrowed unless each party recognises and respects the symbolism of the other.

★ ★ ★
Congress and the Railroads.—Summer is wearing on in Washington, but Congress will scarcely be able to adjourn this week-end as had been hoped. Difficulties have arisen in an unexpected quarter. Instead of a deadlock in the conference between the Senate and House of Representatives on the level of the national minimum wage to be written into the Wages and Hours Bill, agreement on the 25c. per hour national minimum was reached on Wednesday. This measure will therefore probably pass into law this Session. But a new difficulty has been caused by the rapidly worsening situation of the railroads. Their plight has rendered measures for their capital reorganisation, and for financial accommodation in the meantime, both urgent and imperative. Measures of both kinds involve examination by the Inter-State Commerce Commission, which must certify a railroad's solvency before that railroad can obtain a loan from the Reconstruction Finance Corporation, and must also pass upon any scheme for capital reconstruction. It has long been said that if these measures were not quickly pushed through, all but two American railroads would have very shortly to suspend all interest payments. The railroads in 1937 paid out \$1,985,323,363 in all forms of wages and salaries; their employees have fallen within twelve months from 1,115,100 to about 960,000; and the total of unmatured funded debt in the hands of the public in 1936 was \$11,240,690,928. The problem is therefore as much one of national and political as of purely economic scope; and both senators and representatives of both parties have lately become seriously perturbed by the dimensions of the problem. Meanwhile the results of another primary election, this time in Iowa, have not succeeded in clarifying the issues in American politics; both parties' polls showed evidence of internal and as yet unresolved dissension. Politics is coming to hang more than ever on economic conditions in America.

★ ★ ★
Voices from America.—On June 3rd two authoritative and significant public statements were made on the present state of the world and on America's position and

attitude. While Mr Hull was speaking at Nashville, in his own state of Tennessee, his Under-Secretary of State, Mr Sumner Welles, made a statement at Washington after consultation with the President. Mr Hull's theme was, unhappily, as familiar as it was crucial. He spoke of the present wave of contempt for international law, justice and good faith; and also of the "scarcely imaginable brutality" with which this new lawlessness is now going to work in its use of armed force. He then took up the issues thereby presented to the United States, and deprecated, once more, the idea that America could effectively meet international anarchy by national isolation. This latter policy he stigmatised as a counsel of despair, an admission of defeat, and a fruitful source of insecurity. In conclusion, he prophesied that the chances of a re-establishment of international law and order would largely depend upon the sincerity and firmness with which some nations, at least, upheld, in the international field, the principles of law, justice, morality and co-operation. He expressed a hope that one of these nations would be the United States. Mr Hull also declared that the United States was prepared to join other countries in working once more for the humanising, by common agreement, of the rules and practices of war; and this was Mr Welles's subject on the same day at Washington. The Under-Secretary denounced the indiscriminate mass-bombing of civilians which has been intensified, during the past week, in both China and Spain. It will be noticed that the American statesmen were speaking on the same day and the same subject as Mr Chamberlain in the House of Commons; and this Anglo-American consensus is made all the more impressive by the fact—which was elicited from Mr Welles by a questioner—that there had been no pre-arrangement of their respective utterances. It is devoutly to be hoped, however, that there will now be some concerted action.

★ ★ ★
The Irish Election.—An unexpected issue has arisen in the general election campaign following the announcement by Mr de Valera that in certain circumstances he will seek to abandon proportional representation in favour of the former single-seat constituencies. When this change was made in Northern Ireland it was deeply resented by all shades of nationalist opinion as an attempt to secure unfair advantages for the Government party. Nobody, indeed, expressed more indignation at the change than some of the Irish Ministers, who are now prepared to follow Lord Craigavon's example. The arguments used in favour of the abolition of "P.R." are that it gives rise to unstable government by preventing any party from receiving an independent majority and that it puts the Government at the mercy of sectional interests. The alliance between

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Mr de Valera's party and the Labour Party has been dissolved. Relations of bitter hostility have taken its place, and it is clear that Mr de Valera has no intention of being dictated to by Labour in the new Dail. Indeed, intelligent students of politics are forecasting that the policy of the Government, if returned at the election, will be far more Conservative and economically orthodox than in the past, and that the desire for an independent majority is based on the fear of being driven too far to the Left in social legislation if it is dependent on Labour support. Some commentators even prophesy that the Government will be not only Conservative but reactionary, and that the present liberty of the trade unions will be severely curtailed. This apparent "swing to the Right" by Mr de Valera will secure him a good many votes at the expense of the Cosgrave party, and may even give him the clear majority on which he has set his heart. In that event, presumably, "P.R." would be retained.

* * *

Engineers in Conference.—Unemployment in engineering and in motor, cycle and aircraft manufacture is still rising. The latest figures go some way to confirm the contention of the Amalgamated Engineering Union, who have been meeting in conference at Morecambe, that there can be no shortage of skilled engineers to justify the employers' request for the dilution of labour on urgent armaments work. On the other hand, the growing recession in engineering, despite the stimulus of Government orders, offers little hope that the A.E.U.'s claim for increased wages and a 40-hour week, strongly supported by the Conference, can be met in present circumstances. The A.E.U. are naturally jealous of their craft privileges. At Morecambe, protests against dilution by the transfer of unemployed trainees into engineering shops and the introduction of women were registered; and a time limit was set upon the Executive's negotiations for higher wages. In politics, the A.E.U. stand to the left of official Labour. At Morecambe, a resolution to approve the affiliation of the Communist Party to the Labour Party was defeated only by a casting vote. The A.E.U. are not certain whether their own trade union point of view was stated with proper independence at Sir Walter Citrine's recent interview with Mr Chamberlain. Altogether, the Conference suggested that the engineers are not convinced of the need to make widespread concessions of their privileges at the present moment.

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The I.L.O.'s New Director.—The International Labour Organisation is, by its own international definition, a propagandist body. It is an association of States which recognise that "Conditions of labour exist, involving hardship, injustice and privation to large numbers of people, and seek to improve these conditions by common or international action." The character of the Organisation's work, moulded by M. Albert Thomas, its first Director and a Socialist, has never been partisan, but it has always been strongly reformist. Mr John Gilbert Winant, promoted from the Assistant Directorship to succeed Mr Harold Butler as Director, will carry on this tradition. A Republican supporter of President Roosevelt's New Deal in industrial relations, Mr Winant is aptly suited to the rôle of medical officer of industrial health, in an unfortunately insanitary world, which is the I.L.O.'s chief function. Facts speak for themselves from Geneva, and the I.L.O.'s collation of information and statistics about world labour conditions have more influence in the shaping of nations' industrial policy than much propaganda of a more argumentative kind. Mr Winant, who was once a school master and held the office of Governor of New Hampshire for a record term, will strengthen by his tenure of office the United States' membership of the I.L.O. Mr Winant has been three years at Geneva, and the experience of his whole public life qualifies him for promotion.

Two Wars.—The still undeclared wars in China and Spain have flared up to startling heights this week. General Franco's troops have still not attacked in force on the Ebro front, but are nibbling down the coast towards Valencia—an indication that the war will go on much longer than was thought possible a few weeks ago. The activity of the insurgents' foreign bombers has been paramount. On Wednesday they added to their bombings of French territory and of British trading vessels a deliberate attack on the British-owned harbour and warehouses at Gandia, though they were clearly marked by British colours; and bombed two British vessels on Thursday, killing two more British sailors. The quick dispatch by the British Government on Wednesday of a destroyer to inquire into the circumstances of the attacks may herald even farther-reaching measures in the near future; though small warships are of more use against submarines than against aircraft. Their presence will, however, force the aerial pirates to fly higher than 300 feet, the altitude from which British property at Gandia was bombed.

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Despite the heavy toll in Spain, the continuous Japanese aerial bombardment of Canton this week has been much more dastardly and destructive. The city has been subjected to over a score of raids in less than 72 hours, resulting in the paralysis of municipal services and the destruction of foreign hospitals and property. Over 10,000 casualties are said to have been inflicted in this centre of Chinese civil life during the last two weeks, and the number of killed is reported to run into many thousands. As we pointed out last week, the Japanese are concentrating on breaking the Hankow-Kowloon railway and destroying the morale of the Chinese people. But in so doing they have elicited a sharp protest from the American Secretary of State on the bombing of the American University at Lingan, and evoked a spate of cabled protests from British, French, American and other doctors and missionaries to their Governments. The complete lack of defences at Canton emphasises the civilian character of the Japanese objective; and Marshal Chiang Kai-shek cannot spare aircraft to defend it now that the Japanese thrust along the Lunghai railway towards Hankow is being intensified. In both theatres of war "frightfulness" has now become the prerogative of the aggressors.

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Expropriation in Mexico.—It was announced in Mexico City on Wednesday that the application of the 16 foreign-owned oil corporations in Mexico to the Federal District Court for an injunction against the expropriation of their properties, decreed by Government on March 20th, had been refused. The companies are now appealing to the Supreme Court. The District Court very naturally, and in accordance with tradition, could scarcely be expected to pass judgment finally upon so important a case as long as there was always a Supreme Court in the background. Consequently the District Court has preferred to hand the unwanted baby over to the higher court. In its judgment it says that the Government's action in expropriating the companies was constitutional and legal because it concerned a public utility—which principle, it says, is recognised by the most progressive countries as contributing to public welfare. (Is this a sly dig at President Roosevelt's attack on the American utilities; like the dig which the Mexican Government allowed itself in reminding the British Government, in the last exchange of Notes before the suspension of diplomatic relations between their countries, of the non-payment of the British war debt to the United States?) The District Court allowed the companies an injunction to protect their cash in hand and at the banks, their books and their documents, as being private property. All their other property and chattels were held to be validly expropriated as long as just compensation were paid. There is still the rub. How much compensation is to be paid? How, where and when?

THE LONG-TERM BUDGET PROBLEM

THE ECONOMIST is indebted for the opportunity of publishing this study of the long-term Budget problem to Messrs O. T. Falk and Company, on whose initiative it has been prepared. The study is the work of a group consisting of Mr O. T. Falk (Chairman), Mr Thomas Balogh, Mr Geoffrey Crowther, Mr N. F. Hall and Mr H. D. Henderson. The opinions expressed are those of the authors.

Introduction

THE recovery and the exceptional buoyancy of revenue which we have enjoyed since 1932, coming after the relief afforded by the fall in the debt service, have tended altogether to obscure the basic problems of the Budget. In the last few months, on the other hand, the necessity of further increasing re-armament, coupled with the threat of economic recession, has suddenly concentrated attention on the immediate outlook.

What is the burden that re-armament will eventually cast on our national finances before it is completed? How much further taxation must we prepare ourselves to shoulder as a consequence? This memorandum is concerned only incidentally with those questions. It attempts, as its title indicates, to look further ahead. It may be thought that this is a task which might advantageously be deferred until the immediate problems have become less acute, and until the situation that will confront us later has become

more clearly defined. Such a view would be natural; yet we think it would be mistaken. The questions of financial policy that will arise when the present phase of intensive re-armament is over are likely to be in many respects more difficult even than those of the period immediately ahead; and it is important that they should not take us by surprise. Moreover, the way in which our immediate problems are dealt with must necessarily depend largely on the assumptions that are made about the long-distance outlook.

The object of this memorandum is to show that the long-term problem of the Budget is not only a product of the present abnormal re-armament expenditure, but also that of achieving, in the conditions of the years to come, a balance between social progress and reform on the one hand and economic productivity on the other in an individualist capitalist country, democratically controlled.

I. The General Problem

1. The fiscal burden left behind by the Great War was of such magnitude as to appear disastrous, had it not been for the precedent of the period after the Napoleonic Wars. The National Debt in 1815 amounted to about £800 millions, or only about one-tenth of the post-1918 or present gross National Debt. But the National Income in 1815 was considerably less than one-tenth of what it is to-day. McCulloch's estimate for 1837 was only £297 millions, including the whole of Southern Ireland, and though Mr Colin Clark gives reasons for believing that figure to be too low for 1837, it may well be too high for 1815. The present National Income of the United Kingdom (including only Northern Ireland) is somewhere in the neighbourhood of £5,000 millions. Thus, as compared with the present, the burden of the National Debt after Waterloo represented at least the same, and probably a higher, proportion of the National Income, while the fiscal machinery available for transferring resources from the public to the State was then much less efficient than it has since become. Public opinion in the early post-war years was heartened by this parallel. We knew that in the nineteenth century the mere passage of time had served steadily to lighten a debt burden which at first had appeared to be almost crushing. It seemed not unreasonable to hope that this experience would be repeated.

2. There are, however, fundamental differences between the position last century and to-day. The decline in the oppressive nature of the debt burden in the nineteenth century was due only in small degree to the repayment of debt and the consequential reduction in the annual debt charge. The interest charge, which was £31½ millions in 1817, was still £28 millions thirty years later and £27½ millions sixty years later.

The reduction in the burden of taxation was due almost entirely to the fact that, while the National Income was rising very rapidly, the total of the Budget showed very little increase. Thus in 1817, when the National Income was probably no more than £300 millions, the Budget was £55 millions (debt £31½ millions; other expenditure £23½ millions). Fifty years later (1867-68), when the National Income was nearly £900 millions, the expenditure was £71 millions (debt £26½ millions, war services £26½ millions, all other £18 millions). By 1886, when the National Income was something like £1,400 millions, the Budget amounted to £91 millions, of which the debt took £28 millions and all other expenditure £63 millions. Thus, while the National income increased about five-fold, the debt charge remained stable, other expenditure increased in about the ratio 100:240 and total expenditure rose in the ratio 100:160.

A Changed Background

3. The disappearance of the fiscal problem of 1815 can therefore be ascribed to the following factors:—

(a) The eightfold or tenfold increase in the National Income due to—

(i) the increase in population from 10 millions (England and Wales) in 1811 to 36 millions in 1911;

(ii) an increase in average productivity per head to something like two and a half times what it was at the beginning of the period (a compound rate of just under 1.0 per cent. per annum).

(b) The relatively stable total of the expenditure of the State itself due to—

(i) the absence of major wars, which enabled expenditure to be covered by revenue without increasing the total of the debt;

(ii) the fact that expenditure on non-debt service did not increase in proportion to the national income. (In fact, it seems to have shown no increase at all during the first third of the century, to have increased at about the same speed as the population for the middle period, and to have more than doubled in the last thirty years before 1914.)

In the years to come not all these factors will be present.

The population has now almost ceased its growth, and within another two decades will begin to decline. In 1970, which is only a generation ahead, the population of England and Wales, at present about 40½ millions, will have been reduced to between 33,700,000 and 37,300,000, according to Dr Enid Charles' alternative estimates. We can expect a continuance of the growth of productivity per head. We cannot, however, say how rapid it will be, since it will depend on two unknown quantities: the supply of inventions and technical ingenuity and the policy adopted by the community to make them effective; and the degree to which potential productive capacity is not wasted, as, for example, by unemployment. This latter factor is likely to be of the greatest importance; for no advance in technical possibilities is of much avail if its fruits are thrown away.

Unfortunately, there are reasons for apprehending that in this respect there have been great changes in our present circumstances from those prevailing in the nineteenth century. Then there was an expanding demand for the use of capital in providing the rapidly growing population with new capital goods and in the exploitation both at home and abroad of the great scientific and commercial inventions of the age. To-day the British possibilities for overseas investment are much reduced, and the changing trend of the population will diminish the demand for capital required to supply the needs in houses and industrial equipment arising from constantly growing numbers. Thus, while the supply of savings is certainly no smaller and probably much greater than ever before, the demand for capital at any given rate of interest is tending to fall. The natural result will be a tendency for savings to run periodically to waste in depressions. Moreover, when other things are equal, the recovery from depression is likely to be slower under conditions of declining numbers. A condition of redundant productive capacity, having once been reached in any industry, is likely to prove more obstinate, when the automatic growth in demand arising from the growth in numbers is no longer there to help us out of our difficulties. Apart from these possibilities of greater unemployment, heavy expenditure on re-armament is likely to be a factor checking the growth of the national real income. All these considerations being taken into account, it seems unlikely, if conditions and policies do not change profoundly, that we shall experience a rate of increase of average productivity higher than 1 per cent. per annum, which is the maximum estimate for the smooth expansion of the nineteenth century. The actual rate experienced in the next generation may be no more than ½ per cent. per annum.

These figures enable us to fix limits within which the National Income of 1970, at to-day's prices, must lie. Assuming the larger estimate for population and a rate of increase of productivity of 1 per cent. per annum, a level of 126 per cent. of the present will be attained. Taking the lower estimate for population and a rate of ½ per cent. per annum, the National Income for 1970 will be only 97½ per cent. of what it is to-day. After 1970, it will require either a less steep decline of population or a rapid increase of productivity, or both, to stop the National Income falling.

Taxable capacity may be assumed to rise more than in proportion to income. But even so, it requires very optimistic assumptions to envisage a national revenue, on the present scale of taxation, of as much as a quarter larger

than the present at any time within the next thirty years. The pessimistic assumption is that taxable capacity will show no increase on balance, though it may rise in the earlier years and then decline.

Future Expenditure

4. Is it possible to make any similar prediction, or to place limits for prediction, concerning the expenditure side of the Budget? Total expenditure in 1938-39, omitting Post Office, will be as follows:—

	£ millions
Debt charge	230
Defence forces	340
Civil services	465
	1,035

There is no prospect of any substantial further reduction in the debt charge. There is not likely to be any margin of revenue for a large sinking fund, and further major conversions, though possible, are perhaps not likely. At present, we are borrowing heavily for re-armament expenditure; and for this reason alone, the total of the debt is likely to increase. There is, however, one proviso to any forecasts of the debt service, namely, that the real burden it represents would be reduced *pro tanto* by any fall in the value of money. In this way, a continuous increase of the debt of £80 millions per annum could, in theory, other things being equal, be offset by a steady rise in prices of 1 per cent. per annum. But unless we assume that the value of money is going to fall more rapidly than the debt is increased, it would be rash to forecast any reduction in the present real burden of the debt.

The future of the defence charge cannot be predicted. On the one hand, it is the official doctrine that a large part of the present expenditure is non-recurring, and it seems only reasonable to hope that we shall not for ever re-arm at the present rate. On the other hand, technical progress tends to increase the scale and therefore the cost of armament. Unless international relations become more settled than at present we are likely to be spending at least £200 millions a year on defence for a long time to come.

The present expenditure on civil services, in round figures, is as follows:—

	£ millions
General administration, tax collection, etc.....	67
Education and health	88
Pensions—Old age, etc.	65
War	43
Labour and unemployment	81
Industry, agriculture, roads, etc.	41
Contributions to local authorities.....	54
Margin for supplementary estimates	10
	449

The only one of these items that can be counted on to decline is present War Pensions. Since the proportion of old people, a generation hence, will roughly have doubled, any saving on War Pensions may be absorbed by an increase in the total of Old Age Pensions, irrespective of any increase in the low standard of such pensions. There will be fewer children; but in practice there is unlikely to be much opportunity for reducing the number either of schools or of classes, which are the main determinants of expense. Moreover, there will be pressure for improvement of standards. The "Education and Health" item will probably be no smaller than it is now and may well be larger. The same applies to "Labour and Unemployment." Moreover, a declining population will increase the difficulties of local authorities in raising revenue by rates, so that there will be either a larger contribution from the Exchequer or else the direct assumption by the State of burdens now borne locally.* Taking the total item by

* Of course in the very long run a declining population tends to reduce the absolute total of social expenditures, but this is no help because it is the expenditure per head which matters. This tends to increase.

item in this way, we are forced to the conclusion that there will be a substantial increase in civil expenditure, probably sufficient to offset any reduction in defence expenditure. And it would be unsafe to rely with any confidence on a reduction of the real burden of this category of expenditure through rising prices, as most items of expenditure may be expected to rise, though perhaps after a brief interval, in proportion to the rise in prices.

Thus the most optimistic reasonable assumption about total expenditure a generation hence is that it will be no more than £1,000 millions (in terms of to-day's value of money). The yield of taxation in 1938-39, which is still largely based on the incomes accruing at the highest point of the trade cycle, is estimated at £916.6 millions, the total revenue at £944 millions. Our most optimistic assumption regarding taxable capacity in 1970 was that it would be one-quarter larger than to-day. On the basis of present taxation the revenue would be about £1,180 millions.

Basic Assumptions

5. These calculations are intended to be only the roughest indications of the orders of magnitude involved. They are sufficient to show that we cannot hope, at best, to do more than maintain a balanced Budget with approximately our present burden of taxes, and that there is no margin for substantial remission.* Moreover, even this result depends upon the following assumptions, all of which are favourable:—

- That productivity continues to increase at the Victorian rate.
- That the total of expenditure on the Supply Services can be held to the present figure in spite of the prospect of international anarchy and the many civil burdens that can be clearly foreseen.
- That there is no increase in the debt burden—more accurately, that there is no greater increase in the debt burden than is offset by a falling value of money. (A rise in the value of money would, of course, increase the burden.)

This is a formidable list of conditions. There is, however, one over-riding condition: that there must be a favourable balance of prosperous as against depression years in the intervening period. If there are long and severe depressions, we cannot hope to attain the postulated overall rate of increase in productivity. Moreover, heavy depression will greatly increase the need for expenditure on unemployment, and probably on other social services as well. And finally, a run of depressions will swell the National Debt, both because revenue in the depression years will tend to fall short of expenditure, and also because there will be steady pressure on the Government to borrow for public works of various kinds.

The future of the Budget thus depends very directly upon the future of the trade cycle. If we have frequent severe depressions, the revenue will not increase at the estimated speed, the expenditure will go up, and the burden of the National Debt will increase; and we shall face a position a generation hence in which expenditure will be considerably higher than at present, while the taxable capacity of the nation is no greater.

Short Run Policy

6. Thus there is a Budget problem in the long run (thirty years or so) of the greatest seriousness. But the only hope of finding a solution for this long run problem lies in

* This memorandum is confined to the finances of the Central Government, but the outlook for the Budgets of Local Authorities is equally difficult. Though Local Authorities are not directly concerned with armaments expenditure the pressure towards increased social services falls largely upon them, while the expansion of their revenue is prejudiced by the decline in the growth of population.

adopting an appropriate policy for the short run emergency of each depression as it recurs.

Now in the short run of a depression, the fiscal authorities will have a very difficult problem on their hands in the narrow budgetary sense, even if they repudiate, and are allowed by public opinion to abandon, any intention of attempting to influence the course of the trade cycle. With revenue falling and expenditure rising, they will have great difficulty in preserving the long-run equilibrium of the Budget, even without deliberate borrowings to finance relief works. If, in such conditions, the Budget is to remain balanced, or within sight of balance, there will need to be both economies in expenditure and increases in taxation on the model of 1931.

But it has been argued above that the long run problem will be solved only if depressions are not severe and frequent. Consequently, even from the narrowly fiscal point of view, it would seem essential to take whatever steps are necessary to alleviate the severity of depressions when they occur. Some may argue that balancing the Budget in 1931 was, on the whole, a deflationary measure; but it was deflationary only because it led to the War Loan conversion and was accompanied by circumstances which caused or greatly assisted recovery. These circumstances were unusual and are unlikely to recur. In general, a policy of cutting expenditure and raising taxes will not alleviate but deepen a depression, as it did in the gold *bloc* countries between 1931 and 1936.

Extra-Budgetary Funds—a Suggestion

7. Thus there seems to be a conflict of policies. One of the conditions for successful solution of the long run problem was that there should be no increase in the National Debt. Another was that there should be no severe depressions. But when these conditions are translated into practical terms for short run application they appear to point towards conflicting policies. The necessity for preventing any rise in the debt burden would seem to point to balanced Budgets. The necessity for assisting economic recovery in every possible way would seem to call for unbalanced Budgets.

The two requirements, however, are not exact opposites. The former calls for balanced Budgets *on the average of good years and bad*; the latter for unbalanced Budgets in bad years. If there were some means of making quite certain of a repayment of debt in good years equal to the deficits of the bad years, the conflict would be at least partly resolved. The five-year or eight-year Budget has frequently been suggested; but it seems to be ruled out by the political impossibility, taxes being as high as they are, of piling up the necessary big surpluses in good years.

Nevertheless, something of this nature could be, and is, achieved through the intermediary of the various funds that are under the control of the State but outside the Budget. The clearest case in point is, of course, the Unemployment Fund which, in 1937, for example, increased its surplus by £21 millions, even after repaying £5 millions of debt. In a depression year the Unemployment Fund will draw on its balance to meet an excess of expenditure over receipts. Thus if the Budget, narrowly so-called, is exactly balanced every year, the operations of the Unemployment Fund will result in the income of the State exceeding its expenditure in good years and *vice versa* in bad years. Many of the other Government funds operate in much the same way, though not all of them have such a clear correlation with the trade cycle, or involve as large variations as the Unemployment Fund. Moreover, the Treasury usually accumulates in good years various nest-eggs which can be used to abate the difficulties of an awkward budgetary position in subsequent years.

This principle might well be extended further in principle and in practice. The Road Fund, had it not been taken into the Budget, might have combined a relatively steady income with an expenditure that was high in bad years and low in good years. There might be a works fund organised on similar principles to cover the ordinary works expenditures of the Government. The principle

might even be extended to that part of the burden of unemployment that is not carried by the Unemployment Fund, since if the one is actuarially calculable, so is the other.

Indispensable Conditions

It would be very necessary, however, if any such extended use of extra-budgetary funds were to be made, with the deliberate object of having reserves which could be accumulated in good years and drawn upon in bad years, to devise a technique by which it could be done without disturbance to the capital markets. If these funds invested their resources in gilt-edged securities, any draft upon their reserves would tend to depress the market for both long-term and short-term securities and thus tend to raise the rate of interest at a time when it should be lowered. This technical problem differs only in scale, and not in kind, from the familiar problem of reducing the effect upon the markets of the seasonal variation in the revenue and expenditure of the ordinary annual Budget. It could be solved by appropriate policies on the part of the Bank of England and the clearing banks. It is essential, however, that public opinion should be familiarised in advance with the decision to adopt measures of this sort, so that they should not cause a crisis of confidence.

Even an extended use of extra-budgetary funds and similar devices is not adequate to solve the problem of balancing the Budget during a trade cycle. If there is to be an equality on balance between the receipts and the outgoings of the State, and if in addition the excess of outgoings in bad years is to be large enough to exercise a dominating influence on the course of the trade cycle, it follows mathematically that these various extra-

budgetary funds would have to accumulate important surpluses in good years. It is arguable that such deflation in the first good years would nip recovery in the bud and defeat the object of the scheme. But, even if the plan worked, the existence of large and increasing surpluses in the extra-budgetary funds would constitute a standing temptation to any Chancellor of the Exchequer. Even in good years the budgetary position is not going to be as simple as to leave him immune from temptation.

Effect of Rising Prices

The extra-budgetary funds are thus, at best, only a partial solution of the problem. It is worth mentioning once more another way which exists, at least in theory, of alleviating it. This is by allowing the burden of the debt, expressed in money, to increase, but offsetting it by a steady fall in the value of money. A rise in prices is a *permanent* solution only for the debt burden. But it also tends to secure some relief from the other burdens on the Exchequer—only to the extent, however, that Civil Servants, pensioners, social service beneficiaries, etc., can be made to submit to a diminution of their real incomes. This might be an easy method of imposing cuts. In practical terms, however, as distinct from theory, it is very difficult to formulate a policy of conscious price-raising. The consequences of rising prices are complex and not all of them are favourable to economic activity. On the whole, it can be said that a gradual rise in the price-level, of moderate dimensions, would be welcome. And the practical conclusion can be drawn that at least nothing should be done to hinder it—still less to depress prices, since a rise in the value of money would immensely complicate the problem.

II. The Budget and Re-armament

8. So far we have been considering the future problem of the Budget in general terms. When, however, the presumably non-recurrent part of the re-armament programme has been completed, we shall be confronted with a financial situation of peculiar difficulty. It is conceivable, of course, if international relations continue to deteriorate, that new armament requirements will constantly present themselves, so that the phase of declining armament expenditure will not be reached within any future that is profitable to contemplate. Obviously, however, such a possibility contains no budgetary consolation, and would render a solution of the eventual problem extremely difficult, perhaps impossible, within the limits of the existing economic system. If, however, events before too long move in accordance with the hopes entertained in 1937, and our total expenditure on armaments begins to decline from a peak to be reached a year or two hence, very difficult issues of financial policy will arise. We shall then approach the time when, according to all orthodox canons and to official expectations, borrowing should cease and expenditure be met out of income. This would leave no scope for remissions of taxation or indulgence in further expenditure. On the contrary, it is highly improbable that the Budget could be made to balance without further taxation. For we must reckon with the adverse effects on trade, employment, and the level of taxable incomes of the reduction in expenditure on armament previously financed by loans.*

Nor is that all. If a serious setback to trade ensues, there is certain to be a widespread demand that the State should endeavour to check the depression and to mitigate the resulting unemployment by measures, under such heads as public works, as are likely to entail an increase in the charges falling on the Exchequer. Public works expenditure has, of course, been commonly advocated in past

* The present occurrence of a fairly severe recession of trade at a time when armament expenditure is still expanding serves to emphasise the reality of this danger.

periods of depression, while the policy of British Governments on this matter has fluctuated from time to time. It seems probable, however, that in the next depression the demand for large-scale expenditure, either on public works or on other objects which it is hoped may stimulate trade, will be stronger and more compelling than in the past.

Demand for Increased Expenditure

There are three reasons for expecting this: first, the fact that Government expenditure upon armaments is now playing, and for the next year or two is likely to play, so leading a part in maintaining economic activity that it will offer to a large section of opinion convincing testimony of the importance of the influence of Government expenditure on the ups and downs of trade. It will be widely felt as an intolerable paradox if it should turn out that the times when we are devoting an enormous proportion of our productive resources to the economically wasteful purpose of armaments are happier and more prosperous than those when armament expenditure is reduced to a more normal level. And the argument that it would indicate a bankruptcy of economic statesmanship if we cannot utilise the released productive resources for constructive purposes will be difficult to resist.

Secondly, the experience of other countries will serve in practice, whether rightly or wrongly, to reinforce the arguments in this direction. Orthodox financial maxims have undergone serious discredit throughout a large part of the world in the last few years, and the mere fact that other governments, such as those of the United States, Germany, and Italy, have pursued heterodox financial policies, all embodying the feature of large public works expenditure, will strengthen the hands of those who demand similar policies in this country.

The third reason may, perhaps, prove the most cogent. The industrial situation which is bound to arise when re-

armament expenditure is substantially reduced will be in some ways exceptionally difficult. At present the industrial structure is being distorted by the exigencies of re-armament; the productive capacity of many industries, such as iron and steel, shipbuilding, and certain branches of engineering, is being expanded to a level which, apart from re-armament, would be greatly in excess of our requirements. When re-armament is at an end, we shall be confronted accordingly with a problem of industrial demobilisation similar to those which arose after the war; and this problem will be the more difficult in that the industries in which redundant productive capacity is to be expected are largely the constructional industries which tend in any case to be the worst sufferers in an industrial depression.

Contrast with 1931

In this connection, it is well to appreciate that our recovery from the last depression was greatly assisted by a combination of circumstances, none of which is likely to be repeated. There was first the latent unsatisfied demand for houses, which made possible an immense expansion in the capital expenditure of the general public, as soon as favourable conditions as regards the rate of interest, an atmosphere of confidence, etc., had been established. The trend of our vital statistics forbids the expectation of another boom of comparable dimensions in the building of dwellings, and it is not easy to imagine another form of capital expenditure by private individuals which would exert a comparable influence. Secondly, till 1931 Great Britain had been an essentially free trade country, importing considerable and growing quantities of manufactured goods. The change from a free trade to a protectionist system supplied a stimulus which could not be repeated to certain industries. Third, there was the stimulus resulting from the fall in the exchange value of the pound sterling, which was of material advantage in the early years of recovery; this again could hardly be repeated. As against these considerations there is, it is true, the possibility that other circumstances may be more favourable to recovery than they were after 1931; in particular, that opportunities for the expansion of international trade and international investment may present themselves. These favourable possibilities are, however, speculative and uncertain.

It is, therefore, necessary to reckon with the possibility that the economic situation which ensues on a contraction of armament expenditure may not lend itself to solution by means of the expedients adopted in 1931. On the other hand, the situation will not be one in which the adoption of extravagantly heterodox policies, such as are often

advocated in connection with public works, would be appropriate. It is true that there could be no time in which local authorities, public utility bodies, etc., could more advantageously undertake commercially remunerative or otherwise desirable capital schemes which are capable of being postponed or speeded up. It is indeed important at all times that the possibilities of concentrating work of this character in a period of bad trade should be carefully surveyed, that plans should be prepared in advance, and that the State should be ready to help in every reasonable way. But it would be a very different matter in a post re-armament slump to pursue a policy designed to press forward with public works projects which would throw a heavy charge on the national Exchequer, and which could only be justified by their supposed reaction on the employment and industrial situation.

Public Works—Some Objections

Such a policy would be exposed to the most serious objections on financial grounds. It can hardly be suggested that the State should spend indefinitely every year £80 millions or more in excess of its revenue. It can hardly be supposed that, if it did so, financial confidence would be maintained. On the contrary, from the financial standpoint, the justification of the present policy of borrowing for re-armament is that borrowing will be limited to a very few years. To finance public works on a considerable scale by revenue raised from additional taxation would do little good and might do serious harm to economic activity. Except, therefore, in so far as expenditure on public works is or can be made financially more or less self-supporting (a proviso the importance of which ought carefully to be investigated) the policy of compensating for a decline of armament expenditure by an expansion and indefinite continuance of public works expenditure on anything like an equivalent scale would certainly not be compatible with even the principle of a balanced Budget.

The same objection applies to alternative financial policies which have been widely advocated in recent years and which are likely to be increasingly urged in future, e.g. expansion of the social services to improve nutrition or the provision of family allowances at the expense of the Exchequer. It can be claimed for such proposals that they might materially assist the economic situation at some of its vulnerable points, notably that they might help to prevent the recurrence of an undue fall of agricultural prices; but they are all exposed to the objection that they would aggravate a budgetary problem which in any case is likely to be difficult.

III. Issues of Policy

9. So stated the outlook is, indeed, formidable. Are there no means of relief, other than the device of fluctuating extra-budgetary funds and quasi-public investment, and the questionable expedient of raising the general price-level? It may be suggested that one line of policy, though by no means sufficient to provide a complete solution, nevertheless promises three-fold assistance. This is the encouragement of materially lower rates of interest for long-term capital.

There can be no doubt that lower interest rates have materially improved the Budget position since 1932, and, if interest rates on long- and medium-term capital could be permanently established on a lower basis than now prevails, the Budget would obtain some further direct relief. The possibility that a lower level could be established might be kept in mind in considering how far it is wise to borrow meanwhile at long-term and short-term respectively. A lower level of interest rates might open out a more hopeful prospect of reconciling an increase of public capital expenditure with the requirements of a balanced Budget. If the long-term rate of interest could be estab-

lished in future on a lower basis, there would be many as yet largely unbroached forms of useful expenditure which could be undertaken on an economic basis by local authorities and public utility concerns. It would seem desirable that this possibility should now be carefully considered.

Secondly, in so far as there is any tendency towards deeper depressions now and in the future owing to a shortage of opportunities for profitable investment in comparison with the volume of savings coming forward, a *permanent* reduction in the rate of interest would go some way towards restoring the balance. Whether such a reduction would lead to a fall in the volume of savings is open to dispute, though we doubt whether it would actually lead to an increase. But it is certain that the number of openings for investment would be increased. It should be noted in this connection that the narrowing of the margin between gilt-edged and other long-term interest rates is no less important than the lowering of the gilt-edged rate itself.

Finally, lower rates of interest would almost certainly promote, or at the very least not impede, that general

tendency towards rising prices which we have already noted as constituting an assistance to the Budget.

Lower Long-Term Interest Rates

But is it possible to secure permanently lower long-term interest rates? The general economic considerations set out above supply grounds for thinking that at any rate after a decline in armament expenditure, this should be fully possible. The establishment in practice of lower interest rates does not, of course, depend solely on these economic considerations. The state of confidence, the expectations in the minds of investors and stockbrokers, the need of banks to earn money, are influences that carry great weight. These difficulties, however, should be regarded not as reasons for abandoning hope that interest could be materially reduced; but rather as additional reasons for considering the problem in good time. It may well be that one of the most helpful steps that could now be taken with a view to the easing both of the Budgetary and the industrial problem of the future, would be the steady promotion in the City and elsewhere of the idea that interest rates are destined to become lower in the future, even than they have been in the past. It is important, however, to realise that the foregoing argument is concerned with *long-term* interest rates, and with the rate applicable to private as well as Government borrowings. The artificial depression of discount rates on short-term paper to unremunerative levels is no substitute for lower long-term rates.

A Budgetary "Breathing Space"

10. There is another possibility which deserves to be considered. We regard the maintenance of the principle of a balanced Budget as an essential element of financial policy. In general, we are sceptical, as we have already indicated, about the practicability of balancing the Budget "over a trade cycle" instead of in each particular year. But something of this sort will, we believe, be necessary in the peculiarly difficult period which will follow a large reduction in armament expenditure. We shall then have an extremely difficult transition to effect, in view of the development of redundant productive capacity in the arms-serving industries. It is important, therefore, that during the transitional period, financial policy should have regard to the industrial difficulties. Otherwise a long period of depressed trade and heavy unemployment might ensue; the resulting decline in the national income might make a balanced Budget an unattainable goal. The discontent and agitation that would arise would probably lead to political changes, entailing a reversal of policy in which every principle of financial orthodoxy would be overwhelmed. Therefore it is suggested that a reasonable breathing-space will be required before revenue and expenditure are made to balance. If such a breathing-space is provided, the eventual results on the Budget are likely to be more satisfactory than if a policy of austere traditional orthodoxy is pursued, entailing immediately a serious deflation of income, and ultimately a reversal of policy.

Indeed, political exigencies will probably make some breathing-space inevitable; and perhaps the most important practical problem is how to reconcile the delay, which will be expedient before the Budget is completely balanced, with the maintenance of financial confidence. This task may, however, be easier than appears at first sight. For, as has already been indicated, the hold of orthodox financial ideas on public opinion has been greatly weakened by the events of recent years; the finances of very few countries are to-day in a position which would be regarded as sound by nineteenth-century canons; and the investing public would be unlikely to be seriously shocked if, when the period arrives for a transition to a peace economy, the policy of balancing the Budget over a period of years were to be frankly avowed.

What appears likely to be needed in the phase of declining armament expenditure is therefore, in spite of all its

difficulties, something in the nature of a four- or five-year financial plan. This would aim at an eventual return to a completely balanced Budget, but for a considerable period would subordinate financial orthodoxy to the needs of industry. This plan might appropriately provide both for remission of taxation and for additional expenditure of a type likely to be helpful to economic activity in a difficult period.

It is obviously possible that unfavourable international developments will prevent this expenditure from falling, for a considerable period, to as low a level as is contemplated by our present arrangements. This, however, as has already been said, would only aggravate the difficulty of the Budget problem, while also aggravating the eventual problem of a transition to a peace economy.

The Longer-Term Outlook

11. Behind this contingency lies the longer-term problem whose outlines have been sketched in the earlier paragraphs. The long-term Budgetary problem derives its peculiar difficulty from two facts, the implications of which we are only just beginning fully to realise. These facts are:—

- (1) that the British national economy is likely very soon to cease to be an expanding organism; and
- (2) that the expenditure of the State is showing a large increase, whether regarded as expenditure per head of the population or as a percentage of the national income.

Some secular rise in the productivity of the average individual will continue; but the number of individuals comprising the community will soon be falling at the same or an even greater rate. This may mean that the revenues of the State, on the present basis of taxation, will soon cease to increase. Expenditure, on the other hand, shows no such tendency. Indeed, it is difficult to foresee any end to the increase in its burden. The reasons for the present high level of expenditure, and for its increasing tendency, are not always accurately understood. The burden of the existing National Debt, which has traditionally played the leading part in discussions of national expenditure, is now by no means the greatest of the difficulties. The total cost of the service of the debt is only about one-fifth of the total expenditure, and its real burden is always susceptible to adjustment by way of changes in the value of money.

In the last few years the necessity for re-armament has been by far the largest factor in the growth of expenditure. Expenditure on defence has more than trebled over the last five years; it is still increasing at an extremely rapid rate; and it is impossible to forecast its future trend with any confidence. This is, of course, by far the most unfavourable factor in the immediate financial outlook; and, as has already been suggested, it is conceivable, if a condition of international tension is prolonged, that the necessities of national defence may eventually entail the overthrow of our existing economic system.

Anatomy of Rising Expenditure

None the less, it would be a mistake to suppose that the long-term Budget problem is synonymous with the problem of securing a reduction of armament expenditure to a manageable level. For even if this object is secured, fundamental difficulties will still remain. Expenditure under headings other than debt and defence has been increasing steadily and, for a long period past, at a rate far larger than the rate of growth in the national income. Indeed, owing to the successful debt conversion, if we lump together expenditure on the debt service and on defence, the combined expenditure under these heads, which may be said to represent the present cost of past and future wars, has not increased since 1929 by as much as other expenditure. These two items took roughly 10½ per cent. of the national income in 1929, and even in 1938 only about 11½ per cent., if calculated on the basis of the Budget estimates, including the £90 millions to be borrowed. All other expenditure,

however, increased from 7 per cent. in 1929 to over 9 per cent. of the national income in 1938. The ratio was as high as 10 per cent. in 1932, but some variation between the top and the bottom of the trade cycle is only to be expected. What is ominous is that, from the top of one cycle to the top of the next, although in the intervening period the national income has increased with unusual rapidity, the proportion of the national income required for the expenditure of the State, on matters other than debt and defence, has increased by about one-third. Moreover, when one considers the constituent items of the category one by one, it is difficult to foresee any future for this expenditure except one of continuous expansion. Thus within a generation it appears likely that, in even the most favourable circumstances, we shall be faced with the very difficult problem of meeting a steadily rising expenditure out of not merely a static revenue but a static taxable capacity.

What are the possible ways of escape from this dilemma?

Ways of Escape

There appear to be three ways of escape.

(A) A reduction of the scale of expenditure by the State, not merely in the defence departments but over the whole field of civil expenditure.

(B) Appropriation by the State, through the medium of taxation or otherwise, of a significantly larger proportion of the national income than at present.

(C) Discovery of some means by which the rate of increase in the productivity of the average individual can be greatly accelerated.

These are not exclusive alternatives. But no one of them is an easy remedy. It is simple to demand a reduction of the scale of expenditure of the State, but very difficult to achieve it. Twice since the War, efforts of economy have been made. But, after each occasion, expenditure has started once more to increase. A permanent reduction would be politically a very difficult matter.

The second possible expedient is the raising in taxation

Overseas Correspondence

From Our Special Correspondents

United States

Primaries and Political Prospects

WASHINGTON, May 25—This is primary time in national politics. The omens are giving a confusing prediction of the result of the November Congressional election. The first primary, to choose the Democratic nominee for the Senate from Florida, was turned into a straight fight for the New Deal, and was won on this issue by Senator Pepper. This so startled Washington, where the belief prevailed that President Roosevelt was losing his hold in the country, that some discipline was reintroduced into the party, and the Southern insurgents dropped their opposition to the President like a hot brick.

They had bottled up the Labour Standards Bill in the House Rules Committee, which meant that it could not come to a vote during this session, unless it was pried out of Committee by a petition signed by 217 members. Before the Florida election no one would have accorded such a petition a chance. But, after that result, the petition was laid on the Speaker's desk, and the necessary names were signed in the record time of three hours. New Dealers became so sanguine as to believe they might revive the Government Reorganisation Bill before the adjournment.

This elation was considerably tempered, however, by the Pennsylvania primaries. Here the situation was muddled by the split between the Democratic organisation and the Committee for Industrial Organisation. The state machine backed a party regular for Governor, and the present Governor Earle for the Senate, while the C.I.O. supported Lieutenant

of a significantly larger share of the national income without changing the present economic and political structure and without prejudicing economic progress. The possibilities in this direction are limited.

A large increase in productivity would represent a more satisfactory remedy. In recent years this has fallen rather under a cloud as an object of economic policy. There has been much talk about the dawn of an "age of plenty," in which it will somehow be possible to increase production and leisure at the same time. It might be salutary if it were more generally recognised that the greatest possible production of goods and services is, in general, more necessary to-day than ever if social progress is to be maintained. Unfortunately, as some of the earlier arguments suggested, present economic tendencies are by no means favourable to the realisation of this objective. Thus the time may have come to re-examine our system of taxation and our commercial as well as economic policy, to determine whether by amendment we can lessen the restrictions on, and increase the incentives to, productive enterprise. Earlier in this memorandum we made certain suggestions which may also help to achieve this object.

Obviously it is possible that we may pass through a considerable interim period in which the problem, like the French budgetary problem, will not be solved; but in which we, like France, may revolve in the vicious spiral of deficits, credit creation, rising prices, social agitation, diminishing confidence, restricted capital expenditure, unemployment, and again deficits. Yet in the long run, of course, the problem must be solved. Therefore we are bound to admit the possibility that a time may come when some people will begin to consider that the only practicable method to increase the national income, and at the same time to divert a substantially larger proportion of it into the coffers of the State, is the method of the totalitarian States. The growth of such a belief represents a real danger latent in the present financial and economic outlook. Therefore it is incumbent both upon public authorities and private persons to concentrate on the possible means of escape from our future difficulties by other methods.

Governor Kennedy, an official of the United Mine Workers, for Governor and Mayor Wilson of Philadelphia for the Senate.

Postmaster General Farley, master-mind of the Democratic National Committee, was in a quandary. If the party fought Kennedy, it might lose C.I.O. support in other states. If it supported the C.I.O. ticket, it would be destroying its own state machine. Mr Farley fell back upon the compromise of endorsing Kennedy for Governor and Earle for the Senate, and urging good Democrats to split their tickets. The advice was followed by many thousands, but not enough to nominate Mr Kennedy, who lost by 70,000 in a total vote of nearly a million. Mr Earle won easily for the Senate.

The result was hailed with the utmost satisfaction by Conservative newspapers as a decisive setback for John L. Lewis, and his determination to make the C.I.O. into a political organisation. In a depression, the C.I.O. is naturally weak, and it has lost heavily in public favour during the past year. In Pennsylvania, the American Federation of Labour was out to beat Kennedy, which made his downfall all the more significant to Conservatives. Even the United Mine Workers themselves were not wholeheartedly behind their own candidate, complaining of the heavy levy for political purposes, despite their low incomes.

Republican Hopes and Fears

Republicans in Pennsylvania held their primaries on the same day, and polled a heavier vote than the Democrats, a fact which was construed to forecast a return of Pennsylvania to its old loyalty to the Republican party. The feature

of the Republican primary was the decisive defeat of Gifford Pinchot, campaigning for another term as Governor as a Liberal.

A closer study of these results has somewhat heartened the Democrats. Mr Pinchot polled 400,000 votes, some of which will go to the more liberal Democratic party in November. The Republican vote was not much greater than the Democratic vote as it was in the primaries of '36, when Roosevelt carried the state. And though the Democratic adherents are split, Mr Farley has kept the door open to reconciliation.

In fact, the Landon Wing of the Republican party is more distressed by the result than are the Democrats, for if Governor Pinchot could not capture more than a forty per cent. following in Pennsylvania, there is little chance of the Eastern branch of the party accepting Liberal leadership. And unless it does (Mr Landon's followers believe) there will be little hope of a heavy Republican gain in November.

The Republicans are complaining bitterly that they are at a grossly unfair disadvantage because of the Federal Government's control over the organisation of relief. Certainly, the relief vote goes to the Democrats who provided the relief. But the Republicans go further and say that the relief organisation is itself a political machine as effective as any in the old boss-ridden cities. They hold it responsible for the heavy New Deal vote in Florida, and predict that it will decide many otherwise close contests this autumn.

The third primary was in Oregon, where the Administration opposed Governor Martin, because of his hostility to the C.I.O. and his general conservatism. Mr Martin lost by only 6,000 votes, being beaten in the cities. But the outcome was another New Deal victory. Still to come is the important vote in Kentucky, where the New Dealer, Senator Barkley, is in real danger of defeat, and every lure and pressure known to the Democratic National Committee is being employed to save him.

Roosevelt's Chances in November

If the Pennsylvania result is left aside, the political situation is much more favourable to the Roosevelt leadership than would have been expected a few months or even weeks ago. The fact that the country is in a new major depression had been expected to turn public opinion away from the President. The open revolt against the Government Reorganisation Bill dramatised the turning of the tide, and observers in Washington were quite sure—and thought the country was equally sure—that the New Deal was slipping, and that the future belonged to Mr Roosevelt's opponents. But the country is not only not sure of this; it actually continues to show its preference for Mr Roosevelt.

This is not to say that the Republicans will not make headway in November. But, to be on the way to power, they must win a majority in the House of Representatives, and their prospect of doing this is not bright. Of all the political barometers in America, the mid-term Congressional election has been the most reliable. The party which wins this election will probably win the Presidential election two years later. It is probable that the Republicans will win fifty more seats in the House than they now hold. An optimistic forecast is a gain of a hundred seats, which would give a total of 188 seats in a House of 435 members. Only a strong revulsion in popular feeling could secure the election of the 217 Republican representatives needed for a majority, and the primaries, so far, however inconclusive they may be, show no such revulsion.

In the past, the party in power during a depression has had to pay for it by defeat at the polls. But Mr Roosevelt appears to be an exception to the rule, not because the depression is not attributed to him, but because voters are afraid to be governed by Republicans in hard times. Mr Hoover drilled it into them that relief was no function of the Federal Government, and the Republicans in Congress still talk of handing back relief to the states—which voters know means reducing relief in most cases.

The relief policy is one of Mr Roosevelt's greatest assets. Another is the Republicans' continued want of leadership and a constructive programme. Mr Landon continues to press for liberalisation. Mr Hoover, in every address, demonstrates that he has not advanced with the times; and neither leader converts the other. Most Republican spokesmen are sure that prosperity will be restored simply by getting Mr Roosevelt out of the White House. That is, they are content to go back to the Harding-Coolidge-Hoover dogmas. If this is the alternative they present to voters in November they will learn, as in 1932 and 1936, that the electorate is not yearning for escape into the past.

Business and Taxation

NEW YORK, May 31.—Ever since the convening of the special session of Congress, last November, the business and financial community has looked upon tax revision as a brazen serpent to be erected in the wilderness of depression. The undistributed profits tax caused real hardship to certain categories of corporations, especially to those for one reason or another rather weak. It constituted, at the time of its passage, no hardship to strong corporations or to industries with steady earnings or only slightly affected by cyclical fluctuations.

Events subsequent to its passage, however, increased the number of "weak" corporations, and the violence of the decline in 1937 affected many corporations more adversely than one would have expected at the time the Act was passed. Furthermore, since the passage of the Act (as before), the market for capital issues has been almost exclusively limited to refunding operations; and the theory of the undistributed profits tax presupposed a receptive capital market.

The other item of tax reform on which great hopes were placed was the capital gains tax. Formerly, capital gains (i.e. profits arising from the sale of property held for more than two years) were taxed at a flat rate of 12½ per cent. Profits arising from the sale of property held for less than two years were charged with the appropriate rate of income tax; and capital losses could be deducted from general income. After 1934, only capital losses up to \$2,000 could be deducted from income; and capital gains were taxed at income rates, but on a sliding scale.

Since the institution of this tax, there has been an absence of new capital flowing into industry; and an almost complete absence of equity capital. Rightly or wrongly, this serious state of affairs has been largely attributed to the effects of the capital gains tax. Together, the capital gains tax and the undistributed profits tax had come to share, in business and financial circles, a large measure of responsibility for the present depression. The prospect of tax reform has therefore become, during the last six months, one of the most important reasons given for the hope that our economy will recover from its present grave distress.

The Proposed Reforms

The Tax Act of 1938 is actually a compromise reached in joint conference between two very different Tax Bills presented by the House and the Senate. The compromise Bill passed both Chambers by very large majorities, and was sent to the President for signature, for veto with reasons, or for acquiescence. A Bill passed by Congress becomes law without Presidential signature within ten days of its formal passage if Congress is in session. If Congress is not in session on the tenth day, the withholding of the President's signature constitutes a so-called "pocket veto." The Tax Act of 1938 has become law without Presidential signature, and against specific Executive objections.

The result has been accepted without enthusiasm. The modification of the undistributed profits tax has mitigated its punitive features, and affords a measure of relief for small or weak corporations. It is extremely difficult to measure the effects of the alteration in the capital gains tax. Persons taxed at rates of between 15 and 20 per cent. have lost the right to deduct \$2,000 of capital losses from general income; but they have gained the right to carry over capital losses to be set off against capital gains, if any, in the ensuing year.

Persons above the 15-20 per cent. bracket can apply the rate of 20 per cent. on sales made after 18 months from acquisition and 15 per cent. on sales made two years after acquisition. This, however, is only the approximate rate applicable to transactions completed after five years under the old Act. In short, the new Act reduces the rate of tax applicable to persons in the relatively high income grades on profits derived from property held for more than two years and less than five years.

The object of the reform is to release a flow of capital, especially of equity capital, into enterprise. Whether the reason for the stoppage of this flow was the capital gains tax is disputable. Whether the changes adopted are in themselves likely to release such a flow is problematical. At any rate, the Tax Act has gone some way to meet the wishes of the business community. Meanwhile, it is possible that the Act may be materially altered in the near future, since the President has given notice that he intends to seek a revision of the Act in the next session of Congress.

No Recovery in April

The Federal Reserve Board's indices of business activity for April are now available. The chief movements are shown in the table on the next page.

BUSINESS INDICES 1923-5=100. Adjusted for Seasonal

	April, 1937	March, 1938	April, 1938*
Industrial production (total)	118	79	77
Manufactures	118	75	73
Minerals	115	103	100
Construction contracts (total)	53	46	47
Residential	44	33	36
All others	61	56	56
Factory employment (total)	101.6	81.6	79.2
Durable goods	97.4	72.3	69.2
Non-durable goods	106.2	91.6	89.9
Factory payrolls (total)	104.9	73.3	70.5
Durable goods	106.4	63.8	61.7
Non-durable goods	102.9	85.3	81.8
Freight car loadings	79	57	55
Department store sales	89	77	86
Department store stocks	79	71	71

* Preliminary.

Although the level of activity in April was lower than in March, and indeed lower than in any month during the first quarter of the year, the decline was not sufficiently pronounced to indicate any change of the general pattern of business in recent months. The fragmentary data already available for May suggest that activity has fallen since April.

To say that these phenomena are disappointing to a community that had hoped for a seasonal upturn would be putting it mildly; but it should not be forgotten that there are more or less compensating seasonal factors in out-door industries, which, except for building, do not figure noticeably in the statistics. Residential building rose in April compared with March by more than was seasonally expected; and while it is still below a year ago, building activity is the most vigorous element in our economy.

France

Socialists Approve Government's Policy

PARIS, June 9.—The Socialist Congress at Royan, after the revolt of its Left extremists (the Pivertistes), carried by 4,872 votes to 3,165 M. Blum's resolution declaring that the maintenance of the Daladier Cabinet was in the interests of the Popular Front. In outline, the resolution endorsed M. Daladier's foreign policy and approved the rejection of ideological warfare and the maintenance of world peace even by co-operation with totalitarian States. On the other hand, criticism was levelled at the Government's domestic policy in economic matters. This decision can be explained by two circumstances: the fear of a Government crisis at a time of great tension abroad; and the growing discord among the members of the Popular Front.

The Socialists' attitude towards foreign policy affords fresh backing to the Cabinet. Their reservations about economic policy do not present any imminent threat, since the Socialists themselves confess that their programme of action is no longer adequate. The elaboration of a new social programme after the quick execution of the first, and at a time two years distant from the next elections, will be much more difficult than it was in 1935. And the decisive factor is likely to be the actual course of economic events.

The Economic Outlook

The Minister of Economics recently announced that the import surplus had declined from £50 millions during the first four months of 1937 to £30 millions in 1938. Speculative buying of raw materials has ceased, the spread between French and world prices has been diminished to France's advantage, and the application of the forty-hour week has been relaxed. Public sentiment is certainly better than for many years, and capital is seeking new outlets for investment. But time is indispensable for any comprehensive return of confidence.

The third batch of decree-laws will be published in a few days, before the end of this very short session of Parliament. These measures will entail provision for the development of electricity plants, closer control of insurance companies and probably some revision of social insurance schemes. They may include the much-sought-after pensions for aged workers, on condition that labour's working hours are increased from 2,000 to 2,020 a year. Other items of social expenditure have been demanded by the Communists, which

would have involved a sum of some 7-8,000 million francs a year, but they have been rejected by the Cabinet. A moderate increase in the wages of public servants will, however, be conceded.

This calm session has thrown into relief the confusion of the Left and the determination of the Cabinet. The foreign situation has become easier; and the markets would have been favourably influenced had not world economic recession led to a further decline in French industrial production.

Coal output in April was 4,125,427 tons for 22.5 working days, against 4,378,992 tons in March for 24.1 working days and 3,991,159 tons in April, 1937, for 22.8 working days. Average daily production in April was thus 182,862 tons, against 181,544 tons in the preceding month. The number of men employed was 248,136 at the end of April, against 246,964 at the end of March and 237,187 at the end of April, 1937.

The receipts of the Société Nationale des Chemins de Fer for the first twenty weeks of the year were 29.12 per cent. higher than in the same period of 1937:—

1937 (first 20 weeks)	1938 (first 20 weeks)	Increase
Frs. 4,039,359,000	Frs. 5,219,818,000	Frs. 1,180,459,000

During the twenty-first week, loaded waggons numbered 280,341, against 33,413 in the corresponding week of 1937; and since the beginning of the year they have numbered 6,334,463, against 6,826,636 in the same period of last year. During the week ended May 28th, the total number of unemployed persons was 380,826, against 384,939 on May 21st and 345,503 a year ago.

Germany

The Absorption of Austria

BERLIN, June 7.—Austria's railways were put directly under the Reich Minister of Communications on June 1st, certain powers being left to the Vienna Government. The Austrian Labour Offices have been incorporated in the Reich Board for Labour Exchanges and Unemployment Insurance. Austrian employees, like those in the Reich, will henceforth carry a "work book"; and in general Reich laws and ordinances concerning employment agencies, the local distribution of labour, occupational advice and apprenticeship will apply to Austria. The Minister of Economics has decreed that permits for Jewish emigrants to take bank balances out of the country will no longer be granted.

The following data have been privately compiled of Austria's textile position and foreign trade. Cotton constitutes 80 per cent. of the raw materials consumed in Austria against 53 per cent. in the old Reich; wool, 11 per cent. against 16 per cent.; and cell-wool and rayon 5 per cent. against 22½ per cent. Textiles represent 21 per cent. of total Austrian imports, and 18 per cent. of total exports. Of cotton yarn exports in 1937, 61 per cent. went to Roumania and nearly 20 per cent. to Yugoslavia.

It has been officially intimated that Austria's textile exports must be increased to secure a greater supply of foreign exchange. Unofficially, it has been stated that certain Austrian textile requirements (in particular of cloth), which have previously been supplied from Italy, Czechoslovakia and England, can in future be met by the Reich. Steps have already been taken to increase cell-wool production in Austria.

The NATIONAL BANK of NEW ZEALAND, Limited

Established 1872

Head Office:—8 MOORGATE, E.C.2

Subscribed Capital - £6,000,000

Paid-up Capital - £2,000,000

Reserve Fund - £1,000,000

Currency Reserve - £500,000

The Bank has branches throughout New Zealand and conducts every description of Banking business with that Dominion.

Increased Industrial Employment

Bankruptcies in May numbered 154 against 178 in May, 1937. Goods traffic on the railways in April was 2.7 per cent. greater than in April, 1937. The number of hours worked in industry in April was 18.4 per cent. greater than in April, 1937. Compared with March, the increase in employment was almost entirely in the production goods and automobile industries. Activity in iron and other metals increased considerably, while in the textile industry there was no change. There has been some improvement in the domestic supply of steel, but the demand of those consumers who have not priority in rationing is not being fully met.

In April, German exports of heavy iron and steel fell very sharply. The recent stagnation in foreign markets for steel is attributed to uncertainty about the prolongation of the International Cartel, and American and Swedish price-cutting is mentioned. Not only the Opel, but also other motor-car manufacturing companies report a rapid increase in exports during 1937. The Daimler-Benz company's exports of private cars rose 50 per cent., and of commercial vehicles 100 per cent. The Cologne Ford Company's exports amounted to about 25 per cent. of its output. The organised motor-car industry, it is stated, considers that one-third of its output ought to be exported, and lays stress on the importance of this trade in the securing of foreign exchange.

The question debated in the English Press whether a "subsidy" is being paid on motor-car exports from Germany, or only a sum sufficient to compensate for the devaluation of foreign currencies, is a mere matter of definition. The whole system usually called export-subsidising, of which the most prominent feature was Dr Schacht's levy on turnover, was from the first officially justified on the ground that the devaluations made it impossible for Germany otherwise to compete.

Pessimistic Trade Prospects

The foreign trade outlook is discussed pessimistically. Most stress is laid upon the continued fall in prices of raw materials and foodstuffs, which (says the Institute for Trade Research) has now gone far beyond a reaction from the previous advance in prices. The fall in prices during the fifteen months since it began early in 1937 is almost as great as that of the first fifteen months after the collapse of 1929, and in certain details it resembles the experience of eight years ago. In view of the outlook for crops and the magnitude of stocks held in leading consumer countries, any recovery in cereal prices is not (it is added) to be expected, and pressure on raw material prices will probably increase. Despite the resemblance to 1929, it is not likely (says the Institute) that the next three years will resemble 1930-33. A relatively slight stimulus might restore prosperity.

A leading woollen manufacturing company predicts that exports of woollen goods in 1938 will be only half those recorded in 1937. It is reported that Brazil has suspended deliveries of cotton to the Reich, alleging that the goods have been resold at higher prices for foreign exchange or gold. This is surprising, because the trade returns show that Germany in 1937 was herself paying much higher prices for inferior Brazilian cotton than for superior North American cotton.

The foreign trade returns for the first quarter of this year show a sharp drop in the proportion of imports taken from Europe and a corresponding rise in imports from overseas, and in particular from America. The distribution of exports changed little. Sales to Asia declined and sales to America increased. Some 54.9 per cent. of imports were European, and 44.8 per cent. came from overseas. Of exports 68.6 per cent. were sold to Europe and 31.3 per cent. to countries overseas.

Belgium

The New Government

LOUVAIN, May 24.—Public opinion in other countries was surprised that the question of M. van Zeeland's return to public office did not arise after the fall of the Janson Government. M. van Zeeland, however, cannot take any active part in politics until the judicial inquiry into the direction and management of the National Bank has been completed. The results of this investigation will probably be issued in the course of the next few weeks; and it is said that they will be wholly in M. van Zeeland's favour.

The advent of M. Spaak as Prime Minister was an important event. Never before had the country been under the direction of a Socialist. M. Spaak, who is a descendant of a Liberal statesman, was at first very radical, but has now become a Socialist sort of Nationalist. In his statement of

policy to Parliament, he repudiated the class war. Since he took office, he has been realistic in his policy, and his supporters are drawn from several parties.

France and Belgium

The Belgian Cabinet crisis coincided with a further devaluation of the French franc. A monetary crisis followed in Belgium, caused by the withdrawal of foreign capital and the commercial operations of Belgian importers in foreign exchanges. This situation was aggravated by some exports of capital and by uncovered operations by sellers.

Actually, there is no real link between the Belgian and the French economies. France only buys 8 per cent. of the exports of Belgian manufactured goods, while the sterling countries, including the United States of America, take 41 per cent. So far, too, no commercial crisis due to French competition has occurred. Nevertheless, because of a law passed last year to tax the so-called profits arising from the devaluation of 1935, the public took precautionary measures. In consequence, gold flooded away from the Central Bank. The gold reserve, however, was excessively large. The National Bank granted only a moderate amount of rediscounts and advances; and the movement took place without any danger.

It has nevertheless been necessary to increase the discount rate. The Belgians are specialists in foreign exchange dealings, and it is necessary to prevent people from borrowing money in order to buy foreign exchange. Credit restrictions have been abandoned and trade can secure all the credit it demands; but the banks refuse to satisfy the demands of a speculative order.

Improved Financial Outlook

The new Minister of Finance, M. Gérard, a financial expert, contributed to the success of the first van Zeeland Government and, in 1936, left an easy legacy to M. de Man. since business was good at that moment. His task is not as easy now as it was in 1935. The Budget deficit was originally estimated at 2,000 million francs. This figure, however, included expenditure which had not actually been voted, but was only anticipated. In addition, the short-fall in taxation revenue compared with estimates is likely to be less important than was then expected.

The Government is certain to secure the immediate passing of bills to produce a revenue of 800 to 900 million francs per year. The deficit which will remain after these measures have been enacted and after expenditure has been curtailed, will amount to 350 million francs. On a Budget of 10,000 millions such a deficit is not at all dangerous.

The main topic of discussion, however, is the course which the Belgian economy is likely to take during the next months. If a further decline occurs, the financial deficit will naturally be augmented, while if conditions improve a sensible improvement in the financial situation may be foreseen. Business activity is running at a low level, but no deterioration has recently been registered. Since the beginning of 1938, activity has been practically stable, except in coal-mining, where the situation has become definitely worse. The prospects of the textile industry has slightly improved. In metallurgy, orders are a little more numerous than at the beginning of the year.

Finland

Increased Revenue and Expenditure

HELSINGFORS, May 23.—Both revenue and expenditure increased considerably during 1937. The increase was made more pronounced by the inclusion of 625 million marks partly as capital revenue and partly as a transfer to the Budget Equalisation Fund.

	1935	1936	1937
Revenue :	Mill. mk.	Mill. mk.	Mill. mk.
Current revenue	3,482.2	3,725.2	4,315.6
Loans issued	860.0	900.0	845.7
Other capital revenue	217.2	245.1	823.2
Total	4,559.4	4,870.3	5,984.5
Expenditure :			
Current expenditure	2,872.7	2,983.6	3,557.1
Redemption of loans	815.3	915.0	623.3
Transfer to the Budget			
Equalisation Fund	65.0	31.0	709.7
Other capital expenditure ...	780.5	932.0	1,008.0
Total	4,533.5	4,861.6	5,988.1
Surplus	25.9	8.7	86.4

The increase in current revenue amounted to 590.4 million marks, including 123.7 millions from income and property tax, 102.0 millions from Customs, 77.3 millions from excise, 77.1 millions (net revenue) from the State Railways and 75.6 millions (net) from the State forests.

Recovery in Production

Industrial production, which had shown a tendency to fall during the last quarter of 1937, further increased during the first quarter of this year. This is shown by the following index numbers (1926 = 100).

	Volume of Industrial Production	Value of Industrial Production
1st quarter of 1936	161	138
1st " 1937	181	181
4th " 1937	178	194
1st " 1938	187	196

There was an increase in output in all the principal branches of industry with the exception of the sawmill industry, in which activity fell off owing to the weak state of the timber market. Building activity continues unabated. The decline in the number of plans approved, however, suggests that some decline is likely.

During the first four months of this year, foreign trade has been even more active than last year. The April figures of volume, however, suggest that the peak has been passed. It is especially noticeable that exports of paper, cardboard, cellulose and mechanical pulp are considerably lower than last year in consequence of declining demand. In imports, too, the April figures reveal a falling tendency, e.g. in metals and raw materials.

Surplus of Imports

The balance of trade, usually negative during the winter and spring, has shown a surplus of imports amounting to 557.0 million marks during January-April, against 462.9 millions in the same months of last year and only 103.7 millions in 1936. During April, however, the surplus of imports, at 154.6 millions, was slightly less than it was in April last year, 225.6 millions.

The level of prices is gradually falling. The index of wholesale prices has declined from 102 in January to 99 in April. The fall in the indices of import and export prices is appreciably larger; the former has fallen 6 points to 97, the latter 10 points to 102. The index of export prices does not refer to the paper and pulp products which are being exported at present; these were sold last year at the higher prices then ruling.

There has been a marked demand for credit. Owing to the plentiful accumulation of funds the banks have been able to satisfy it with ease. On the other hand, the foreign exchange position of the joint stock banks has been weakened by the large surplus of imports. The net foreign balance, which amounted to 306.5 million marks at the end of February, was reduced in March by 31.3 and in April by 129.5 million marks. At the end of April it amounted to 145.7 million marks, compared with 241.3 millions a year ago.

The large demand for credit is also shown by the rise in the credits granted by the Bank of Finland. These increased by 124.4 millions in March, by 70.4 millions in April and in the first half of May by another 30.0 millions. The credits granted by the bank amounted to 1,556.6 million marks and were considerably larger than in previous years. At the same time, the bank's reserve of foreign currency was also appreciably higher than last year.

Italy

Financial Deficits

TURIN, May 22.—The Finance Minister's Budget Speech and the report of the Governor of the Bank of Italy enable us to form a fairly complete picture of the financial and monetary situation. The expenditure on Abyssinia and exceptional defence requirements amounted to 975 million lire in 1934-35, 11,136 million lire in 1935-36, 17,519 million lire in 1936-37, and 9,000 million lire (estimated) in 1937-38. The deficits on the State Budgets in this period did not tally exactly with these figures. Sometimes the ordinary Budgets showed surpluses, sometimes deficits: in 1936-37, for instance, the total deficit was 16,230 millions, and in 1937-38 the total deficit was estimated at 12,000 millions. The total sum for which extra-revenue means were required during the three fiscal years from July 1, 1934, to June 30, 1937,

and the first nine months of the current fiscal year, 1937-38, may be estimated at about 36,000 million lire.

The chief disclosed ways and means whereby these deficits were covered were as follows. Some 5,885.8 million lire of 3½ per cent. redeemable stock was converted into 5 per cent. consols. This did not increase the public debt, since the nominal capital was not increased. New 5 per cent. consols to the value of 950.1 million lire were issued. A compulsory 5 per cent. redeemable loan brought in, up to March 31, 1938, some 7,004 million lire. Whether this sum ought to be included in the public debt is an open question. For a portion, amounting to 1,301 million lire, no securities were issued, taxpayers preferring to pay cash and free themselves from the obligation of subscribing to the loan. For the rest, subscribers are nominally State creditors; but, since they also pay an annual tax equivalent to interest and redemption on the loan, the transaction does not involve any additional burden on the Exchequer.

Ordinary one-year 5 per cent. Treasury bills, amounting to 8,937 million lire, have also been issued; and, between July 1, 1934, and March 31, 1938, advances from the Cassa Depositi e Prestiti increased by 6,507 million lire. These five items amount to about 29,300 million lire. The balance of some 7,000 millions was obtained from the sale of foreign securities compulsorily handed over to the Treasury; and by the issue of special 4 per cent. Treasury bonds and 10-lire State notes.

In addition to these measures to cover the deficits the market was called upon to satisfy other public demands for capital. According to the Finance Minister's estimate, some 6,700 million lire were required for land reclamation, electrification of the State railway, land improvement in Libya, hydro-electric development and similar enterprises subsidised, encouraged or guaranteed by the State. The Istituto per la Ricostruzione Industriale, which is now a permanent financial agency of the State, and the owner of several of the most important industrial concerns of the country, made, in 1937 and 1938, two bond issues of 900 millions each for the equipment of the Iri-Mare and Iri-Ferro. And this large public demand for new capital is wholly additional to the usual demand from private businesses and agriculture. Banks catering for short-term deposits increased their discounts and advances between August 31, 1936, and June 30, 1937, by 2,100 million lire to a total of 29,800 million lire.

No Inflation

Savings were sufficient to meet all these requirements, which amounted, during the three years and nine months between June 1, 1934, and March 31, 1938, to about 50,000 million lire. No recourse to inflation was needed. The note circulation was 16,296.5 million lire on December 31, 1935, 16,525.1 millions on December 31, 1936, 17,468.1 millions on December 31, 1937, and 16,279.7 millions on April 30, 1938.

Two items in the balance sheet of the Bank of Italy bear however, witness, of the pressure of public and semi-public requirements:—

	(Millions of lire)		
	Dec. 31, 1936	Dec. 31, 1937	Increase
Discounts	1,266.7	2,544.2	1,277.5
Advances	1,599.3	4,508.0	2,908.7
	2,866.0	7,052.2	4,186.2

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Advances made to subscribers to the compulsory 5 per cent. loans were the most important cause of these changes. By the end of 1937, the Bank of Italy had advanced for that purpose 255 million lire to banks, 869 millions to insurance institutions and companies and 428 millions directly to taxpayers. Moreover, banks and clients had asked for special advances of 2,027 millions (included in the 4,508 millions above), with 5 per cent. consols as collateral, and these were also due to the need for subscribing to the compulsory loan.

Certain general conclusions can be stated. The revenue of the four years, 1934-35 to 1937-38, can be estimated at 90,000 million lire. If we add to this figure, to cover deficit expenditure and semi-public subsidies or guarantees, a further sum of 49,000 million lire, we get a total of all expenditure (direct and indirect, current and capital) of 139,000 million lire. This works out at an annual average for the four years of just on 35,000 million lire, increasing, say, from 21,000 millions in 1934-35 to 40,000 millions in 1937-38.

Of present lire 40,000 millions are equivalent to about 24,000 millions of 1927 lire and about 6,400 millions of pre-war lire. This is more than the Italian taxpayer can bear; but Italian finance is probably moving towards an average ordinary Budget of 30,000 million lire. To reach this lower level will not be easy. But, meanwhile, savings should be sufficient to meet the further deficits which will be temporarily incurred.

The country's financial structure is becoming increasingly stabilised. There is, however, one precarious point in the structure. Of the assets of the Bank of Italy, amounting to 13,500 million lire, made up of discounts and advances, State securities, ordinary advances to the Treasury and advances to the Istituto per la Ricostruzione Industriale (which is State owned), some 80 per cent. is tied up, directly or indirectly, with the State or State agencies. How liquid are these assets? Great care is surely needed, on the part of the Finance Minister and the Government of the Bank, to avert the danger that they may become frozen.

Hungary

Dr Imrédy's Task

BUDAPEST, June 1.—Dr Imrédy has succeeded in forming a Government. In it there are at least two personalities who might have become Premier themselves, had they not preferred to serve under the former President of the National Bank in the strongest and most representative Cabinet Hungary has had since the war. It is generally believed that Dr Imrédy came at the right moment, when bold and active leadership was imperative to preserve law and order. His statement of policy was greeted with a jubilation almost unprecedented in Hungarian parliamentary history, and the Opposition were almost as eager to endorse his programme as the members of his own party.

It may be said without exaggeration that the tasks confronting the new Premier are stupendous, and Dr Imrédy is fully aware that without the faith of a Széchenyi and the iron hand of a Tisza he cannot succeed. He has to carry out a Five-Year Plan of re-armament and public works, and finance it entirely out of domestic resources, partly by taxation, partly by internal loans. The land hunger of the excited landless peasants must be satisfied; and the restriction of the number of Jews to 20 per cent. of the personnel in trade and industry and in the professions will be put in effect within the next five years. And, all the time, Hungary is vitally interested in the fate of Europe's minorities, since almost a third of the 12 million Hungarians live under Roumanian, Czechoslovak and Yugoslav sovereignty.

There will be no change in foreign policy. Dr Imrédy retained M. de Kánya as Foreign Minister, thus demonstrating that he wishes to maintain close and friendly relations with Italy and Germany, while seeking better relations with the States of the Little Entente. Dr Imrédy has also stated that all Hungarians welcome Great Britain's increased interest in Danubian affairs.

No Change in Financial Policy

Dr Imrédy made it clear that he does not want to resort to financial short cuts. There will be no inflation, and the monetary policy, which enabled Hungary to balance the Budget and resume the partial service on foreign debts, will be strictly maintained. The appointment of Dr Baranyai as President of the National Bank is particularly important. To

safeguard the financial and economic interests of the country, the Government has authorised the Presidents of the National Bank and the Central Banking Companies to exercise a power of veto over the appointments of presidents, general managers and managers of banks and insurance companies having a capital in excess of 3,000,000 pengő.

The 1938-39 Budget, which is now under discussion in Parliament, is the first balanced estimate which has been introduced to the House of Deputies since 1931, and is largely based on the actual results of 1936-37. It provides for an expenditure of 848.3 million pengő for administration proper, or 26.5 million pengő more than the estimate for the present fiscal year. Receipts are estimated at 878.5 millions, leaving a surplus of 30.2 million pengő, which would just cover the deficit on the State undertakings, whose expenditure is estimated at 486.6 million pengő, against a revenue of 456.5 millions.

In the first nine months of the current financial year, receipts (including the proceeds of the State undertakings) have exceeded the estimates for the next financial year, but owing to the economic recession caused by political uncertainties, a declining revenue must be expected in the second quarter of 1938. Dr Imrédy has announced, however, that the recession will not interfere with either the Five-Year plan or the service on the foreign debts. He estimated that there were sufficient reserves at the disposal of the Government to meet any shortage in budgetary receipts or in foreign exchange.

Poland

Polish Policy and Czechoslovakia

WARSAW, June 9.—If the Government-controlled Press accurately reflects the official attitude, the aim of Polish policy is to work for the break-up of Czechoslovakia by means of plebiscites, and to help in bringing about a separation of the Slovaks from the Czechs. This aim has been indicated for a long time by the officially-decreed friendship with Germany, by the close contact between the leaders of Poland and Hungary, and by the more recent flirtation with discontented Slovaks belonging to Father Hlinka's party. Whether or not these activities merely indicate that the Polish Government, regarding German expansion as inevitable, would prefer to see it directed towards South-Eastern Europe; whether the Government desires at any price to avoid trouble with Germany; or whether Czech tyranny and oppression are being "played up" to distract attention from the unrest within its own borders, are questions that cannot yet be clearly answered. But whatever the motive, the controlled Press and news services seem desperately eager to persuade public opinion that Czechoslovakia is in a hopeless position; that all the minorities there are living under a reign of terror; and that the recent calling up of reservists was solely because the civil authorities had lost control of the situation. In brief, the controlled Press here for several weeks has been working, unwittingly or otherwise, in close harmony with the German and Hungarian.

Opinion at large, however, seems fully alive to the dangers which the break-up of Czechoslovakia would hold for all the States lying to the east and south-east of that country. Most Poles who think for themselves seem to be in no doubt about the aims of Germany; and, while they rightly deplore the failure of the Czechoslovak Government to make an earnest effort amicably to settle the just grievances of the small Polish minority in the Teschen coal-mining district, they express the firmest opposition to the dismemberment of Czechoslovakia in order that Germany might be the chief beneficiary. Nor do they hesitate to express the view that within a fortnight of Czechoslovakia being "settled" the German minority in Poland might be used for precisely the same purpose as the German minority in Czechoslovakia is now being used. It seems probable, however, that until Herr Hitler disposes of Czechoslovakia (or breaks his neck in the attempt), and then decides what he intends to do about Soviet Russia, the policy of "friendship" between Poland and Germany will not undergo violent change. But there are many who feel that Hitler's task in Czechoslovakia has been made vastly more difficult, not by the apparent firmness recently displayed by the British and French Governments, but because the Japanese have allowed themselves to become "immobilised" in China, so that Soviet Russia could probably render valuable assistance to Czechoslovakia in case of war.

Economic Improvement Halted

After three years of slow but continuous improvement, which brought the index of industrial production in March to within 5 per cent. of the 1928 level, the economic recovery seems to have stalled. The supposition that Polish economy had been largely freed from external influences is now increasingly felt to have been ill-founded, and a leading economist recently wrote: "It is now time to think of preventing a new economic crisis in 1939, or at the latest in 1940." The opinion was expressed that, if the "recession" in the United States has not yet been widely felt in Europe, "it is only because the gigantic armament programmes have artificially stimulated the economic life of many countries."

It is hardly to be doubted that the armament and public works programmes have been primarily responsible for the economic recovery in Poland since 1935, and that the financial resources on which these programmes have so far been based cannot support their indefinite continuance. Sales to Spain, for instance, which were extensive in 1936 and 1937, and paid for mostly in gold, have now practically ceased, while the income from the French credits arranged for in December, 1936, has been much diluted because of franc depreciation. Nor can further help be expected from exchange restrictions, external debt conversions, and the lowering of interest rates on foreign bonds; while the capacity of the internal market to finance public expenditure and industrial development has been fully measured.

Devaluation Discussed

The step mainly discussed so far for "preventing a new economic crisis" which might have serious political repercussions is currency devaluation. It has long been evident that the zloty is much overvalued, and there is now a growing feeling among industrial leaders—and especially those who are mainly concerned with exports—that the "plunge" should be taken while commodity prices are falling, so that the effect of devaluation on the internal price structure might pass without violent reaction—as was the experience of "the sterling bloc" in 1931. Conditions are held to be similar now to those prevailing in 1931, when the zloty ought to have been devalued but was not. It is not likely, however, that it will be "re-aligned" until it becomes certain that the recovery movement has gone into reverse.

The foreign trade returns are now making a poor showing, the figures as published being as follows:—

	Exports	Imports	Surplus of Exports (+) or Imports (—)
	(In millions of zlotys)		
First four months, 1937 ...	400	391	+ 9
First four months, 1938 ...	372	450	— 78

Part of this year's import surplus, however, is covered by the liquidation of German indebtedness for railway transit across Pomorze. Current indebtedness on this account is now being met mainly in merchandise owing to Germany's lack of foreign exchange.

Turkey

Changing Trade Trends

ISTANBUL, May 24.—Although the economic situation is, on the whole, satisfactory, the effects of the general slackening of trade abroad have already been felt on Turkish foreign trade since the beginning of the current year. In January and February an increase in imports was not balanced by a corresponding increase in Turkish exports which, in fact, fell slightly below the level of the same period last year. The surplus of exports in the first two months has fallen from £T15,507,000 in 1937 to £T1,961,000 this year.

Germany's purchases fell from £T16,809,000 to £T10,374,000; while Turkey increased her imports from that country in order to diminish further the amount due under the Turco-German clearing agreement. Sales to countries other than Germany increased from £T10,150,000 to £T12,654,000. Exports to Italy were valued at £T3,665,000. Imports from countries other than Germany increased more rapidly still, from £T6,276,000 to £T13,388,000, the main suppliers being the United States, Great Britain and Soviet Russia.

The balance of trade with the United States, which had always been active in previous years, became passive. Turkey, who had always considered American trade as a source of free foreign exchange, now found herself compelled to draw on her foreign exchange resources to pay for American goods.

During the whole export season from August, 1937, to February, 1938, exports rose from £T98,476,000 in the corresponding period the year before to £T99,171,000. But, while tobacco exports increased from £T20,077,000 to £T41,148,000, those of all the other main staples, except barley and chrome ore, fell substantially. Tobacco, in fact, represented well over 40 per cent. of total Turkish exports.

There seems to have been some progress in the export of ores, but the quantities involved are still too small to play any outstanding part in the Turkish balance of trade. Next to chrome ore, antimony, lead and zinc ores gained in importance. State receipts have run steadily above the estimated figures, which has encouraged the Government to reduce the rate of various taxes, including, particularly, the income tax, and to lower the price of certain monopolised products. The new Budget for 1938-39 has been fixed at £T249,954,020 against £T231,017,776 for the current year. The Budget is to be entirely covered by ordinary revenue estimated at £T250,049,000.

Japan

War Economy

TOKYO, May 10.—The Government is taking active measures to finance enormous war expenditure without inviting rapid inflation, and also to preserve all essential resources for the services. A new department has been added to the Treasury to conduct a nation-wide saving campaign to neutralise the inflationary influence of Government spending on such a vast scale. No more materials have been added to the list of fixed maximum prices, which now includes crude rubber, raw cotton, cotton yarn, and bleached cotton tissues: but national and provincial committees have been appointed to prevent unreasonable inflation, and to keep an eye on profiteering. A Commodity Regulation Board has also been formed to be a bureau of economic intelligence and research on the supply of essential commodities, and to prepare schemes for controlling and safeguarding supplies.

The consumption of several more commodities has been regulated since the beginning of May. Rationing, which began with crude rubber and cotton yarn, has been extended to crude oil and petrol. The use of copper has been more widely restricted, including copper alloys, and the manufacture of about 40 articles in cast iron, ranging from poles and fences to ash-trays, has been prohibited or restricted. The list of materials whose consumption is regulated now includes raw cotton, raw wool, steel ingots, cast iron, gold, platinum, copper, lead, spelter, tin, brass, nickel, and antimony, besides those under the rationing scheme.

Capital for Munitions

Capital is being increasingly diverted to war industries. According to the quarterly report of the Treasury, new capital authorised by the Capital Adjustment Committee during the first three months of this year amounted to 645.6 million yen. Of this total, 457 million yen, or 70.8 per cent., was allotted to ancillary processes and services involved in munition production for the re-equipment and extension of capacity. In the preceding quarter, the amount rationed to war industries was 773.7 million yen out of 1,301 million yen sanctioned, or only 59.5 per cent. of the total.

The official gold purchase price was raised on May 2nd from 3.77 yen to 3.85 yen per gramme. This increase has removed the margin which had existed between the official price and the international market quotation. The higher purchase price will undoubtedly stimulate the gold-mining industry. It is expected that the objective of a yearly output of 500 million yen will be achieved by 1942, when the Five Year Plan for gold will expire.

After a consistent rise for five consecutive months since November last, the index number of wholesale prices prepared by the Tokyo Chamber of Commerce registered a fall of 0.4 per cent. in April; but it was still 13.8 per cent. higher than in April, 1937. On the other hand, April witnessed a continuance of the upward trend in the cost of living.

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Letters to the Editor

Germany's Oil Supplies

TO THE EDITOR OF THE ECONOMIST

SIR,—I have read with interest the article on the above subject in your issue of May 28th. I think the writer would have been nearer the mark had he dealt with the horse-power available to Germany and not merely with her oil supplies.

Your contributor calculates that, by 1939, Germany should have 3,500,000 tons of oil available from all indigenous materials. While he takes count of the hydrogenation systems of production, he does not specify any amount of oil obtained from low-temperature carbonisation. Still more significant is his omission of power derived from the use of solid fuels. It is well known that the German Government offers a £50 grant in respect of every commercial vehicle fitted to run on producer gas derived from anthracites, lignites or smokeless coals; and that thousands of vehicles and tractors are running on this power.

A low-temperature carbonisation plant using 500 tons of coal per day can produce sufficient smokeless fuel per annum to give equivalent h.p. to 14 million gallons (or 62,500 tons) of petrol; and this in addition to a considerable quantity of oil. A couple of dozen low-temperature plants can, therefore, make the very useful equivalent h.p. of 1,500,000 tons of petrol per annum—more than enough to move all Germany's agricultural tractors and food transport, without even calling upon her oil supplies at all. And a low-temperature plant costs £200,000 to erect against £6,000,000 for one hydrogenation plant.

I am, Sir,

Yours faithfully,

Brodrick Castle,
Isle of Arran.

MONTROSE.

[The horse-power available to any country is clearly incalculable. For practical purposes the question turns on the fuels which are technically and commercially attractive. That

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producer gas derived from anthracites, lignites and smokeless coals has as yet scarcely come under this heading is suggested by the fact that, in spite of the £50 grant which is made, the use of producer gas vehicles has so far progressed very little. Vehicles using this fuel are an insignificant proportion of the total number of vehicles in use; there were only 1,000 lorries out of 322,000 last year. Similarly, the oil obtained by low-temperature carbonisation did not appear to be sufficient in quantity to be included in our article. It may be estimated, however, that production was in the neighbourhood of 25,000 tons in 1936 and 40,000 tons in 1937. Oil produced in this way, however, is only a by-product of the manufacture of smokeless fuel; and that fact would seem to render it unsuitable as a significant contribution to Germany's total oil supplies.—Ed., *Econ.*]

An Anglo-German Clearing?

TO THE EDITOR OF THE ECONOMIST

SIR,—In connection with the threatened default on Austrian loans the old suggestions about the establishment of a compulsory clearing with Germany have been once more revived. But the time when Germany was genuinely afraid of a clearing agreement is long past. Experience has taught her, as well as the countries with which Germany is in clearing relationship: (a) that the balance of trade of a country is not an immutable magnitude; (b) that it would be much easier for a country whose foreign trade is centrally controlled to steal a march in influencing foreign trade relationships on a country where foreign commerce is still conducted by and at the risk of individuals.

The assumption is more than justified that the institution of a compulsory clearing *alone* would immediately lead to the disappearance of the favourable balance of trade of this country with Germany, either by Germany increasing her imports from us (especially of semi-manufactured or raw materials) or by ceasing to keep up her exports. In view of the necessity to offset the present over-valuation of the mark at the former parity by special measures, German exports could be influenced promptly and effectively. If, therefore, this country wishes to collect the service of its loans to Germany, very much more thorough methods of control of foreign trade are necessary than is usually supposed. One of the possibilities is to try to levy a duty on German exports to this country and to institute export licences. As Germany's trade with the Empire outside of this country is unfavourable, and as commodity prices are falling and force the producers to look for potential outlets, the problem is undoubtedly very difficult.

Conversely, Germany needs the imports, which she still takes, very urgently, and may be brought to reason if the measures adopted are stringent. It would be a dangerous mistake to suppose, however, that compulsory clearing is by itself a satisfactory solution to the problem.

Yours, etc.,

T. BALOGH.

London, E.C.2.

War Loan Dividend

TO THE EDITOR OF THE ECONOMIST

SIR,—With reference to your comments of June 4th on the War Loan dividend (on pages 545 and 546), may I suggest that one possible cause of the failure of bankers' deposits to reflect the full payment of the War Loan dividend may have been due to the incidence of Treasury bill maturities and payments. In this connection, it is possible that the publication of the return of the Bank of England on Mondays, instead of on Thursdays, would assist in affording understanding of a situation created by offering Treasury bills for payment as desired during the ensuing week.

The Bank Charter Act, 1844, provides that the Bank of England issue a return weekly "on some day in every week to be fixed by the Commissioners of Stamps and Taxes."

In 1844, there was probably a very good reason for appointing the Commissioner of Stamps and Taxes as arbitrator, but, whatever the reason, it is obvious that, under existing circumstances, the alteration of the date of publication would enable a less confusing return to be presented.

Yours faithfully,

Belmont.

S. S. JOHNSON.

Books and Publications

Economics Through the Ages

THIS book* is welcome at the present time. We need to take stock of the position of economic theory after some years of controversy, and to set it in the long perspective of its history. It is Professor Roll's object to provide this historical background. He traces the evolution of economic doctrine from its appearance in the Old Testament down to modern times; and, at the same time, he endeavours to show the relation of economics at successive stages of its development to the economic, political and social structure of the age.

Wisely refusing to attempt to deal with every recognised contributor to economic controversy, Professor Roll has boldly limited his study to a comparatively few writers. His choice has been determined "by two considerations. First, apart from the most outstanding economists of the past, only those have been included whose contributions to economic thought appear to have significance in relation to present-day theory and controversy. Secondly, stress has been laid both on writers and views which exemplify most clearly different trends of thought."

This basis of selection results in Petty's receiving more ample treatment than the Physiocrats, and nearly as much as Locke, North, Law, Hume, Cantillon and Steuart put together. Although it means that some familiar names are hardly mentioned, the method justifies itself by the extent to which it allows of an adequate discussion of some writers who have received less than their due from former historians; and by the consistency of approach to every phase of economic thought which is maintained throughout the book.

Purely technical developments receive comparatively little attention, for Professor Roll is concerned primarily with the normative quality of theory, and he has heterodox views. He regards any formulation of theory as possessing two aspects, apologetic and critical. It represents advocacy of one state of affairs and criticism of alternative or opposing systems. At the same time, there are to be found in each theory certain elements that constitute the basis of the controverting view, for "every ideology contains antithetical elements precisely because it has to include the aspirations of the exploited classes."

Thus Marx is in the classical tradition, though he erected upon Smith's and Ricardo's apologetic for *laissez-faire* capitalism the most powerful criticism of that system yet put forward.

The claim of the utility schools of economic thought that, by enunciating propositions professedly of universal validity, they have removed any apologetic character from economics, is, accordingly, rejected. Professor Roll argues, indeed, that the very attempt to maintain "neutrality" has already resulted in a degree of formalism which has seriously reduced the authority of the science and put it "in great danger of becoming a plaything of demagogues."

This insistence on the social reference of economic doctrine ensures a careful and sympathetic treatment of those schools of thought consciously based on a social or political philosophy. We find valuable discussions of the German Romantics, of the non-Utopian Socialists, of the early nineteenth century, and of the Historical school. There are certain omissions; although Bentham was not a professional economist, he had shrewd things to say on topics relating to "present-day theory and controversy," and is not quite fairly served by references to his influence on less seminal—if more celebrated—minds. And it would be interesting to trace parallels between Gentz or Müller and our later English romantic, Ruskin.

Enough has, perhaps, been said to make it plain that this book is as stimulating as anything that the author has yet given us. For the most part, it is concise and clear. The chapters on Commercial Capitalism and Marx could hardly be bettered in a work on this scale. The book as a whole will

* "A History of Economic Thought." By Erich Roll. Faber and Faber. 430 pages. 12s. 6d. net.

be read with profit (if not always with ease) by the intelligent layman. To the student it is likely to become a standard work of considerable value, in spite of Professor Roll's unorthodox prepossessions.

Shorter Notice

"The Men Who Defend Us." By Commander Russell Grenfell. Eyre and Spottiswoode. 291 pages. 9s.

"Good men with poor ships are better than poor men with good ships." Admiral Mahan's dictum takes on a disturbing significance in the light of Commander Grenfell's vigorous onslaught upon the inadequate payment and terms of service accorded to our three fighting services. This is no mere polemic. The facts of service pay are set out, over the last hundred years, against the movements of wages in civil occupations and of salaries and pensions in other Government employment. The case Commander Grenfell makes is strong and very disquieting. He exposes the fallacies of the Anderson Committee's arguments for pay cuts in 1931, and concludes that "if the country wants officers and men who are not only men of war but masters of war it must pay the price." Commander Grenfell is clearly partisan and not always judicial, but recent improvements in Service pay and conditions have not fundamentally weakened the force of his indictment.

Books Received

- Seaports and Hinterlands.* By A. J. Sargent. (London) A. and C. Black, Ltd. 188 pages. 8s. 6d. net.
- Patents, Designs and Trade Marks.* By C. S. Parsons. (London) The Technical Press, Ltd. 184 pages. 10s. 6d. net.
- Can 1931 Come Again?* By Collin Brooks. (London) Eyre and Spottiswoode. 84 pages. 2s. 6d. net.
- The Public Corporation in Great Britain.* By L. Gordon. (London) H. Milford. 351 pages. 16s. net.
- British Chamber of Commerce, Paris. Annual Report, 1937.* (Paris) 6, rue Halévy. 234 pages. No price stated.
- Guide to New Zealand Official Statistics.* By E. P. Neale. (Sydney and London) Whitcombe and Tombs, Ltd. 91 pages. No price stated.
- Price and Price Policies.* By W. Hamilton. (London) McGraw-Hill Publishing Co., Ltd. 565 pages. 24s. net.
- Industrial Enterprise in India.* By N. Das. (London) H. Milford. 174 pages. 10s. 6d. net.
- The Public Services.* By W. Hardy Wickwar. (London) Cobden-Sanderson. 243 pages. 10s. 6d. net.
- Official Year Book of the Commonwealth of Australia, 1937.* (London) Commonwealth Offices, Strand, W.C.2. 1021 pages. No price stated.
- Statistical Abstract for British India from 1926/27 to 1935/36.* (Delhi) Manager of Publications, Department of Commercial Intelligence and Statistics. Rs. 7-14, or 13s. net.

Official Publications

- The following may be obtained from H.M. Stationery Office, Adastral House, Kingsway, W.C.2.
- Report of the Development Commissioners for the year ended March 31, 1937.* 2s. 6d. net.
- Report of the Medical Research Council for the year 1936-1937.* Cmd. 5671. 3s. net.
- Memorandum on the Board of Education Estimates, 1938.* Cmd. 5678. 6d. net.
- Report of the Departmental Committee on Corporal Punishment.* Cmd. 5684. 2s. 6d. net.
- Criminal Statistics, England and Wales, 1936.* Cmd. 5690. 3s. 6d. net.
- Army Appropriation Account, 1936.* 2s. net.
- Navy Appropriation Account, 1936.* 2s. net.
- Estimates for Revenue Departments for the Year Ending March 31, 1939.* 2s. net.

THE BUSINESS WORLD

Germany and Austria's Debt

ON March 13th, after the entry of the German Reichswehr into Austria had cleared the way for the *Anschluss* and for Herr Hitler's triumphal journey to Vienna, the prices of Austrian Government loans in London reached default levels. On Wednesday last week an official British Treasury statement declared that discussion between German and British delegations in Berlin had disclosed no possibility of reconciling the views of the two parties on the question of Austrian loans. Last Monday the trustees of the Austrian International Guaranteed Loan, 1933-53, and the Guaranteed Conversion Loan, 1934-59, announced that no part of the monthly instalment of the service of either loan, due on June 1st, had been provided. Next day the Bank for International Settlements made a similar announcement regarding the International Loan of 1930. Although last week's statement by the Treasury spoke merely of "interrupted" negotiations, which were to be "continued after Whitsun," no announcement of their resumption has yet been given; but a meeting of representatives from countries which guaranteed Austrian loans was held in London on Thursday, to explore the possibility of reaching a united front before the resumption of discussions in Berlin.

London financial circles have evinced deep resentment at the implied decision of the German Government to make default a *jait accompli* as a prelude to further discussion. The Association of British Chambers of Commerce, in a strongly worded letter to the Chancellor of the Exchequer, has assured the British authorities of support if firm measures are deemed necessary to meet the situation. Meanwhile, as will be seen by a glance at the following table of prices, the 7 per cent. sterling bonds of the 1930 loan have fallen this year by 72½ points, and the 4½ per cent. sterling bonds, 1934-59 (of which the British Government is a guarantor as to 24½ per cent.) by 34½ points. Only the 3 per cent. sterling bonds, 1933-53 (which, being fully

guaranteed by the British Government, enjoy gilt-edged security) have maintained their value this year.

AUSTRIAN BOND PRICES

	Issue Price	1930-37		End 1937	Mar. 13, 1938	June 9, 1938
		High	Low			
7% International Loan	95	105½	25½	103	44	30½
3% Guaranteed Loan, 1933-53 ...	96	104½	97	102	101½	102
4½% Guaranteed Loan, 1934-59	98½	101¾	76½	86½	54	52

In view of the week's events, indeed, bondholders may have regretted the natural reluctance of the British Treasury to dilate upon the reasons for the suspension of discussions which, in theory at least, were merely adjourned. In the absence of any authoritative explanation of the views which were found irreconcilable, different versions of their character have been current in Berlin and London. In usually well-informed quarters in the former centre, it has been suggested that the chief difficulties were political rather than financial; that the German Government took its stand, not on difficulties of transfer, but on a refusal to recognise any liability whatever for the obligations of the defunct Austrian State. In London, however, it is understood that the discussion turned on the extent of future payments rather than on questions of political status. The British representatives, arguing from the fact that Austria, before the *Anschluss*, was able to meet the service of her external debts and to give almost complete freedom for dealings in foreign exchange, maintained that the German Government should use its power to permit the transfer of full interest service on the Austrian Loans, in the same way as she already uses it in the case of the Dawes and Young Loans. This demand, however (according to unofficial London reports of what transpired behind closed doors), was met by the reply that Austria had been

AUSTRIAN LOANS: A SUMMARY

Loan	Issues	Outstanding, Dec. 31, 1937	Security	Guarantees	Latest Service Position	Coupons due
7% International Loan 1930	£3,500,000* Lire 100,000,000 Sw. Kr. 10,000,000 Sw. Frs. 25,000,000 \$25,000,000 Sch. 50,000,000	£2,885,400 L. 82,370,000 Kr. 8,772,000 Frs. 20,788,000 \$20,600,800 Sch. 41,946,100	Direct obligation of Austrian Government, secured on Customs and tobacco monopoly (Registered receipts, 1937, Sch. 429,950,000)	None	June 1st instalment not received by Trustees, who will be unable to pay more than ½ of July coupon, except for Austrian & Swedish tranches.	Jan. 1 July 1
International Guaranteed Loan 1933-53	£4,514,200 (3%) Bel. 5,160,000 (6½%) Fr. Frs. 408,125,000 (5½%) Lire 92,750,000 (5%) Sw. Frs. 5,434,000 (4%) Fl. 1,050,200 (4½%)†	£3,824,500† Bel. 4,606,414 Fr. Frs. 339,536,000 L. 80,740,000 Frs. 4,656,062 Fl. 928,046	Direct obligation, secured on Customs and tobacco monopoly after 1930 loan.	Tranches guaranteed as to principal and interest by respective governments of countries of issue. No joint guarantee.	June 1st monthly instalment not received by trustees. Latter are examining possibility of providing ½ deficiency for July coupon from sinking fund balances and by recourse, if necessary, to guarantor Government affected.	Jan. 1 July 1
Guaranteed Conversion Loan 1934-59	£10,163,900 (4½%)§ Sch. 93,400,000 (5%) Bel. 2,842,000 (5%) Kc. 364,612,000 (5%) Fr. Frs. 109,358,000 (5%)	Fl. 1,970,000 (4½%) Lire 131,500,000 (4½%) Sw. Kr. 8,558,000 (4½%) Sw. Frs. 15,850,000 (5%) Ptas. 33,940,500 (5%)	Direct obligation, secured on customs and tobacco monopoly <i>pari passu</i> with 1933-53 loan.	Principal and interest of all tranches (exc. Spanish) guaranteed by States in following proportions: Great Britain 24½% France ... 24½% Czechoslovakia 24½% Italy ... 20½% Belgium ... 2% Sweden ... 2% Denmark ... 1% Netherlands ... 1%	June 1st monthly instalment not received. Full funds to meet June coupon. Reserve fund of 3 mos. interest remains intact. Six monthly sinking fund instalments to end May received and applied to purchase of bonds for redemption.	June 1 Dec. 1

* Of which £500,000 issued in Amsterdam. † At present. ‡ Netherlands tranche issued 1935. § Sinking fund due to commence December 1, 1937.

relegated to the position of a German *land* or province, and that the Reich had consequently no more responsibility for its external obligations than for those, say, of Westphalia. The correct procedure, therefore, was for payment to be made to the *Konversionskasse* in blocked marks. The British representatives, however, stood firm, and a concession was thereupon forthcoming (it is said) from the German side, under which 50 per cent. of the service of the Austrian Loans was offered in foreign exchange and the remainder in blocked marks. The British delegation, however, refused to accept the transfer of less than 100 per cent, and there the negotiations terminated for the time being.

If this version of events is the more correct there will be general sympathy in this country with the attitude of the British delegation; and a widespread desire that, when negotiations are resumed, the Treasury will maintain, with the utmost firmness, its view that they involve a question of fundamental principle, not of barter. The German Government, in possession of the assets of the former Austrian State and its National Bank, has obviously the wherewithal, if it so chooses, to continue those payments which Austria had proved her ability to transfer without straining her economic structure. To put Austrian Loans on the same footing as German provincial debts ignores certain considerations which are basic to the whole issue. These loans were not contracted lightly in a period of prosperity, when optimism ruled both borrowers and lenders. Nor were they expended prodigally, in ways which increased the borrower's amenities without contributing to the future service of the loans. They were an indispensable part of a considered, comprehensive and successful inter-

national effort to rehabilitate post-war Austria. As will be seen from the summary table on the opposite page, they had specific Austrian revenues hypothecated to them, and these much more than covered their service requirements. They were all issued in financial centres in many countries, and two of those which are now outstanding carried the guarantee of a number of outside Governments. Their proceeds are represented by solid and enduring assets, which have increased, and will continue to increase, the national income of the former Austrian territory.

Thus political, financial and equitable considerations combine to support the refusal of the British authorities to be satisfied with anything short of complete recognition by Austria's successor-in-title of her obligations towards Austria's bondholders; and to urge that, if need be, the Government should enforce its just claim by a termination of the agreement of 1934, under which all Anglo-German payments are now regulated, and by resort to a system of exchange clearing. A creditor who refuses to compromise with any action savouring of fraudulent bankruptcy protects, not merely his own interests, but those of all other creditors. Questions of the loss which would fall on the British taxpayer in the event of continued default are irrelevant to the main issue. Britain, as the world's most important foreign lender, has a long tradition of sympathy with the difficulties of an impoverished but honest debtor, and, equally, of repugnance to the employment of default as a weapon of high policy. And never, in the chequered history of foreign borrowing, has a clearer case arisen for the maintenance of the principle, basic to all international financial relations, that payment should follow ability to pay.

The Rupee's Weakness

FROM time to time during the past two months we have commented upon the growing weakness of the rupee. The latter's quotation, which has stood consistently at 1s. 6½d. for several years, has fallen away since the end of March, and early this week was no better than 1s. 5¼d. The Indian Reserve Bank is bound by law to buy rupees without limit at a rate of 1s. 5¼d., and the present rate is close upon that limit. Furthermore, until recently the Reserve Bank was able to meet Government's sterling requirements by buying sterling tendered to it each week at a rate of 1s. 6½d. In the middle of April, offerings of sterling at that rate ceased to be made. On April 20th the Reserve Bank rejected an offer at a rate of 1s. 6d. Since then it has endeavoured to obtain sterling by offering to buy without limit at a tap rate, initially fixed at 1s. 6¾d. This attempt has proved abortive, and the market rate for sterling has consequently fallen to its present level, while the Reserve Bank is being compelled to draw upon its own resources to meet the sterling requirements of the Indian authorities.

This weakness of the rupee derives, at bottom, from the fact that India is a primary producing country, which is sharing in the common troubles brought upon all primary producers by the recession in world prices. Her experience resembles that of Australia and Argentina, for example, inasmuch as her exports have been dwindling during recent months, both in volume and value, while her imports continue to reflect orders placed during the period of relative prosperity which lasted until the middle of last year. The result is that, temporarily at least, she has acquired a passive in place of her normal active balance. This is shown in the table opposite, covering quarterly periods since the middle of 1936.

The figures given in this table are not strictly comparable; for before April, 1937, Burma's trade was included in the Indian returns. Its subsequent exclusion has made the deterioration in India's case appear worse on paper than in reality, since Burma enjoys an active trade balance. Nevertheless, the table not only shows how India's active

INDIA'S TRADE AND TREASURE (in million rupees)

	Goods			Treasure		Final Balance
	Imports	Exports	Balance	Silver Imports (-)	Gold Exports (+)	
1936—3rd quarter	283	426	+ 143	- 26	+ 190	+ 307
4th "	300	503	+ 203	- 29	+ 71	+ 245
1937—1st "	329	507	+ 178	- 39	+ 42	+ 181
2nd "	425	500	+ 75	- 9	+ 34	+ 100
3rd "	402	483	+ 81	- 10	+ 49	+ 120
4th "	433	433	...	...	+ 39	+ 39
1938—1st "	417	394	- 23	+ 4*	+ 34*	+ 21*

* January and February only.

trade balance has disappeared—entirely because imports have continued to grow while exports have been shrinking; it also demonstrates that while India is able to buy less silver, she is also selling much less gold. The result is that her final balance, derived from movements of goods and treasure, has shrunk to negligible dimensions.

These facts are of primary importance, since India has large remittances to make abroad each year. Prominent among these are the remittances made to London by the Government of India to provide for administration expenses in London and also for the service of India's sterling debt. The total cost to India under these heads varies from year to year, but may be taken as being approximately £30 millions sterling—equal to 400 million rupees a year, or an average of 100 million rupees a quarter. Reference to the preceding table shows that India's net exports of goods and treasure were sufficient to cover this requirement up to and including the third quarter of 1937, but since then they have failed to do so. As a minor aggravation of India's difficulties, it so happens that, owing to the recent constitutional changes, the family pension funds of the Indian Civil Service are being transferred from India to London.

This entailed an additional remittance of about £3,000,000 for the financial year to March 31, 1938, and will need nearly twice as much in the current financial year.

There is one further though more imponderable factor in the Reserve Bank's recent difficulties in obtaining sterling. For the twenty years preceding the war the rupee was fixed at 1s. 4d., and in spite of all subsequent vicissitudes there still remains an almost fanatical devotion in some sections of the community to the pre-war figure. Working in the same direction are the familiar arguments of those who believe that India would benefit from a moderate depreciation of her currency. Thus a not inconsiderable number of people have no particular desire to see the present one-and-sixpenny value of the rupee maintained.

The indications suggest, altogether, that before long the Reserve Bank may be forced to carry out its statutory duty of holding the rupee at its bottom limit of 1s. 5½d.; and in any case the Bank is already having to provide Government with its sterling requirements. In colloquial metaphor, the Reserve Bank may have no choice but to live on its own fat—possibly for the duration of the present world recession, and certainly until India's imports fall below the level established during her recent period of prosperity. This possibility raises the two vital questions: What is the magnitude of the Reserve Bank's sterling resources? And how long are they likely to last?

The following table throws some light on these questions. It shows the Reserve Bank's gold and sterling resources, and also its outside liabilities a year ago and to-day:—

	(In million Rupees)		
	May 28, 1937	May 27, 1938	Intervening Change
Gold	445	444	— 1
Balances abroad	245	20	— 225
Sterling securities	803	788	— 15
Total	1,493	1,252	— 241
Note circulation	1,902	1,802	— 100
Deposits—Govt.	113	194	+ 81
Bankers ...	267	145	— 122
Total	2,282	2,141	— 141

The Bank has lost during the past year some 240 million rupees out of its sterling resources, but its gold is practically intact. Simultaneously, there has been a contraction of 141 million rupees in its outside liabilities, which has offset to a limited extent the effect of its sterling losses. In any case, however, the Reserve Bank could lose considerably

more sterling before the gold and sterling cover to its note issue began to approach the statutory minimum of 40 per cent. In case of need, it could even allow the minimum to fall below 40 per cent. on payment of a tax to Government. There would, however, be grave psychological arguments against such a course—particularly in a country which has still to learn the uses and advantages of a modern banking system.

To-day, even the normal 40 per cent. limit is still distant, and there is little doubt that the Reserve Bank could continue to meet all likely requirements out of its resources for at least the next two years. Moreover, if the recession continues for so long, certain correctives will automatically begin to function. General impoverishment will alone be sufficient to compel India to curtail still further her silver imports, and, probably, to realise yet more of her gold hoards, which are still enormous. Even the present limited depreciation of the rupee will, in conjunction with the simultaneous slight depreciation of the pound, raise the rupee price of gold and thereby provide a stimulus to fresh sales of the metal.

The most immediate danger of the rupee's present weakness is that it may be a temptation to the Indian authorities to endeavour to correct it by traditional methods, involving higher interest rates or a restriction of credit at home. So far there is no sign of any such inclination on their part. It is important to remember, however, in this connection, that exchange weakness is only one of numerous problems created for India by the world recession. Some responsibility for the widespread attention which has been drawn to the present weakness of the rupee must, indeed, be attributed to the Reserve Bank's policy of maintaining a fixed rate for the rupee, without permitting even a variation of ½d. If the rate had been allowed to vary within the statutory limits of 1s. 5½d. and 1s. 6¾d., the present weakness would have excited much less comment. It is the more necessary, therefore, that there should be widespread realisation of the fact that the future of the rupee need occasion no serious anxiety. India passed through many similar periods of temporary disequilibrium before the Reserve Bank was established. The Reserve Bank possesses ample resources and has publicly stated, this week, its determination to fulfil its statutory obligations. The Indian authorities will doubtless consider that the fundamental objective of their policy, after all is to maintain and develop Indian production, consumption and purchasing power. Their success, in the long run, will be the best guarantee of the maintenance of the rupee's exchange value.

Cotton Textile Wages

THE cotton industry has relapsed yet again into severe depression. Over 40 per cent. of Lancashire's cotton machinery is idle; and 25 per cent. of insured spinners and weavers in the industry are out of work. These facts attest the urgency of the efforts now being made to secure a much overdue reorganisation of the industry's scope and status. The Cotton Spinning Industry Act of 1936 has effected some reduction in surplus spindles, but elsewhere in the industry, the Government's proposed Enabling Bill to reduce surplus capacity, to prevent undue competition and to regulate production and sales remains a subject of fierce controversy. Meanwhile, declining world demand for cotton goods combines with the inroads of Japanese and Indian manufacturers to curtail Lancashire's exports.

Against this gloomy background, what are the operatives' prospects of securing the improvements they are seeking in wages and working conditions? On the rising market of recent years, both spinners and weavers made appreciable headway. In December, 1936, the spinners obtained an increase of 9.5 per cent. on the standard piece-lists, equivalent to an advance of 5.63 per cent. in current wages. In April, 1937, weavers secured an increase of 7.3 per cent. in wages. But the spinners' original demand was for the restoration of the cuts made in 1932, or an advance of 14 per cent.; and the weavers asked for an increase of 15 per cent. and a minimum wage. These claims are still

outstanding; and the provision of holidays with pay, approved in principle by the employers, has been postponed.

Moreover, the average level of wages in the cotton industry is still far below that of industry in general. An investigation, conducted by the Ministry of Labour, into average weekly earnings in various industries on October 12, 1935, showed the following differences between earnings in cotton and other industries:—

	Numbers employed by firms who made returns	AVERAGE WEEKLY EARNINGS					
		Average earnings in week ended October 12, 1935					
		All work-people	Men (21 and over)	Youths and boys (under 21)	Women (18 and over)	Girls (under 18)	
Cotton spinning, carding & doubling (including thread manufacture) ...	148,119	s. d. 32 6	s. d. 49 6	s. d. 18 7	s. d. 27 6	s. d. 16 7	
Cotton weaving ...	111,938	35 6	49 10	19 9	30 8	16 7	
Cotton spinning and weaving (not separately distinguished) ...	56,002	33 0	49 4	20 3	28 6	15 8	
Other cotton ...	6,820	32 11	59 1	23 6	28 6	17 3	
All Cotton ...	322,879	33 8	49 9	19 1	28 8	16 6	
All industries investigated ...	5,507,729	48 11	64 6	23 0	31 3	16 4	

The high proportion of women and juveniles employed in the industry affords a partial, but only a partial, explanation of its low wage standards. In spinning, women constitute some 60 per cent. of the operatives, and in weaving 68 per cent.; and over a quarter of the women employed are married. But international competitive factors also clearly come into the equation. Under the changed conditions of the present time, the industry's organisation still approximates closely to that of its vanished heyday.

Finally, the mechanical operations involved in spinning and weaving dictate the character and, to some extent, the amount of the operatives' remuneration. Spinners and weavers are paid at piece rates according to the output of the machines they operate. In mule spinning, for instance, weekly earnings are determined, in the first place, not for individual operatives, but for the full team of workers engaged on a pair of mules: usually three—a minder, a big piecer and a little piecer.* The total sum is divided between these workers in proportions determined by agreement. In 1932, full-time weekly earnings in various districts were divided as follows:—

1932	Earnings of pair of Mules	Divided as below		
		Minder	Big Piecer	Little Piecer
	s. d.	s. d.	s. d.	s. d.
Oldham	132 6	75 9	33 0	23 9
Rochdale	149 10	87 0	36 4	26 6
Bolton	129 4	85 3	27 9	16 4
Stockport	138 0	81 9	32 5	23 10

Thus, though earnings in spinning run on the average at about the same level as in the other sections of the cotton industry, there are wide differences within the section itself. Minders are highly paid, compared with other adult males in the industry or, indeed, in many other occupations. Piecers and ring spinners (mostly women) are poorly paid.

In weaving, too, there are marked divergences in wages.† According to a census taken by the Amalgamated Weavers' Association in June, 1937 (which covered 39 per cent. of Lancashire's weaving operatives), average weekly earnings for adult male workers using five or fewer looms were £1 19s. For those operating six looms, earnings were £2 6s. 8½d., or 17 per cent. more; and for those employed on more than six looms they were £3 3s. 11½d., or 60 per cent. more. Rather less than 15½ per cent. of weavers operated six or more looms. The discrepancy between the earnings of these groups of operatives cannot be simply put down to differences in work done or skill required. It is attributed, by fairly general consent, rather to deliberate intention in the drawing up of the new Uniform List of piece rates in 1935 under the Cotton Manufacturing (Temporary Provisions) Act of 1934. Wage rates for weavers on five or fewer looms were then lowered by 6 per cent. Wage rates for weavers on six looms (which were already higher) were increased by 4 per cent., and a minimum weekly wage of £2 11s. 6d. plus a piece rate was established, for a 48-hour week. The object was to check the "more-looms" movement, to which a majority of employers was opposed, while the operatives feared that its adoption would involve serious labour displacement.

Differences between the earnings of male and female weavers, in general, are particularly noticeable in Lancashire, where men and women often work together at similar tasks. The average weekly earnings of all fully employed adult males on ordinary (non-automatic) looms in June, 1937, were £2 1s. 10d., while for fully employed adult females they were only £1 16s. 7d. Women, admittedly, have the alternative or supplementary occupation of marriage, and are less well fitted than men for physical strain. But, what is more to the point in this context, they are also less completely organised and less well protected by negotiation machinery.

* "Wages and Labour in Cotton Spinning." By J. Jewkes and E. M. Gray (Manchester University Press).

† "The Weaver's Wage." By E. M. Gray (Manchester University Press).

Labour's current objective, however, is not to remove these differences, but, in the first instance, to secure a minimum wage of 35s. a week for men and women weavers. At present, 9 per cent. of the adult males in weaving in Lancashire and 22 per cent. of the adult females earn less than 30s. a week, even when working their full complement of looms; and underemployment caused by the shutting-down of looms seriously reduces the earnings of weavers. The concession of the higher minimum would affect 47 per cent. of Lancashire's weavers, and would entail an addition of some 7 per cent. to the wages bill. The cotton industry, oversized, underemployed, disorganised and depressed, cannot now afford this additional cost; yet the claim is, *a priori*, reasonable.

That depression has done much to increase the tension between employers and employed in the cotton industry seems indisputable. Negotiations are conducted by methods of long standing. In the past these worked well, but during the industry's decline they began to run less and less smoothly, until in 1934 only statutory intervention saved the principle of collective bargaining. Wage rates for both weavers and spinners are determined by lists of piece-work prices agreed by employers' associations and trade unions. In spinning, the Federation of Master Cotton Spinners' Associations negotiates with two unions: the Amalgamated Association of Operative Cotton Spinners and Twiners and the Amalgamated Association of Card and Blowing Room Operatives. In weaving, the Cotton Spinners' and Manufacturers' Association is confronted on the men's side by the Amalgamated Weavers' Association. None of these bodies is comprehensive, or able in times of stress to enforce its agreements generally.

The piece lists for weaving, which were superseded in 1935 by the new Uniform List, went back in origin to the fifties of last century. In spinning, the lists and conciliation arrangements date back to the famous Brooklands Agreement of 1893, which was not superseded until 1913, when the lists of standard piece prices still the basis were promulgated. Traditionally, changes in wage rates have been effected by negotiations to secure percentage additions

Some phrases seldom ring true

"It gives me great pleasure"



but

YOU CAN BE
SURE OF SHELL

or reductions on the list prices. In 1933-34, however, undercutting in wages threatened to be fatal to collective agreements, and the Cotton Manufacturing (Temporary Provisions) Act of 1934 was passed, to give the Minister of Labour power to give legal force by Order to collective agreements, and so to compel the adherence of reluctant minorities. On July 15, 1935, the new Uniform List for weaving was legalised, involving some reductions in earnings. In April, 1937, agreements for spinning and weaving came into force, securing the first all-round increase in spinning and weaving wages for 16 years.

In the past two years agreements under the Act have saved the industry from chaos in its industrial relations. But strikes were only narrowly averted in 1935 and 1936. Last year's wage advances were achieved on the rising tide of recovery. The old gaps and starting holes in the industry's methods of negotiation have not been wholly blocked. The need to make wage agreements previously negotiated legally binding on all parties is still urgent.

What, then, is the present position? In general, the future of wages in both sections cannot be separated from the industry's ability, on the one hand, to take advantage of up-to-date methods of manufacture, and, on the other,

to cut its own coat (in the shape of its resources of plant and men) according to the world's diminished demand for British cloth. In weaving, labour problems are intimately connected with the movement to introduce the system of working more than five looms by one weaver. In spinning, the substitution of high-draft spinning and ring-spinning for the traditional method of mule spinning is similarly important in any estimate of the operatives' future prospects. In the short view, these innovations, if accelerated, must lead to technological unemployment, which the new diversification of industry in Lancashire (where 80 per cent. of the cotton industry is situated) cannot meet by the provision of fresh openings. In the long run, however, the new, compact, efficient and scaled-down industry, which alone can make profits in cotton manufacture, cannot be created without the fullest use of modern technical methods. On this showing the immediate outlook for the British cotton industry is hardly promising. Internal organisation may do something to restore its profitability, by increasing efficiency in production and marketing. But the industry can survive to supply its workers, managers and investors with adequate remuneration only by accepting a future of limited markets.

Finance and Banking

The War Loan Dividend.—The floating debt and Bank returns published this week have completely substantiated *The Economist's* forecast, made three weeks ago, that the Exchange Account's surplus cash, obtained from the French repatriations, would be used to pay the War Loan dividend, the Account receiving tap Treasury bills in exchange. Last week the Bank return was obscured by the fact that on June 1st the encashment of the War Loan dividend warrants was incomplete, while public deposits were still inflated through the fact that there were no Treasury bill maturities on Monday or Tuesday. This week's return tells a different story. Public deposits are reduced from £24.9 millions to the normal level of £11.7 millions, while bankers' deposits have risen to £111.1 millions. Meanwhile, the floating debt return for June 4th shows during the preceding week increases of £27 millions in "tap" Treasury bills and approximately £3 millions in Ways and Means advances from public departments. These are sufficient to finance the bulk of the War Loan dividend payment. Taking all these movements together, our forecast of the part played by the Exchange Account is completely substantiated. Its surplus cash has now been returned to the banking system in the form of the War Loan dividend. It only remains to add that as the War Loan dividend payment is eventually made good out of revenue, the consequent reduction in the floating debt will fall on tender issues of Treasury bills and not on the tap bills which have just been taken up by the Exchange Account.

* * *

Netherlands Bank Report.—In the Netherlands Bank report for 1937, the President, Dr Trip, submits the so-called "new gold standard" to critical scrutiny, and compares it, much to its disadvantage, with the gold standard in its orthodox and rigid form. He admits that under existing abnormal conditions the monetary and exchange mechanism based on the Tripartite Agreement has, on the whole, achieved good results; but he points to the depreciation of the French franc by nearly 50 per cent. as clear demonstration of the elasticity and imperfection of the Agreement. Its basic defect, he points out, is the dualism of thought on which it rests. On the one hand, the signatories fully recognise the necessity of stable exchange rates; but, on the other, each reserves to himself the right to change the value of his currency, if and when he deems that internal economic, social or political conditions render it desirable to adapt the value of his currency to that of some other power. This new gold standard, says Dr Trip,

under which the currency price of gold is made adjustable, preferably by international agreement, has a habit of working in one direction only—namely, towards a continuous depreciation of currencies in terms of gold. In discussing the gold problem, Dr Trip makes some pregnant observations. In order to belittle the fears of a gold glut, he points out that if the gold output had increased since the year 1915 by steady annual increments of 3 per cent. of the existing stock (which is commonly reckoned as the normal rate of growth) the present gold production would be fully one-third higher than it actually is. He is not, therefore, inclined to attach undue importance to the fact that the recent rate of growth has been well above this proportion. His argument ignores the fact that the recent expansion in the rate of growth is a product of the higher currency price of gold and is, moreover, based on the weight and not the value of the gold produced. None the less, it helps to place in better perspective some of the wilder fears which have been expressed as to the disequilibrium between the relative rates of increase in world productivity and the production of gold.

* * *

Discussing the situation in the Netherlands, Dr Trip points out that the reactions of economic and political developments outside the country have proved detrimental to the national finances. The position of the guilder, however, is solidity itself; and the greater part of the Netherlands Bank's activities last year were aimed at preventing through the Equalisation Fund an unwanted appreciation of the exchange value of the currency. In order to ease this upward pressure on the guilder, a policy of encouraging foreign lending has been pursued. Unfortunately, actual lending has been kept within decidedly modest bounds, owing to the scarcity of sound propositions received by the Dutch capital market.

* * *

May Clearing Bank Averages.—The May returns of the ten English clearing banks afford some further evidence of the effect of the French repatriations. Deposits have fallen since April by £4.8 millions and cash by £14.9 millions. The reduction in cash is easily explained by the early May transfers of cash to the Exchange Equalisation Account, and the consequent increase in public deposits and drop in bankers' deposits. The War Loan dividend payment, however, is now, clearly, making this good, and even last May the banks were just able to

preserve their 10 per cent. cash ratio. The fall in deposits is less than might have been expected, but the return shows an increase of £31.1 millions in discounts. Apparently most of the extra Treasury bills issued by tender during May are passing into the hands of the banks, while the Government's disbursement of the proceeds of these bills helps to swell deposits and so to off-set the French withdrawals.

(In £ millions)						
	May, 1937	Jan., 1938	Feb., 1938	Mar., 1938	Apr., 1938	May, 1938
Capital and reserves	132.5	136.0	136.0	136.0	136.0	136.0
Acceptances, etc.	125.5	111.0	108.9	111.7	111.7	115.8
Deposits (including undivided profits, etc.)	2,217.7	2,292.4	2,243.4	2,216.7	2,229.8	2,225.0
Total liabilities ...	2,475.7	2,539.4	2,488.3	2,464.4	2,477.5	2,476.8
Cash	229.6	247.8	239.3	240.8	242.8	227.9
Cheques, balances and items in transit	68.7	64.5	65.4	63.4	63.3	66.0
Money at call	163.4	149.0	139.9	146.2	145.2	141.2
Discounts	242.8	329.8	286.4	237.0	247.0	278.1
Investments	641.4	621.2	618.4	619.7	623.4	616.3
Loans and advances	936.6	948.8	962.6	978.1	976.6	963.8
Investments in affiliated banks	23.5	23.9	23.9	23.9	23.9	23.9
Cover for acceptances, premises, etc.	169.7	158.4	152.4	155.3	155.3	159.6
Total assets	2,475.7	2,539.4	2,488.3	2,464.4	2,477.5	2,476.8

Both investments and advances are lower than a month ago. A similar decrease in advances did not occur a year ago. It would seem therefore that, owing to the recession and falling prices, the demand for credit is diminishing.

* * *

Exports to Turkey.—In a leading article on page 540 of last week's issue of *The Economist*, we welcomed the conclusion of new agreements between this country and Turkey on the ground that, without

overlooking the needs of existing British creditors, they provided fresh opportunities for trade between the two countries. That they provide facilities which formerly were unavailable is self-evident; that is their *raison d'être*. It would be incorrect to infer, however, that they are designed to produce a considerable increase in the volume of British exports, in general, to Turkey. Clause I of the main agreement, in fact, with its accompanying Schedule lays down specific c.i.f. totals, in Turkish pounds, for imports into Turkey of British goods (to be paid for by deposit in the special account set up under the 1936 Agreement, and by transfer through a sub-account of the clearing) every three months, under a long list of headings. A deficiency in actual imports under any category, in any one quarter, may be carried forward to the next.

* * *

Chinese Exchange Rationing.—Poor exchange allotments last week-end caused the Shanghai exchange for sterling to weaken to 10½d. The Chinese Government have decided to cease asking the banks to submit bulk applications for foreign exchange, which so far have been partially met upon a *pro rata* basis. Instead, the banks must now specify in detail the purposes for which they require exchange, and the Government will then discriminate. In practice, exchange is only likely to be granted to cover the import of necessities. The conference of Chinese bankers, held recently at Hankow, has decided to restrict remittances to areas under Japanese occupation. Dr H. K. Kung, who is both Prime Minister and Finance Minister, informed the conference that few banks had had to close since the outbreak of war, and that, even in those cases, the claims of the depositors had been met. It is clear, nevertheless, from the general tenor of the conference that the war and the world recession are inflicting severe strain upon Chinese economy.

MONEY MARKET NOTES

Foreign Exchanges

THE London market has been very quiet. There has been very little business in French francs, and the spot rate has remained at Frs. 178½. Forward francs improved slightly during the week, the three-months' discount narrowing from Frs. 1½ to Frs. 1¼. The spot rate for belgas has, as usual, followed the dollar, but there has been a significant strengthening of forward rates, three months' belgas having come in from 70 to 50 centimes. It is clear that the pressure on the belga has subsided and that the recent change in Bank Rate was justified. Sterling improved in New York early in the week from \$4.94½ to \$4.93½, on further Paris

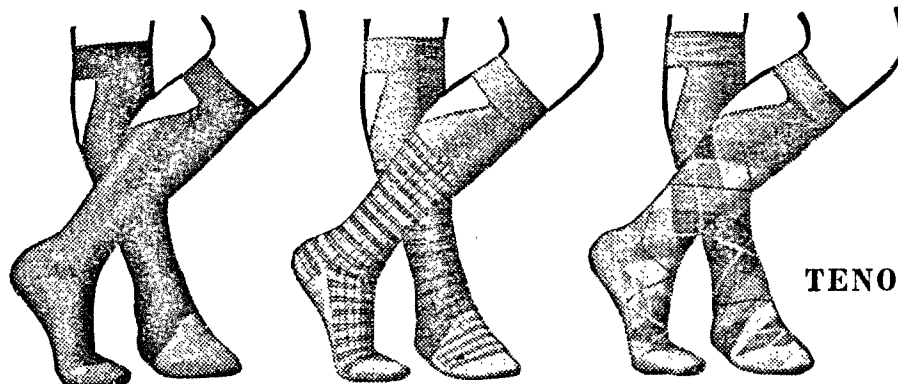
rumours of an impending devaluation of the dollar, and has since moved to \$4.93. The weakness of the Shanghai dollar is discussed in a Financial Note. The latest rate in London is 9½d. Recently there has been a speculative demand for Saigon piastres, based on the belief that they would be written up in terms of francs so as to make them conform more closely to the current price of silver. This caused some disturbance to both the spot and forward market in Saigon piastres against French francs. This speculative movement has now broken, and those who engaged in it are having to cut their losses as best they can.

The Bank Return

WHITSUN currency withdrawals explain the week's increase in the note circulation. The total expansion during the past fortnight is just over ten millions. The chief movements in the banking

Issue Dept.:	June 9, 1937	May 25, 1938	June 1, 1938	June 8, 1938
	£ mill.	£ mill.	£ mill.	£ mill.
Gold	321.3	326.4	326.4	326.4
Notes in circulation	476.5	480.2	484.9	490.7
Banking Dept.:				
Reserve	45.6	47.0	42.3	36.5
Public Depts.	10.7	26.5	24.9	11.7
Bankers' Depts.	107.4	91.2	102.8	111.1
Other Depts.	36.8	36.1	35.5	35.4
Govt. Secs.	101.2	95.7	109.7	111.4
Discounts & Advances	4.8	9.5	8.9	7.9
Other Secs.	21.1	19.4	20.0	20.2
Proportion	29.4%	30.5%	25.9%	23.0%

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department are the decrease in public deposits and further increase in bankers' deposits. These are discussed in a Financial Note. Had it not been for the Whitsun currency withdrawals, the growth in bankers' deposits would have been more marked. Whitsun also explains the week's drop in the Reserve.

The Money Market

THE completion of the War Loan dividend payment has made money very plentiful. Bill rates, however, are firmer, for the banks have ceased to buy bills readily. There is no demand for July Treasuries, and the banks are not taking August Treasuries at less than $\frac{1}{2}$ per

	June 10, 1937	June 2, 1938	June 9, 1938
Bank Rate	2	2	2
London Deposit Rate.....	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Short Loan Rates:			
Clearing Banks	$\frac{1}{2}$ -1*	$\frac{1}{2}$ -1*	$\frac{1}{2}$ -1*
Others	$\frac{1}{2}$	$\frac{1}{2}$ - $\frac{1}{2}$	$\frac{1}{2}$ - $\frac{1}{2}$
Discount Rates:			
Treasury bills	$\frac{1}{16}$	$\frac{1}{2}$	$\frac{1}{2}$ - $\frac{1}{16}$
Three months' bank bills	$\frac{1}{16}$ - $\frac{1}{8}$	$\frac{1}{8}$	$\frac{1}{8}$ - $\frac{1}{16}$

* Viz. $\frac{1}{2}$ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. $\frac{1}{4}$ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

cent. They are prepared to take bills at $\frac{1}{2}$ per cent. only if they can obtain mixed parcels of June and August Treasuries.

This change in attitude on the part of the banks is a purely seasonal movement, for the banks are merely engaged in preparing for their June 30th balance sheets. For this reason rates are likely to remain firm during June, but are equally likely to return to their normal weakness in July.

The Bullion Market

THE London price of gold has stood this week at too high a premium to permit of arbitrage operations against the dollar. An additional deterrent was the narrowness of the foreign exchange market in dollars, and the tendency of the dollar itself to weaken against sterling. In these circumstances the demand for gold came only from the Continent, and even this was on a slightly smaller scale than usual.

The renewal of the American-Chinese silver agreement imparted a little greater strength to the London market. The agreement was due to expire on

June 30th, but it has now been renewed for an unexpired period. The amounts

Date	Gold			Silver	
	Price per fine oz.	Prem. or Disc.	Am't. dealt in	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
June 3 ...	140 9	$\frac{1}{2}$ pm	353	191 $\frac{1}{2}$	18 $\frac{1}{4}$
" 4 ...	140 8	$\frac{1}{2}$ pm	255	191 $\frac{1}{2}$	18 $\frac{1}{4}$
" 7 ...	140 7	$\frac{1}{2}$ pm	578	191	18 $\frac{1}{4}$
" 8 ...	140 5 $\frac{1}{2}$	1 pm	227	181 $\frac{1}{2}$	18 $\frac{1}{2}$
" 9 ...	140 6 $\frac{1}{2}$	$\frac{1}{2}$ pm	252	19	181 $\frac{1}{2}$

* Above or below American shipping price. The New York price of silver remained at 43 cents per ounce .999 fine during the week.

which the United States is to purchase and the price to be paid have not been disclosed. This news caused sellers to hold back, while there was some bear covering and American trade buying in London. The price now is well up to the American parity, and in the opinion of some observers is high enough. On the other hand, London stocks are very low, while the United States is still ready to take any silver on offer. Generally speaking, the London market is now narrow and sensitive, and so any movement either way might serve to shift prices.

Investment

Building Society Policy.—In recent years the chairman of the Building Societies Association has enjoyed the pleasant task of describing the continued progress of the movement. At the Association's conference this week Mr Walter Harvey was faced with the less inviting responsibility of commenting upon the fall in new mortgage business last year. Mr Harvey pointed out that new advances showed a decline from £140.3 millions to £136.8 millions, while repayments on existing mortgages represented as much as 63.7 per cent. of the new advances. He confirmed the suggestion made in our recent survey of the movement that this proportion would tend to increase, and, in an important passage in his speech, examined the potential outlets for an increasing volume of "return money" at a time when the demand for middle-class housing finance is tending to fall. Mr Harvey made the dual suggestion that industrial properties, flats and small houses for rent might absorb an increased proportion of building society funds, while the local authorities might also employ the resources of the movement in "the great housing enterprises" which they are commissioned to undertake. Mr Harvey spoke no less frankly on certain matters of domestic concern. The problem of war risks insurance has recently been pressed by the Council upon the Government, though so far with negative results. A movement with mortgage assets of £636 millions is necessarily exposed to the risk of heavy losses from war damage, and its leaders do not regard the issue as closed. The chairman also referred pointedly to new practices in dealing with properties in possession, in which, he suggested, the Chief Registrar might see a concealment of the true position regarding certain accounts. Both in its examination of current problems, and in its forward-looking vision—for Mr Harvey described the revision and enlargement of building society legislation as "most necessary"—the chairman's speech deserves consideration by building society executives and investors.

German Potash Reconstruction.—British holders of German Potash 7 per cent. bonds will find the following

details of the reconstruction of the operating group (communicated by our Berlin correspondent) of especial interest. The complete amalgamation of the potash group, which has consisted of the Kaliwerke Salzdetfurth, Kali Aschersleben and Westeregeln companies, hitherto only associated concerns, was decided on December 22nd last year. The fusion of the assets of the two latter companies with those of the first is now announced. This involves an increase in its capital from Rm. 28 millions to Rm. 44 millions, and its title is to be changed to Salzdetfurth A.G. This will be a holding company, for the potash works of the three companies, together with works of certain minor undertakings, are to be administered by a newly-created associate company—Vereinigte Kaliwerke Salzdetfurth—while certain Westeregeln electro-chemical and other undertakings are to be consolidated in another new company—Alkaliwerke Westeregeln G.m.b.H. The foreign potash loan, on which interest and amortisation is provided out of foreign currency proceeds from the group's export trade, is stated to have amounted (on a gold basis) to Rm. 37,947,427 on January 1, 1937. This debt will be apportioned between the new Salzdetfurth A.G. and the new Vereinigte Kaliwerke Salzdetfurth in such a manner that the joint liability to foreign creditors remains intact. The new balance sheet of the first-named company shows Rm. 16,237,000 as its "share of the pound or dollar loan of the Potash Syndicate"; that of the Vereinigte Kaliwerke Salzdetfurth Rm. 19,326,641 under the same heading. The new holding company, Salzdetfurth A.G., is to pay a dividend of 5 per cent. for 1937; later, it is understood, a further 4 per cent. will be distributed in respect of the first half of 1938. In future the group's trading year will commence on July 1st.

Industrial Profits in May.—The trend of industrial profits published during May shows the same characteristics as in recent months. The rate of increase over the profits of the previous year is still satisfactory, but it is lower than the increase recorded by a similar (though not identical) set of companies a year ago.

Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year	Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year
1936		£	%	1937		£	%
May	269	27,354,879	9.41	June	265	43,924,563	21.19
June	214	26,140,561	13.50	July	193	15,260,299	19.62
July	228	14,337,131	15.69	Aug.	62	6,042,402	9.41
Aug.	47	5,562,452	14.21	Sept.	81	7,269,607	27.80
Sept.	107	9,074,987	12.32	Oct.	177	14,884,260	26.97
Oct.	146	8,104,438	18.09	Nov.	206	23,579,407	20.25
Nov.	177	15,591,516	13.49	Dec.	152	18,101,112	14.69
Dec.	175	18,438,723	15.49				
1937				1938			
Jan.	110	13,222,882	15.92	Jan.	107	13,832,382	19.90
Feb.	208	27,956,588	8.95	Feb.	202	29,792,378	5.52
March ...	307	53,554,168	12.52	March ...	337	56,721,336	9.19
April	245	37,712,217	23.36	April ...	225	28,481,318	17.19
May	255	25,053,946	14.09	May	320	45,915,238	11.42

* After debenture interest.

The results are well spread over the 24 groups included in our analysis, though rubber and tea companies somewhat affect the results. Together they account for some 5 per cent. of total profits, but for 21 per cent. of the increase. Oil companies (which form the largest single group) have also contributed substantially to the improvement shown last month. Textile concerns, on the other hand, help to offset the influence of the commodity companies, for they showed a small setback compared with the previous year. Industrial profits continue to rise, but at a significantly reduced rate.

British Investments in Oil.—How large a stake has the British investor in the oil industry overseas? The question is topical, and an article in a recent issue of the *Petroleum Press Service* seeks to provide an answer. On the basis of Sir Robert Kindersley's latest estimates (for 1936), it appears that the nominal amount of British capital invested abroad in oil companies amounted to £126.6 millions, or 6 $\frac{1}{2}$ per cent. of the country's aggregate commercial investments overseas. This sum was made up as follows:—

	Million £
Share capital in British companies operating abroad...	106.8
Loan capital in these companies	1.8
Share capital in companies registered abroad.....	18.0

That these figures considerably underestimate the market value of the securities will be appreciated when it is pointed out that the total paid-up ordinary capital of the better-known British oil companies amounted to about £91 millions at the end of 1936, whereas the average Stock Exchange valuation of their shares in that year exceeded £290 millions. Through these large holdings the British investor shares in the control of companies with an annual production of 45 million tons of crude oil, equivalent to 18 per cent. of the world total. From them he secured in 1936 an income of £15,319,000—an average return of 12 per cent., against a comparable average of only 5 per cent. for the £1,922.4 millions of Britain's commercial investments overseas. Moreover, when allowance is made for the value of British materials purchased by the oil companies, for the net earnings of the tanker fleet and for the value of the tankers built in British shipyards, it is calculated that Britain's oil investments yield an aggregate annual income, direct or indirect, of almost £43 millions. This huge sum would be more than sufficient to pay for the whole cost of Britain's annual peace-time imports of petroleum products.

Insurance Share Index.—The steady recession shown by our index of insurance share prices during 1937 continued during the first quarter of this year. The fall in the average figure between December 31, 1937, and March 31, 1938, was practically 10 per cent. The indices are based on the course of an investment of £1,000 in 1913 in the ordinary shares of each concern represented,

allowance being made for bonus issues by assuming that rights are sold and additional shares purchased. Details of the index are given below:—

Company	1936	1937	Mar. 31, 1937	June 30, 1937	Sept. 30, 1937	Dec. 31, 1937	Mar. 31, 1938
Alliance	2,525	2,341	2,310	2,184	2,226	2,268	2,058
Atlas	3,968	3,698	3,682	3,619	3,619	3,809	3,428
Caledonian	5,164	5,457	5,535	5,284	5,284	5,032	4,655
Commercial Union	4,870	4,490	4,354	4,571	4,354	4,354	4,136
Employers' Liability	2,540	2,509	2,477	2,522	2,567	2,432	2,117
Equity and Law	5,909	6,986	6,785	6,428	6,428	6,517	5,604
General Accident	14,716	14,582	15,332	14,332	14,666	14,332	11,999
Gresham Fire	5,016	4,571	4,381	4,381	4,381	4,286	4,190
Guardian	3,793	3,548	3,487	3,436	3,384	3,384	3,128
Legal and General	13,716	12,944	12,678	11,913	11,749	11,475	9,836
Life Assn. of Scotland ...	3,932	3,792	3,994	3,828	3,638	3,590	3,447
London and Lancashire ...	5,676	4,962	5,077	4,769	4,692	4,616	4,231
London Assurance	3,293	3,172	3,202	3,153	3,056	3,056	2,668
North Brit. and Mercantile	6,975	6,433	6,497	6,306	6,115	5,860	5,096
Northern	2,597	2,395	2,448	2,388	2,448	2,388	2,149
Phoenix	2,177	2,025	1,996	2,063	2,070	2,097	1,860
Prudential	3,669	3,369	3,357	3,213	3,261	3,261	3,069
Royal Exchange	5,499	5,090	5,114	4,990	5,052	4,805	4,436
Royal	3,366	3,129	3,097	3,054	3,011	2,925	2,753
Scottish Life	4,761	4,192	4,382	4,270	4,101	4,101	3,933
Scottish Union & National	5,490	5,352	5,176	5,028	5,176	4,880	4,584
Sun Fire	3,316	3,093	3,067	3,022	3,022	2,933	2,667
Sun Life	4,275	4,193	4,022	3,274	3,123	3,224	3,174
Yorkshire	4,691	3,762	3,762	3,711	3,504	3,556	3,401
Average	5,031	4,795	4,800	4,656	4,620	4,549	4,109

It will be seen that, during the March quarter, the index number for every component company included in the table registered a fall.

Company Notes

Edmundsons' Finance.—Interest in the report of Edmundsons' Electricity Corporation for the year to March last will inevitably be concentrated on the far-reaching programme of structural reorganisation which the board is now carrying through. The revenue account itself follows the expansionary line of previous years. Trading profits (a considerable part of which has again been earned from contracting services rendered to subsidiary companies in the group) have increased appreciably from £208,587 to £281,737, but dividends applicable to the year and other income were slightly reduced. The 9 per cent. ordinary dividend is covered by earnings of 11.8 per cent., and after reserving £30,000 from revenue,

the balance carried forward is nearly doubled at £98,184. The latest profits are analysed below:—

	Years to March 31st		
	1936	1937	1938
Trading profits	196,693	208,587	281,737
Dividends and other income...	527,778	589,563	585,872
Total income	724,471	798,150	867,609
Expenses, fees and interest ...	48,374	33,675	78,468
Taxation	37,245	43,130	51,000
Debt service	128,599	200,978	203,022
Preference divs.	111,760	111,760	113,211
Ordinary stock:—			
<i>Earned</i>	398,493	408,607	421,908
<i>Paid</i>	299,200	336,600	344,200
<i>Earned %</i>	11.5	11.6	11.8
<i>Paid %</i>	8	9	9½
Reserve fund*	50,000	30,000	30,000
Carried forward	49,720†	50,477†	98,184

* Not including direct transfers of capital profits.
† After writing off new issue expenses of £44,150 and £41,250 respectively. ‡ And capital bonus of 50 per cent.

Changes of capital and grouping, however, will interest the far-sighted investor even more than these results. In the first place, the board proposes to distribute a 50 per cent. capital bonus. During the past year the reserve fund has been raised from £713,484 to £2,597,530, and £2,250,000 of this sum will be required for the bonus. The Urban Electric carried out a capital reduction, and distributed a large part of its accumulated reserves, following the acquisition by the parent Corporation of the Urban Electric interests in Cornwall Electric and East Anglian Electric. Other changes designed to consolidate and unify the areas under the Corporation's control appear no less important. For example, it has acquired from "Three Counties" Electric (a direct subsidiary) the controlling interest in South Wales Power, while the Ramsgate and District Electric holding has been sold. The board hopes to carry the process of consolidation further, so that, within a year or two, the group will consist of Edmundsons and only ten or twelve direct subsidiaries, compared with 16 direct subsidiaries and 32 sub-subsidiaries a year ago.

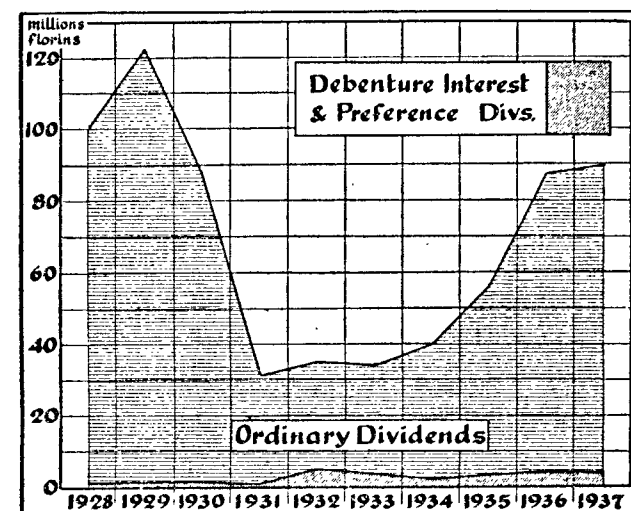
The importance of these changes in relation to any steps which may ultimately be taken to reorganise the electricity supply industry needs no emphasis. The Corporation's grouping is simplified—it will be noted that it has set up an independent power company by acquiring direct control of South Wales Power—while its geographical sections have been rendered more compact. Earnings, of course, will be unaffected by the capital bonus, and the directors explicitly point out that the annual dividend in future will not be maintained at the 9 per cent. rate paid in each of the last two years. Assuming that no change is shown in the earnings position, the basic dividend in future may thus become 6 per cent. payable from earnings of approximately 8 per cent. Such rates are in closer accord with those commonly experienced in the utility industries. The £1 ordinary stock units rose to 38s. 3d. on the report, and yield £4 14s. per cent. on this basis.

Royal Dutch Report.—The market was somewhat disappointed with the Royal Dutch dividend declared last month, and the directors themselves confess that the financial results of the past year did not entirely fulfil the high expectations which it had evoked. The balance of net profit has increased by the relatively modest proportion of 3½ per cent. from Fl.84,866,253 to Fl.87,617,256. Dividends received from interests in the group showed

a more spectacular increase from Fl.74,700,355 to Fl.91,409,015, but exchange differences which in 1936 provided a profit exceeding Fl.10 millions, involved a loss during 1937 of nearly Fl.3 millions. The adventitious profit arising from the devaluation of the guilder in 1936 has been succeeded by a loss on dollar investments (reduced by a profit on sterling investments) during 1937. In the following table and chart we show the distribution of profits in recent years:—

	Calendar years (in Fl. 000's)		
	1935	1936	1937
Dividends and interest received	57,302	79,531	96,102
Exchange differences	Cr.772	Cr.10,264	Dr.2,938
Total income	58,074	89,795	93,164
Administration, etc.	327	376	1,222
Debt service	3,468	4,553	4,325
Preference dividends	60	60	60
Ordinary dividends	52,881	83,098	85,616
Rate %	10½	16½	17
Commissaries, bonus, etc.....	865	1,817	1,930
Carried forward	910	801	812

ROYAL DUTCH DISTRIBUTIONS 1928-37



Since the amount of undistributed profits in recent years has been small, our chart has been drawn to show the actual amounts distributed on debenture and preference capital combined, and on the ordinary shares.

The Royal Dutch report, however, is a review of an industry. World production and demand was unprecedented in 1937. In the following table, we reproduce the company's estimates of world production of crude oil, with particulars for the leading eight countries:—

	PRODUCTION OF CRUDE OIL IN METRIC TONS	
	1936	1937
U.S.A.	149,464,000	173,734,000
Russia (inc. Sakhalin)	27,416,000	28,397,000
Venezuela	22,939,000	27,723,000
Iran	8,329,000	10,330,000
Netherlands E. Indies	6,387,000	7,189,000
Roumania	8,704,000	7,147,000
Mexico	5,947,000	6,751,000
Iraq	4,070,000	4,314,000
World production	247,130,045	280,940,560

World production amounted to almost 281 million metric tons, a figure which exceeded all previous records, while the increase of 33 million tons recorded over 1936 has never been excelled. Production increased most in the United States, Venezuela, Iran, and Bahrain (which produced 1,061,000 tons against 639,000 tons in 1936). In America, consumption reached the high figure of 1,185 tons per 1,000 inhabitants, compared with 1,000 tons in 1936, and with 252 tons per 1,000 inhabitants in Great Britain in last year. The directors see no sign of the approach of saturation point in America, and they are confident that Europe is only at the beginning of a pro-

misg development in consumption. Nor do they anticipate any shortage of supplies over the long period. At the end of 1934, for instance, total reserves available for North America were estimated at 13.6 milliard barrels. After 3.4 milliard barrels had been withdrawn, the reserves at the end of last year were estimated at 15.5 milliard barrels. Technical progress and drilling economies render such estimates, in the directors' phrase, of no more than relative value. From the detailed review of the group's interests in various countries, investors will note that the directors regard the future of the Mexican Eagle concern "with grave anxiety."

Boots Pure Drug Valuation.—For several years certain holders of Boots 5s. ordinary shares have watched with some impatience the waxing financial strength of the parent company and the growing muster of reserves retained by the subsidiaries. Recurrent disappointment over the absence of a capital bonus has always been tempered by the reflection that the melon, when eventually divided, would be the larger and more succulent. But the absence of any bonus announcement in the jubilee year profits declaration last month brought even the perennial optimists to rein. Moreover, the full report confirms the fall in trading profits from £966,116 to £940,333, although this decline is explicable, it would appear, largely by the incidence of N.D.C. Earnings for the ordinary dividend, of which 24 per cent. is paid, less tax, and a 5 per cent. bonus, tax free, are reduced from £695,915 to £607,774. Reserve fund receives no further addition—it stands at £2,000,000, compared with an issued ordinary capital of £1,600,000—but a total of £122,133 is applied to freehold property and development reserves. It is somewhat difficult to assess the proper valuation of the shares. The group's earning capacity is ample—last year's distribution was covered by earnings of 43.3 per cent. gross—but the 5s. shares, at 39s. 3d., are clearly higher than well-covered but stable dividends alone would warrant. Free and contingency reserves, together with the balance at profit and loss, exceed the ordinary capital by nearly £1,000,000. Yet the mere existence of these reserves provides no direct indication of future dividend policy, and to justify the present yield of £3 18s. 6d. per cent. on the ordinary shares, more generous distribution of profits, either on the existing capital or by maintaining the present rate on an increased capital, would appear to be called for. The board's dividend record during the past decade suggests that such a change might not lightly be made.

Coast Lines Position.—The considerable changes in the assets and capital structure of this company in recent years prevent an accurate assessment, from current earnings alone, of its real progress. The latest financial results (showing an increase in earnings of over £10,000) must, however, be regarded as satisfactory. In 1935 preference arrears were paid off and ordinary dividends resumed, and although the ordinary distribution has since been maintained at 4½ per cent., last year was the first in which it was covered by current profits, as we show in the following table:—

	Years ended December 31,		
	1935	1936	1937
Net earnings, after depreciation.	364,109	289,103	299,590
Taxation and fees	31,389	1,444	9,400
Debt interest	100,000	38,926	...
Preference dividends	564,375†	161,250	194,250
Ordinary shares:—			
<i>Earned</i>	71,470*	87,483	95,940
<i>Paid</i>	90,000	90,000	90,000
<i>Earned %</i>	3.6*	4.4	4.9
<i>Paid %</i>	4½	4½	4½
To reserve	...	225,000	100,000
Invests., exes., etc., written down	165,000	...	15,875
From subsids. undistr. profits, etc.	Cr.528,911	Cr.77,165	...
Profits from group's sales	Cr.33,450	Cr.136,301	Cr.110,127
Carry forward	119,063	105,012	105,204

† For 3½ years. * After charging only one year's preference dividends.



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Beginning in 1933, when prices for new construction were distinctly favourable, orders for 24 motor ships were placed, and it seems that, with the delivery of six vessels in 1937, this particular programme is completed. The construction of new tonnage for subsidiaries, however, continues. The balance sheet (now presented in an improved form) shows £342,000 (against £76,000) advanced for this purpose to date, financed by a bank loan which is to reach £380,000 in all. Reference was made last year to rising operating costs, but the company is relieved from the full incidence of higher coal prices, since many vessels are equipped with oil burners. Simultaneously, the financial structure of the company has also been improved. Both in 1936 and 1937 the subsidiaries distributed all available profits (the last special dividend from undistributed profits being received in 1936). Profits from sales of investments and vessels, however, have been considerable, and in addition £500,000 (representing the bulk of a profit on the liquidation of the British and Irish Steam Packet group) has been applied to reducing the value of investments in subsidiaries. These various realisations and the new construction work involve extensive changes in the balance sheet. Investments in subsidiaries now stand at £4,625,491 net, against £6,082,329 including interests in the liquidated companies. The book cost of the fleet is higher, cash has fallen from £120,346 to £27,444, while liabilities in respect of new tonnage amount to £401,700, against £138,560. The issued capital has been increased by £550,000 6 per cent. convertible preference shares, mainly in connection with the British and Irish Steam Packet liquidation. The report conveys the impression that Coast Lines are satisfactorily consolidating their position, though a yield of £7 8s. per cent. on the £1 ordinary shares of 12s. 1½d. reflects the uncertain outlook for the shipping industry.

William Cory and Consett Iron.—The latest reports of William Cory and Consett Iron are both indicative of the improvement in the heavy industries and coal trade during the past year. William Cory and Son is a coal merchanting organisation, with branches throughout this country and the world. It acts as agent for the sale of fuel produced by the Powell Duffryn group, and as bunker oil fuel agent for Anglo-Iranian Oil. The latest figures show an increase in trading profits, after depreciation and tax provisions, from £728,536 to £777,338. The ordinary dividend, recently announced, is maintained at 20 per cent., and is covered with the satisfactory margin of 6½ per cent. No further addition is made to reserve, which already stands at £2 millions, and the customary financial strength of the balance sheet is reflected in holdings of trustee and other securities entered at £3,607,041 which had a market value at March 31st of no less than £4,107,379. In the following table, we set out the results of the company during the past two years, together with those of Consett Iron:—

	William Cory & Son		Consett Iron	
	1937	1938	1937	1938
Total profits, after tax	728,536*	777,338*	729,976	847,953
Depreciation	—	—	325,000†	355,000†
Expenses	9,000	9,000	7,903	8,000
Debt service	—	—	112,062	90,500
Prof. divs.	42,500	42,500	40,000	40,000
Ordinary shares:—				
Earned	677,036	725,838	245,011	354,453
Paid	590,019	590,019	210,000	280,000
Earned %	23.9	26.3	9.2	13.7
Paid %	20	20	7½	10
To reserves	200,000	—	—	—
Carried forward	839,939	975,758	141,499	215,952

* After depreciation. † Of which £200,000 each year to reserve for extension of plant.

William Cory's dividend record scarcely suggests that it operates in an industry which has only recently passed from extreme depression into recovery. Its history, in fact, is wholly dissimilar from that of Consett Iron. The latter's reconstruction scheme in 1936 proves to have been well timed. During the year to March, 1937, profits amounted to £729,976, after taxation, and this figure has been

substantially exceeded in the latest year. Profits on the same basis have advanced to £847,953, and the increase has been roughly divided between the ordinary shareholders—who receive a dividend of 10 per cent. against 7½ per cent.—and the company's own coffers. William Cory ordinary shares yield exactly 5 per cent. at the current price of 80s., while Consett Iron yield 8½ per cent. at 8s. The former have the advantage that dividends during the past decade have never fallen below 15 per cent. Consett Iron, on the other hand, must be regarded as exposed to trade conditions on the North-East coast, both for shipbuilding work and coke, of which the company is an important producer.

Guest, Keen and Nettlefolds.—The preliminary profits figures of Guest, Keen and Nettlefolds, like those of other steel companies published recently, show an advance in marked contrast to the recent market behaviour of the shares. From the announcement, it may be inferred that trading profits, before depreciation, amounted to £1,326,733, a total which represents an advance of some 15 per cent. over the previous year's level of £1,150,525. The final dividend of 4½ per cent. tax free makes 7½ per cent. tax free, compared with 6 per cent. for the year to March, 1937. After providing £101,267 for debenture service, and £150,000 for depreciation, net profits amount to £1,075,466 (against £898,728) and ordinary earnings to £748,734 (against £571,996). The dividend is covered, in fact, by tax-free earnings of 11.6 per cent. At the current price of 25s. 3d. the £1 ordinary stock units yield no less than £8 12s. 6d. per cent. gross. This yield is high, even in the steel share group, and it measures the fear that earnings a year hence may tell a different story.

Investment Trust Problems.—Investment trust stockholders will find little support in recent chairmen's speeches for the belief that the operation of the much-discussed time-lag will protect their revenue in the near future. Without being exactly pessimistic, the spokesmen have not held out high hopes of a continuance of the rising trend of earnings. In some cases, the uncertain outlook in international politics has been invoked as a reason for not making public any estimate at all of the way in which 1938 revenue may compare with that of 1937; more often some diminution in revenue is forecast, though most chairmen hope that it will not be serious. Lower dividends from the United States are inevitable. The Brazilian default has been another disturbing factor. Payments of arrears of interest and dividend by home companies are now diminishing in importance. Trust chairmen, discussing the valuation of investment portfolios, have revealed some of the difficulties of making changes in holdings and in offsetting "quality" against considerations of immediate revenue or of capital value. Mr D. M. Touche, for example, is a firm believer in the principle that quality pays. The Sphere Investment Trust, he explained, had always held large lines of leading industrials. Yet these, paradoxically, suffered most in a period of forced liquidation in the market as a whole, because they were most readily saleable. Mr J. H. Clifford Johnston also discussed the illogical nature of a result which gave, as compared with a year ago, a higher revenue and a lower valuation for a largely unchanged portfolio. Sir John Cargill dwelt upon the difficulties of obtaining high-class bonds and preference shares at suitable prices, but expressed the intention, on behalf of one of the trusts of which he is chairman, of reverting as soon as practicable to a mainly fixed-interest portfolio. Mr M. Hely Hutchinson, in reply to questions at the first meeting of the First Conversion Investment Trust, explained that if the investments taken over from the British Empire "A" unit trust holders had been left undisturbed, dividends would have been somewhat lower, but the depreciation in capital value would have been considerably less. If the investments had been sold and the proceeds re-invested in gilt-edged, asset values would have been maintained but revenue halved. Plainly, the investment trusts are finding that, under present conditions, the text-book advantages of "switching" their securities are elusive.

The Week's Capital Schemes.—Of this week's capital schemes, that of the Trust and Agency Company of Australasia is undoubtedly the most interesting to the investment analyst. The company's capital consists of £414,377 of 4 per cent. debenture stock, £1,000,000 of 5 per cent. preference stock and £100,000 paid-up ordinary capital, subscribed in respect of £10 shares which are £1 paid. But at various dates since 1863, payments have been made on some 45,021 ordinary shares, in advance of calls, of the uncalled balance of £9, and on these sums interest has been paid free of tax. On this part of their capital, the ordinary shareholders concerned have ranked on an equivalent footing to the debenture-holders. Meanwhile, the preference shareholders' dividends are in arrear since the end of 1932. The circumstances, it will be seen, are unusual, if not unique. The directors propose that preference arrears should be cancelled, to the end of 1937, and that the shares should in future carry 4 per cent. dividend. Secondly, the amounts received in advance of calls, totalling £405,189, are to be deemed to be called up and to cease to rank for interest. On the "non-option" shares (i.e. those at present only £1 paid) a call of £1 per share is to be made, and £1 will be written off all the ordinary shares. In short, the resulting ordinary capital will consist of 45,021 shares of £9, fully paid, and 54,979 shares of £9, £1 paid and £8 uncalled. The senior capital will remain intact. It is doubtful if the limitations of partly-paid capital as a device for protecting the creditor have ever produced greater complexity. The preference shareholder, who will in future have a vote if his dividend falls in arrear, may find in the prospect of a regular dividend sufficient compensation for loss of one-fifth of dividend rights and five years' arrears. The option shareholder in future will rank for ordinary dividend only and not for prior interest on calls paid in advance. And the debenture creditor is still protected by the unpaid liability on over half of the ordinary capital. Meanwhile the non-option shareholder, who in recent times has been compelled to pay a transferee to undertake the risk of a capital call, may obtain a holding with a positive price, since the directors are hopeful of paying a dividend not exceeding 4 per cent. under "normal conditions." Compared with these complexities, the Tilling-Stevens scheme is a relatively simple affair. The company's trading profits have increased during 1937 from £12,824 to £38,053, but the assets deficiency amounts to £213,277. In consequence, the issued capital is to be reduced to £222,565, in 1s. shares, of which the preference shareholders will hold £203,146, or 91 per cent. Existing ordinary shareholders, the value of whose holdings seems contingent to a degree, should feel satisfied with their residual equity in the new capital.

Anglo-Egyptian Oilfields.—The report of Anglo-Egyptian Oilfields for 1937 provides no surprises. A year ago Sir Robert Cohen foretold a small decline in production in the absence of some yield from new wells, but it was hoped that the financial results for 1937 would be satisfactory. In effect, the 12½ per cent. dividend is repeated on the "B" shares, out of net earnings which are fractionally higher. Proceeds from oil sales at £492,483 compare with £495,072, and have thus fallen in a smaller degree than crude oil production, which was 11,178 tons lower, at 163,518 tons. Other receipts, however, are over £16,000 higher at £134,023, the increase sufficing to offset a rise in expenses. The amount earned for dividend is just under £235,000—an increase of £1,000, and as 90 per cent. of this sum is attributable to the "B" shareholders, earnings on this class of capital amount to 12.6 per cent. The technical position of the company is, however, of particular interest. Since 1931 production has been falling, except for a slight increase in 1936. It will be recalled that, at last year's meeting, the chairman stressed the importance of securing further oil-bearing territory. Accordingly the company applied to the Egyptian Government for 40 permits, covering 100 square kilometres each—the maximum grant to any one company under the new regulations. Permits were granted in various regions, and one well has been

drilled and tested. These developments are reflected in various items in the balance sheet. Net additions to properties and plant in 1937 amounted to £202,649, against £41,666. The value of materials in use or in stock is much higher, while exploration expenditure amounted to £37,119, against £2,312 in 1936. Cash is in consequence reduced by £81,000 to £7,862, and a loan of £87,000 is now due to the Anglo-Saxon Petroleum Company. It is too early to gauge the financial value of recent exploration work, but there is little doubt of the importance for the company of production from new wells.

Antofagasta Railway Position.—The latest report of this South American railway reflects the comparative prosperity enjoyed in 1937 by producers of primary commodities. The railways are predominantly carriers of ores, metals, mining stores and nitrate, and the remarkable increase in the volume of traffic handled has more than offset currency difficulties in Bolivia and higher costs arising from social legislation. In 1936 the volume of traffic was greater than in 1935, but the depreciation in the Bolivian exchange from Bs. 20.26 to Bs. 50 to the £ reduced gross sterling receipts despite higher surcharges, and local working expenses rose. Though similar difficulties continued in 1937 (the boliviano being further depreciated to 80 to the £), the increase in traffic handled was so great that gross railway receipts rose from £762,941 to £849,313, while working expenditure at £547,323 represented 64.4 per cent. of gross receipts, against 62.6 per cent. a year earlier. But while total receipts in 1937 were higher even than in 1935, the rise in expenses reduced net income to £453,364, a figure below the 1935 level, but 5 per cent. above 1936. Exchange reserve required only £53,000, against £104,000, and £123,849 (against £48,575) was retained for dividend. The 15 months' preference dividend to March, 1935, was, in fact, almost covered by current earnings. Reports from the Chilean and Bolivian sections are perhaps a better guide to operations in 1937 than the financial accounts in sterling. In Chile, public goods traffic, at 800,351 tons, showed an increase of no less than 34.7 per cent. over 1936. The tonnage of both nitrate and copper bars, for instance, rose by over 50 per cent., and though working expenses naturally increased, their ratio to gross receipts was little different from 1936. Improvement in Bolivia, though satisfactory, was less marked (goods tonnage rising by 7.3 per cent. to 369,140 tons), for though slightly more tin and tin ore was handled, labour difficulties in particular prevented Bolivia from producing her quota. Although higher working expenses were in part due to increased currency costs, it seems that the main cause was the payment of Customs duties (from which the railway had previously been exempt) on certain imported materials. The present outlook, however, is much less cheerful. Gross traffic receipts to the end of May, 1938, were £364,030, against £367,830 a year ago, and the Bolivian exchange, already a fruitful cause of difficulty, has become still more obscure.

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"Johnnies" Group Dividends.—Although the existing basis of Transvaal gold mining taxation is less rigorous than the previous system, the companies display an increasing tendency to utilise low-grade ore deposits, even when this policy is not necessitated by the approaching exhaustion of the properties. Moreover, the average price of gold during the first half of this year has fallen slightly, compared with the corresponding period of 1937. Costs have shown a tendency to decrease; and in several instances the effects of the adverse factors have been more than offset by an expanded scale of operations. Nevertheless, as a whole, the dividend declarations for the first half of 1938 are unlikely to compare favourably with those of the corresponding period of 1937. This conclusion is confirmed by the declarations of the "Johnnies" subsidiaries. Three of the six payments are identical with those of twelve months ago, and three are lower. The latest dividends are given in the following table:—

	Total, 1936	June, 1937	Dec., 1937	Total, 1937	June, 1938
"Johnnies" Group					
East Champ d'Or	...	...	...	...	1/6
Govt. G.M. Areas (5/-)	5/6	2/3	2/3	4/6	1/9
Langlaagte Estate (£1)	3/-	1/6	2/-*	3/6	1/-
New State Areas (£1)	6/-	3/-	3/-	6/-	3/-
Randfontein (£1)	5/-	2/3	2/3	4/6	2/3
Van Ryn Deep (£1)	5/-	2/6	2/6	5/-	2/6
Witwatersrand Gold (£1)	4/6	2/6	2/6	5/-	2/-

* Including 1/- bonus from sale of land, etc.

A notable example of reduction is provided by Government Areas. In our review of the 1937 report, we stressed the significance of the further decline in the value of the ore reserves. The company's profits for the current half-year (estimating the June result) display a shortfall of something like £430,000. Under the terms of the lease, slightly over one-half of this deficiency falls to be borne by the Union Government. Nevertheless, a cut of 6d. in the rate has been found necessary. For the future, much depends upon developments in the upper reefs. On the basis of the June declaration, Government Areas show the high gross yield of 13½ per cent. Earnings of Langlaagte have ruled fairly steady at the greatly reduced level of about £10,000 per month, but a cut of 6d. per share is made in the distribution compared with that for the first half of 1937; in the case of Witwatersrand Gold a similar reduction follows a distinct falling off in the month's profits. The earnings of Randfontein for the current half-year are fully £180,000 below those of the corresponding period of 1937, and some reduction in the dividend had been anticipated, although uncertainty existed as to the degree in which the decline in profits might be offset by lower taxation and capital expenditure. In the event, the company has been able to maintain its distribution at the rate paid for each of the two preceding half years. Having regard to the trend of profits, a small reduction in the New State Areas dividend would have occasioned no surprise, but the company repeats its dividend of the four preceding half years, though it may be unable to do so much longer. On the basis of 6s. per share per annum, the indicated yield is nearly 11 per cent. A new entrant to the list is the East Champ d'Or. This concern has been financially reorganised by the "Johnnies" company, and for some months past its profits have shown expansion, the May total of £15,000 comparing with £10,130 in December.

Selection Trust.—The latest accounts of Selection Trust cover the fifteen months ended March 31st, compared with the calendar year 1936 in the preceding report. Recent market conditions are reflected in the fact that income during the latest period was derived principally from dividends and interest, whereas in 1936 profits from realisation of investments provided the chief source. Expenditure during the period ended March 31st on investigation and ventures was lower than in the previous year, but taxation absorbed a somewhat increased amount. Net profits amount to £364,500, against £434,400, but the distribution is maintained at 1s. 6d. Quoted investments appear at £2,977,300, compared with £2,733,200, but the

market valuation is substantially in excess of the book figures. Dividend receipts were derived principally from the company's interests in American Metal Company, Consolidated African Selection Trust and Trepca Mines. Rhodesian Selection Trust, it will be recalled, holds approximately 64 per cent. of the issued capital of the Mufulira Company, which paid a maiden dividend of 3s. per share. Reference to the annual report of the American Metal Company (which is circulated with the Selection Trust report) shows that this concern holds rather over 50 per cent. of the capital of the Rhodesian Selection Trust, together with a large interest in the Roan Antelope copper mines. Both these undertakings last year extinguished their debentures by issues of ordinary shares. During the year the American Metal Company resumed dividends on its ordinary capital, disbursing a total of \$3 per share. The prospects for Selection Trust during this year are less favourable than for 1937-38, in view of current conditions in the metal markets at home and in the United States. The market has also noted the reduction in the Trepca Mines interim dividend from 15 to 5 per cent., though the recent excitement in Western Holdings stimulated fresh interest in Selection Trust.

The Week's Company Profits.—Our usual analysis of profit and loss accounts (appearing on page 640) contains the results of 63 companies, excluding new concerns and those for which comparable figures are not available. The latest net profits for these companies amount to £6,795,000, compared with £5,910,000 for the previous year—an advance of 15 per cent. Total profits recorded by 1,269 companies during the year to date amount to £182,141,000, compared with £161,520,000 for the preceding year, an increase of 12.8 per cent. The heavy industries are well represented in this week's results, although numerically the tea group is the largest. The results are discussed on page 622 under the heading "Shorter Comments."

Company Meetings of the Week.—In this issue reports of company meetings begin on page 629. Addressing the annual meeting of the *Milk Marketing Board*, Mr T. Baxter reported that the sales of liquid milk had increased over the previous year by 51 million gallons, and represented 71.3 per cent. of milk passing through the Scheme, as compared with 66.2 per cent. Although expressing satisfaction with the new high record set up by the petroleum industry in 1937, Sir John T. Cargill, at the *Burmah Oil* meeting, attributed this result less to planned co-ordination towards regulation of demand and supply than to a fortuitous combination of other circumstances. Without a decline in Roumanian production and disturbances in Venezuela and Mexico, the equilibrium actually achieved would not have been possible. Improved trading results, moreover, were less due to higher values than to reduced costs, and for *Burmah Oil* lower costs had contributed largely to the expansion in profits. At the *Henderson's Transvaal Estates* meeting, Mr W. L. Castleden reported that at March 31st the market value of the company's investments was above book cost, despite the heavy fall in quotations that had taken place at that date. Discussing the newsprint position at the *Associated Newspapers* meeting, the chairman remarked that while 1938 would see the full effects of the rise in newsprint prices by 30s. a ton, changed world conditions indicated that there would be no further increase in 1939. Mr A. W. Allard informed shareholders of *Marston Valley Brick* that although extensions were ready too late to affect the latest financial results, the sale of bricks had risen considerably. Mr Douglas Christopherson pointed out at the *Associated Tin Mines of Nigeria* meeting that the completion of the capital programme left the company well equipped to meet any increase in quota, and at much reduced costs. Mr C. V. Thomas, at the *Tronoh Mines* meeting, emphasised that while Malayan producers were best able to face uncontrolled production, they bore an unfair share of the burden of restriction.

THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT
JUNE 21 JUNE 23

THE firmness which was evident in the London market on the eve of the holiday provided a satisfactory key for the re-opening of business. But neither in the volume of business nor in the course of prices is there cause for any special satisfaction this week. Dealers found the unemployment figures less dismal than had been feared, and the pre-holiday railway traffics, so far as they lent themselves to comparison, were favourably received. But the general run of business has been slack, and prices have been maintained by inertia, rather than any nicely calculated balance of business between buyers and sellers.

In the gilt-edged market, trading remained small, and after an initial rise, particularly in the dated stocks, a renewal of Government borrowing rumours was followed by realisation on a minor scale. Little interest was displayed in corporation issues (although the L.C.C. scrip made progress) nor in Dominion issues.

Support for Japanese issues was the only feature in a dull foreign bond market, but the improvement was technically explained by sinking fund purchases. Chinese issues were depressed by the exchange weakness. Austrian issues reacted relatively moderately to the news of default on the service moneys (discussed in a leading article on page 606), but the blow had already been largely discounted.

Home rail stocks received attention at first, though business was limited. Until the publication of the traffics, the modest improvement continued, but prices reacted later, to show net declines on Wednesday. Argentine rail stocks, on the other hand, provided one of the few features of the week. To the accompaniment of unconfirmed reports that some form of "nationalisation" was under discussion, the ordinary stocks led an improvement of up to two points. Cordoba stocks, however, became less prominent.

Except for one or two shares which show their heads rather timidly above an uninteresting and lethargic crowd, the industrial market was devoid of interest. With a very restricted turnover, the undertone was satisfactory after the Whitsun holiday, but gave way somewhat in mid-week. Good company reports assisted coal shares, and small gains were general, though business hardly expanded. Iron and steel shares were a relatively firm group, the brighter spots being John Brown on the dividend increase, and Sheepbridge, while Staveley recovered. Motor and aircraft issues were firm but inactive. On news of the increased revenue and the scrip bonus, Edmundsons gained 9d., but other electricity supply shares changed little. Except for an improvement in Crompton Parkinson, electrical equipment issues were irregular and uninteresting. Support for Salts (Salthire) was the main feature of an otherwise neglected textile market. Among rayon shares, Canadian Celanese were depressed on the decision to defer action

on the common stock dividend. Among stores, Great Universal rose in anticipation of the meeting, but other shares tended to sag, with a few exceptions. The provisions and catering section was irregular, and so were breweries and tobacco shares. Shipping issues also were undecided. Miscellaneous issues were rather better on Tuesday, but turned dull later, and price changes were unimportant.

The oil market reopened dull, with little change in prices. There was hardly any accumulation of orders to work off, and little interest was evinced by the batch of satisfactory annual reports, or by brighter Wall Street news. For Royal Dutch, however, there was some Amsterdam support on the re-opening of the markets.

The rubber share market has derived but little benefit from the quota reduction, though hopes are still entertained of an eventual recovery in the commodity price. Turnover was at a minimum, and prices hardly moved. Tea shares, after starting under the influence of general market apathy, became firmer in mid-week on good company news, with demand concentrated on Indian issues.

After starting on Tuesday quietly but firmly, Kafirs once more came to the fore. Turnover did not expand much, but quotations made the best of a small market. Dividend-payers were the centre of interest in anticipation of the June dividend announcements, but the developing mines were well maintained, and Western Holdings were active in short bursts. Other sections of the mining market were uninteresting.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices
			30 ord. shares* 20 fixed int.†
June 3	6,120	8,925	80.0 128.4
June 6	6,035	6,790	80.4 128.4
June 7	5,970	7,390	80.4 128.5
June 8	5,420	6,770	80.4 128.4
June 9	...	...	97.2 131.0
High...	...	...	Jan. 12 Feb. 4
Low...	...	...	79.4 126.9
			Mar. 16 Mar. 17

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

ACTUARIES' INVESTMENT INDEX

Though the decline is small compared with the previous week, the Actuaries' index of 151 industrial ordinary share prices on Tuesday last (June 7th) reached a new low level for 1938, standing at 63.2, against 64.0 a week ago and 68.3 a month ago. The corresponding average yields are 6.03, 5.94 and 5.44 per cent. A selection of the separate indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)	Prices 1938 High
	May 10, 1938	May 31, 1938
Insurance (10)	114.0	110.8
Buildg. mats. (6)	83.4	77.2
Coal (9)	91.6	80.8
Elec. mfg. (12)	120.7	114.5
Iron and st. (17)	56.8	50.1
Home rails (4)	55.8	51.1
Stores, etc. (18)	61.4	57.8

Group	Yields (%)	Prices 1938 Low
	May 10, 1938	May 31, 1938
Insurance	3.73	3.83
Building mats.	6.67	7.12
Coal	5.68	6.93
Elec. manufg.	5.47	5.89
Iron and steel	7.73	9.12
Home rails	5.78	6.49
Stores, etc.	5.31	5.65

New York

At the end of last week, Wall Street once more gave proof that whatever may depress stock prices, talk of inflation, no matter how loose, provides an immediate tonic. The market seized on inflation rumours—ranging from a new devaluation of the dollar to actual resort to the printing press if the autumn recovery failed to put in an appearance—and took the Dow Jones industrial average smartly up from 109.71 to 111.82 in the brief trading session. This salt lost some of its savour on Monday, although the index rose further to 113.19. Fractional changes have subsequently provided the rule, and turnover continues at a depression level, well below half a million shares daily. On Wednesday, indeed, trading totalled no more than 280,000 shares, a level which has not been witnessed for nearly four years. Rail stocks continue depressed, in view of the urgent financial difficulties of the more vulnerable roads, and made but little response to the news that bills have been drafted to secure immediate financial relief through the R.F.C. and to facilitate reorganisation proceedings. Industrial news remains depressing. Steel activity, according to *Iron Age*, remains at 25 per cent. of capacity, although this calculation, on six working days against five last week, indicates an actual decline.

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

	1938	May 25, 1938	June 1, 1938	June 8, 1938
	Low Mar. 30	High Jan. 12		
347 Ind's. ...	75.9	101.5	83.5	82.9
32 Rails ...	19.0	31.4	20.5	20.0
40 Utilities ...	57.7	78.8	67.9	67.9
419 Stocks ...	63.7	86.4	70.8	70.4
Av. yield %*	8.35	5.16†	5.64	5.61
	High	Low		

* 50 Common Stocks. † May 11th.

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

June 2	June 3	June 4	June 6	June 7	June 8
93.1	92.0	94.4	95.3	95.1	95.4

1938 High: 116.9 January 11th. Low: 83.6 March 31st.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange	Curb Shares
	Shares 000's	Bonds \$000's
June 2	480	4,670
" 3	380	4,090
" 4	310	2,340
" 6	470	3,270
" 7	370	4,780
" 8	280	4,220

* Two-hour session.

(Continued on page 622)

LONDON ACTIVE SECURITY PRICES AND YIELD

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

Prices, Year 1937				Prices, Year 1938 Jan. 1 to June 8, inclusive				Name of Security	Price, June 8, 1938	Change since June 1, 1938	Yield, June 8, 1938	Prices, Year 1938 Jan. 1 to June 8, inclusive				Name of Security	Price, June 8, 1938	Change since June 1, 1938	Yield, June 8, 1938
High	Low	High	Low	High	Low	Close													
84 1/2	73 1/2	79 1/2	71	British Funds				75 1/2	+1 1/2	4 1/2	13 1/2	12 1/2	3 1/2	Com. Bk. of Aus. 10/-	12 1/2	...	4 1/2		
113	103 1/2	113 1/2	107	Consols 2 1/2%				100	+1 1/2	2 1/2	50 1/2	51 1/2	3 1/2	Dist. B. 11 1/2 pd.	51 1/2	...	3 1/2		
101 1/2	94 1/2	100 1/2	96	Conv. 2 1/2% (alt. 1957)				100	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Do. 4% (alt. 1957)	105 1/2	...	3 1/2		
103 1/2	97 1/2	103 1/2	99	Do. 3% 1948-53				103	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Do. 3% 1948-53	105 1/2	...	3 1/2		
106 1/2	99 1/2	106 1/2	98 1/2	Do. 3 1/2% after 1961				103	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Do. 3 1/2% after 1961	105 1/2	...	3 1/2		
106 1/2	99 1/2	106 1/2	98 1/2	Do. 4 1/2% 1940-44				104 1/2	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Do. 4 1/2% 1940-44	105 1/2	...	3 1/2		
108 1/2	105 1/2	108 1/2	102 1/2	Do. 5% 1944-64				114	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Do. 5% 1944-64	105 1/2	...	3 1/2		
117 1/2	111 1/2	115 1/2	112 1/2	Local Loans 3%				91	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Local Loans 3%	91	...	2 1/2		
92 1/2	89	91 1/2	87 1/2	Fund. 2 1/2% 1956-61				97	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Fund. 2 1/2% 1956-61	97	...	2 1/2		
96 1/2	89 1/2	95 1/2	95 1/2	Fund. 2 1/2% 1952-57				97	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Fund. 2 1/2% 1952-57	97	...	2 1/2		
116 1/2	109 1/2	114 1/2	110 1/2	Fund. 3% 1950-50				99	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Fund. 3% 1950-50	99	...	2 1/2		
99 1/2	96	101 1/2	97 1/2	Nat. D. 2 1/2% 1944-46				101	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Nat. D. 2 1/2% 1944-46	101	...	2 1/2		
114 1/2	107 1/2	112 1/2	107 1/2	War L. 3 1/2% af. 1952				102 1/2	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	War L. 3 1/2% af. 1952	102 1/2	...	2 1/2		
103 1/2	98 1/2	103 1/2	94 1/2	Austria 3% 1933-33				88 1/2	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Austria 3% 1933-33	88 1/2	...	2 1/2		
102 1/2	99 1/2	102 1/2	99 1/2	Australia 3% 1933-33				102	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Australia 3% 1933-33	102	...	2 1/2		
72	67 1/2	67 1/2	63 1/2	India 2 1/2% 1938				65 1/2	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	India 2 1/2% 1938	65 1/2	...	2 1/2		
85 1/2	74 1/2	84	88 1/2	Do. 3% 1938				79 1/2	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Do. 3% 1938	79 1/2	...	2 1/2		
119 1/2	112 1/2	117	114 1/2	Do. 3 1/2% 1938				92 1/2	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Do. 3 1/2% 1938	92 1/2	...	2 1/2		
109 1/2	105	108 1/2	105	Dom. & Col. Govts.				115 1/2	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Dom. & Col. Govts.	115 1/2	...	2 1/2		
101 1/2	104 1/2	104 1/2	100 1/2	Austr. 5% 1945-75				105	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Austr. 5% 1945-75	105	...	2 1/2		
114 1/2	115	113 1/2	110 1/2	Canada 4% 1940-60				103	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Canada 4% 1940-60	103	...	2 1/2		
110	104 1/2	108	102 1/2	Nigeria 5% 1950-60				113	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Nigeria 5% 1950-60	113	...	2 1/2		
107 1/2	103 1/2	107 1/2	102 1/2	N. Zealand 5% 1946				103 1/2	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	N. Zealand 5% 1946	103 1/2	...	2 1/2		
103 1/2	98 1/2	103 1/2	99 1/2	Queens. 5% 1940-60				107	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	Queens. 5% 1940-60	107	...	2 1/2		
114 1/2	110 1/2	112 1/2	109 1/2	S. Africa 5% 1945-75				110 1/2	+1 1/2	2 1/2	105 1/2	106 1/2	3 1/2	S. Africa 5% 1945-75	110 1/2	...	2 1/2		
103 1/2	93	96 1/2	89	Foreign Governments				92	...	4 1/2	6 1/2	10 1/2	7 1/2	3 1/2	Foreign Governments	92	...	4 1/2	
101 1/2	97 1/2	102 1/2	94	Arg. 4 1/2% Sug. Bds.				30 1/2	-2	10	3	16 1/2	15 1/2	6 1/2	Arg. 4 1/2% Sug. Bds.	30 1/2	...	10	
101 1/2	94 1/2	99	95	Austria 4% 1934-59				48 1/2	+1	4	1	87 1/2	69 1/2	13 1/2	Austria 4% 1934-59	48 1/2	...	10	
33 1/2	24 1/2	34 1/2	31 1/2	Belg. 4% red. by 1970				98	+1	7	3	84	74	11 1/2	Belg. 4% red. by 1970	98	...	10	
89 1/2	37	37 1/2	16	Bulgaria 7 1/2% 1914				33 1/2	...	0	Nil	0	0	0	Bulgaria 7 1/2% 1914	33 1/2	...	0	
28 1/2	15	19 1/2	16 1/2	Brazil 5% Fd. 1914				17 1/2	...	4	13	0	26 1/2	23 1/2	Brazil 5% Fd. 1914	17 1/2	...	4	
101 1/2	94 1/2	101 1/2	90 1/2	Chile 6% (1912)				17 1/2	...	10	0	65 1/2	47 1/2	3 1/2	Chile 6% (1912)	17 1/2	...	10	
101 1/2	94 1/2	101 1/2	90 1/2	China 5% (1912)				48 1/2	...	10	19	0	71 1/2	7 1/2	China 5% (1912)	48 1/2	...	10	
100	92 1/2	98 1/2	94	Do. 5% (1913)				62 1/2	-1 1/2	7	19	0	71 1/2	7 1/2	Do. 5% (1913)	62 1/2	...	10	
106 1/2	100 1/2	104	100 1/2	Czechoslovakia 8%				74 1/2	...	10	14	9	72 1/2	55 1/2	Czechoslovakia 8%	74 1/2	...	10	
118	112	116	110 1/2	Denmark 3%				97 1/2	...	3	2	0	23 1/2	21 1/2	Denmark 3%	97 1/2	...	3	
101 1/2	93	96 1/2	89	Egypt United 4%				101 1/2	+1 1/2	3	18	0	25 1/2	20 1/2	Egypt United 4%	101 1/2	...	3	
49 1/2	35	45 1/2	32 1/2	French 4% (British)				101 1/2	+1 1/2	5	10	0	27 1/2	23 1/2	French 4% (British)	101 1/2	...	5	
40 1/2	30	34	25	Ger. 7% Dawes Ln.				45	-1 1/2	15	8	0	27 1/2	23 1/2	Ger. 7% Dawes Ln.	45	...	15	
64 1/2	47 1/2	50	39	Greece 5% Stab. Ln.				35 1/2	+1 1/2	15	14	0	25 1/2	23 1/2	Greece 5% Stab. Ln.	35 1/2	...	15	
88 1/2	53	60	39	Hungary 5%				30	+1 1/2	10	9	0	15 1/2	12 1/2	Hungary 5%	30	...	10	
94 1/2	57 1/2	64 1/2	43	Japan 5 1/2% 1936-65				54	+1 1/2	10	14	3	25 1/2	23 1/2	Japan 5 1/2% 1936-65	54	...	10	
121 1/2	110 1/2	124	115	Do. 6% (24) red. 1959				56	+1 1/2	10	14	3	25 1/2	23 1/2	Do. 6% (24) red. 1959	56	...	10	
61 1/2	40 1/2	42	36	Norwegian 4% 1911				117 1/2	...	3	8	0	21	19 1/2	Norwegian 4% 1911	117 1/2	...	3	
56	38	42	36	Peru 7 1/2% 1922				45	...	8	...	8	19 1/2	16 1/2	Peru 7 1/2% 1922	45	...	8	
20 1/2	13	15	11	Poland 5%				86	...	14	7	6 1/2	...	...	Poland 5%	86	...	14	
96 1/2	88 1/2	92	78	Roum. 4% Con. 1922				112 1/2	+1 1/2	3	14	1	11 1/2	6 1/2	Roum. 4% Con. 1922	112 1/2	...	3	
118	111 1/2	115 1/2	110 1/2	U.K. & Arg. C. 3%				81	+1 1/2	3	14	1	11 1/2	6 1/2	U.K. & Arg. C. 3%	81	...	3	
118 1/2	112 1/2	117	112 1/2	Corporation Stocks				112 1/2	...	3	4	9	...	...	Corporation Stocks	112 1/2	...	3	
95 1/2	82 1/2	87 1/2	83	Birm. 5% 1946-56				112 1/2	...	3	4	9	...	...	Birm. 5% 1946-56	112 1/2	...	3	
101 1/2	93 1/2	97 1/2	94	Bristol 5% 1948-58				114 1/2	...	3	4	9	...	...	Bristol 5% 1948-58	114 1/2	...	3	
104 1/2	100 1/2	105 1/2	101 1/2	L.C.C. 3%				86	+1 1/2	3	4	9	...	...	L.C.C. 3%	86	...	3	
104 1/2	100 1/2	105 1/2	101 1/2	Liverpool 3% 1954-64				104	...	3	4	9	...	...	Liverpool 3% 1954-64	104	...	3	
104 1/2	100 1/2	105 1/2	101 1/2	Middx. 3 1/2% 1957-62				104	...	3	4	9	...	...	Middx. 3 1/2% 1957-62	104	...	3	
114 1/2	110 1/2	112 1/2	110 1/2	Public Boards				113	...	4	8	0	13 1/2	12 1/2	Public Boards	113	...	4	
119 1/2	112 1/2	115 1/2	110 1/2	Lon. Pass. Transport				116	...	3	12	9	67	51	13 1/2	Lon. Pass. Transport	116	...	3
122 1/2	116 1/2	120 1/2	112 1/2	4 1/2% "A" 1985-2023				116 1/2	...	3	14	0	82	70	13 1/2	4 1/2% "A" 1985-2023	116 1/2	...	3
84	74 1/2	81 1/2	72 1/2	7 1/2% "B" 1985-2023				116 1/2	...	3	14	0	82	70	13 1/2	7 1/2% "B" 1985-2023	116 1/2	...	3
91 1/2	85	90 1/2	81 1/2	"C" 1956 or after				75	-1 1/2	5	13	4	107 1/2	85 1/2	"C" 1956 or after	75	...	5	
68 1/2	43 1/2	46 1/2	36 1/2	Met. W.B. "B" 3%				89 1/2	+1 1/2	3	7	0	113 1/2	91 1/2	Met. W.B. "B" 3%	89 1/2	...	3	
118	114 1/2	124 1/2	112 1/2	P. of Lon. 5% 50-70				116	+1 1/2	5	13	4	43	34	P. of Lon. 5% 50-70	116	...	5	
65	47 1/2	52 1/2	41 1/2	British Railways				47 1/2	-1	8	8	6	78	65	British Railways	47 1/2	...	8	
46 1/2	21 1/2	24 1/2	18 1/2	G.W. Ord.				24 1/2	-1 1/2	8	8	6	37	26	G.W. Ord.	24 1/2	...	8	
122 1/2	116 1/2	120 1/2	112 1/2	L. & N.E.R. Def.				49 1/2	...	11	3	6	78	65	L. & N.E.R. Def.	49 1/2	...	11	
84	74 1/2	81 1/2	72 1/2	Do. 5% Pref. Ord.				49 1/2	...	11	3	6	78	65	Do. 5% Pref. Ord.	49 1/2	...	11	
91 1/2	85	90 1/2	81 1/2	Do. 4% 2nd Pf. 1955				19 1/2	-1 1/2	7	9	6	26 1/2	19 1/2	Do. 4% 2nd Pf. 1955	19 1/2	...	7	
68 1/2	43 1/2</																		

(Continued from page 619)

New York Prices

Close Latest June 1938	Close Latest June 1937	Close Latest June 1938	Close Latest June 1937
1. Rails and Transport			
Atchafalaya	26 27 1/2	26 27 1/2	26 27 1/2
Balt. & Ohio	51 51 1/2	51 51 1/2	51 51 1/2
B.M.T.	9 9 1/2	9 9 1/2	9 9 1/2
Can. Pacific	5 5 1/2	5 5 1/2	5 5 1/2
Ches. & Ohio	23 23 1/2	23 23 1/2	23 23 1/2
G.N. Ry. Pl.	14 14 1/2	14 14 1/2	14 14 1/2
Illinois Cent.	8 8 1/2	8 8 1/2	8 8 1/2
N.Y. Central	11 11 1/2	11 11 1/2	11 11 1/2
Northern Pac.	7 7 1/2	7 7 1/2	7 7 1/2
Pennsylv. R.	14 14 1/2	14 14 1/2	14 14 1/2
Southern Pac.	10 10 1/2	10 10 1/2	10 10 1/2
Southern Ry.	7 7 1/2	7 7 1/2	7 7 1/2
Union Pac.	62 62 1/2	62 62 1/2	62 62 1/2
Greyhound	8 8 1/2	8 8 1/2	8 8 1/2
2. Utilities and Communications			
Am. W. Works	8 8 1/2	8 8 1/2	8 8 1/2
C. & S.	1 1 1/2	1 1 1/2	1 1 1/2
Con. Edison	23 23 1/2	23 23 1/2	23 23 1/2
Col. Gas & Elec.	6 6 1/2	6 6 1/2	6 6 1/2
El. Bond & Sh.	7 7 1/2	7 7 1/2	7 7 1/2
Nat. Pwr. & Lt.	18 18 1/2	18 18 1/2	18 18 1/2
N. American	26 26 1/2	26 26 1/2	26 26 1/2
Pac. Gas & Elec.	26 26 1/2	26 26 1/2	26 26 1/2
Pac. Lighting	37 37 1/2	37 37 1/2	37 37 1/2
Pub. Serv. N.J.	28 28 1/2	28 28 1/2	28 28 1/2
Stan. Gas & El.	3 3 1/2	3 3 1/2	3 3 1/2
United Corp.	24 24 1/2	24 24 1/2	24 24 1/2
Un. Gas Imp.	10 10 1/2	10 10 1/2	10 10 1/2
Amer. Tel.	129 129 1/2	129 129 1/2	129 129 1/2
Internat. Tel.	8 8 1/2	8 8 1/2	8 8 1/2
Westn. Union	21 21 1/2	21 21 1/2	21 21 1/2
Radio	51 51 1/2	51 51 1/2	51 51 1/2
B. Pref.	47 47 1/2	47 47 1/2	47 47 1/2
3. Extractive and Metal			
Am. Rol. Mill.	14 14 1/2	14 14 1/2	14 14 1/2
Beth. Steel	42 42 1/2	42 42 1/2	42 42 1/2
Beth. Steel P.	12 12 1/2	12 12 1/2	12 12 1/2
Republic St.	40 40 1/2	40 40 1/2	40 40 1/2
U.S. Steel	93 93 1/2	93 93 1/2	93 93 1/2
U.S. Steel P.	9 9 1/2	9 9 1/2	9 9 1/2
Alaska I. neau	9 9 1/2	9 9 1/2	9 9 1/2
Am. Metal	33 33 1/2	33 33 1/2	33 33 1/2
Am. Smelting	22 22 1/2	22 22 1/2	22 22 1/2
Anaconda	17 17 1/2	17 17 1/2	17 17 1/2
Boh. Alum.	33 33 1/2	33 33 1/2	33 33 1/2
Cerro de Pas.	28 28 1/2	28 28 1/2	28 28 1/2
Int. Nickel	28 28 1/2	28 28 1/2	28 28 1/2
Kennecott	28 28 1/2	28 28 1/2	28 28 1/2
Patino Mines	50 50 1/2	50 50 1/2	50 50 1/2
Tex. Gif. Sul.	29 29 1/2	29 29 1/2	29 29 1/2
U.S. Smelt.	13 13 1/2	13 13 1/2	13 13 1/2
Vanadium	20 20 1/2	20 20 1/2	20 20 1/2
Atlantic Ref.	30 30 1/2	30 30 1/2	30 30 1/2
Phillips Petr.	12 12 1/2	12 12 1/2	12 12 1/2
Shell Union.	99 99 1/2	99 99 1/2	99 99 1/2
Shell Un. P.	12 12 1/2	12 12 1/2	12 12 1/2
Socony Vac.	12 12 1/2	12 12 1/2	12 12 1/2
Stan. Oil Cal.	46 46 1/2	46 46 1/2	46 46 1/2
Stan. Oil N.J.	35 35 1/2	35 35 1/2	35 35 1/2
Texas Corp.	35 35 1/2	35 35 1/2	35 35 1/2
4. Manufacturing			
Briggs	16 16 1/2	16 16 1/2	16 16 1/2
Chrysler	40 40 1/2	40 40 1/2	40 40 1/2
Elec. Autolite	28 28 1/2	28 28 1/2	28 28 1/2
Gen. Motors	28 28 1/2	28 28 1/2	28 28 1/2
Hudson Mtr.	5 5 1/2	5 5 1/2	5 5 1/2
Nash Keltmtr.	7 7 1/2	7 7 1/2	7 7 1/2
Packard Mtr.	31 31 1/2	31 31 1/2	31 31 1/2
Bendix Avtn.	10 10 1/2	10 10 1/2	10 10 1/2
Boeing Airplan.	22 22 1/2	22 22 1/2	22 22 1/2
Douglas Air.	42 42 1/2	42 42 1/2	42 42 1/2
United Aircraft.	25 25 1/2	25 25 1/2	25 25 1/2
Air Reduction	43 43 1/2	43 43 1/2	43 43 1/2
Allied Chem.	144 144 1/2	144 144 1/2	144 144 1/2
Col. Carbon.	66 66 1/2	66 66 1/2	66 66 1/2
Dupont	95 95 1/2	95 95 1/2	95 95 1/2
Un. Carbide	62 62 1/2	62 62 1/2	62 62 1/2
U.S. Ind. Alc.	15 15 1/2	15 15 1/2	15 15 1/2
Alvis Chalmers	40 40 1/2	40 40 1/2	40 40 1/2
Gen. Electric	32 32 1/2	32 32 1/2	32 32 1/2
West. Elec.	72 72 1/2	72 72 1/2	72 72 1/2
American Can.	85 85 1/2	85 85 1/2	85 85 1/2
Addressograph	18 18 1/2	18 18 1/2	18 18 1/2
Caterpillar	38 38 1/2	38 38 1/2	38 38 1/2
Cont. Can.	37 37 1/2	37 37 1/2	37 37 1/2
Ingersoll Rnd.	71 71 1/2	71 71 1/2	71 71 1/2
Int. Harvester	51 51 1/2	51 51 1/2	51 51 1/2
Johns Manville	64 64 1/2	64 64 1/2	64 64 1/2
Am. Radiator	10 10 1/2	10 10 1/2	10 10 1/2
Corn Prods.	63 63 1/2	63 63 1/2	63 63 1/2
J.I. Case & Co.	75 75 1/2	75 75 1/2	75 75 1/2
Glidden	16 16 1/2	16 16 1/2	16 16 1/2
G. Am. Trans.	36 36 1/2	36 36 1/2	36 36 1/2
Celanese of A.	11 11 1/2	11 11 1/2	11 11 1/2
Ind. Rayon	14 14 1/2	14 14 1/2	14 14 1/2
Colgate Palm.	149 149 1/2	149 149 1/2	149 149 1/2
Eastm'n Kdk.	154 154 1/2	154 154 1/2	154 154 1/2
Gillette	74 74 1/2	74 74 1/2	74 74 1/2
Lambert Co.	103 103 1/2	103 103 1/2	103 103 1/2
Loews	40 40 1/2	40 40 1/2	40 40 1/2
20th Cen. Fox	19 19 1/2	19 19 1/2	19 19 1/2
5. Retail Trade, etc.			
Mont. Ward	29 29 1/2	29 29 1/2	29 29 1/2
A. C. Penny.	60 60 1/2	60 60 1/2	60 60 1/2
Sears Roebuck	52 52 1/2	52 52 1/2	52 52 1/2
United Drug	5 5 1/2	5 5 1/2	5 5 1/2
Walgreen	14 14 1/2	14 14 1/2	14 14 1/2
Woolworth	42 42 1/2	42 42 1/2	42 42 1/2
Borden	28 28 1/2	28 28 1/2	28 28 1/2
Gen. Foods	28 28 1/2	28 28 1/2	28 28 1/2
Kroger Grey.	13 13 1/2	13 13 1/2	13 13 1/2
Nat. Biscuit	21 21 1/2	21 21 1/2	21 21 1/2
Nat. Dairy	13 13 1/2	13 13 1/2	13 13 1/2
Stand. Brands	68 68 1/2	68 68 1/2	68 68 1/2
Am. Tob. B.	92 92 1/2	92 92 1/2	92 92 1/2
Lig. Myers B.	92 92 1/2	92 92 1/2	92 92 1/2
Reyn. Tob. B.	36 36 1/2	36 36 1/2	36 36 1/2
Nat. Distillers	19 19 1/2	19 19 1/2	19 19 1/2
Schenley Dis.	15 15 1/2	15 15 1/2	15 15 1/2
6. Finance			
Comcl. Credit	30 30 1/2	30 30 1/2	30 30 1/2
Atlas Corp.	6 6 1/2	6 6 1/2	6 6 1/2
Com. Inv. Tr.	34 34 1/2	34 34 1/2	34 34 1/2

Capital Issues

CAPITAL ISSUE TOTALS

Week ending June 11	Nominal Capital	Con- versions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Intro.	Nil	Nil	Nil
By Perm. to Deal.	569,965	569,965	569,965
Sav. Certs. w/c June 4	Dr. 50,000	...	...
Year to date			
1938 (New Basis)	91,050,860	76,856,507	...
1937 (New Basis)	319,529,283	274,401,303	...
1938 (Old Basis)	64,952,057	51,667,799	...
1937 (Old Basis)	215,383,284	172,887,239	...

Destination
(Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1938 (New Basis)	54,961,416	19,465,862	2,429,229
1937 (New Basis)	229,463,890	49,743,953	1,193,480
1938 (Old Basis)	33,625,930	15,642,745	2,399,124
1937 (Old Basis)	159,507,941	13,179,298	Nil

Nature of New Borrowing
(Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	42,164,732	7,041,045	27,650,730
1937 (New Basis)	140,196,801	18,459,646	115,744,856
1938 (Old Basis)	33,863,766	2,478,496	15,325,537
1937 (Old Basis)	126,657,883	12,240,231	33,789,125

NOTE.—“Old Basis” includes public issues only; “New Basis” includes all new capital in which permission to deal has been granted.

TENDERS

Brighton, Hove and Worthing Gas Company.—Sale by tender of £50,000 Four per Cent. Preference Stock at minimum price of par. Applications must be for not less than £50 stock, and the latest date for receipt of tenders is June 23rd.

BONUS ISSUES

British Electric Traction.—A scrip bonus of 10 per cent. on the deferred stock is announced.

De La Rue (Thomas) and Company.—It is proposed to distribute bonus shares in the ratio of one bonus share for ten shares held.

Edmundsons Electricity Corporation.—A bonus is recommended of £1 of new ordinary stock for £2 of stock held, by the capitalisation of £2,250,000 of reserve.

“Sanitas” Trust, Ltd.—It is proposed to distribute a capital bonus of one new ordinary 1s. share for each ordinary 1s. share held.

CONVERSIONS AND REPAYMENTS

Victory Bonds Drawing.—The nineteenth drawing of Four per Cent. Victory Bonds will take place on June 20, 1938. A list of bonds drawn will be published not later than July 1, as a special supplement to the *London Gazette*.

SHORTER COMMENTS

Company Results of the Week.—The Burton brewers, MARSTON THOMPSON AND EVERSHED, report a moderate improvement for 1937-38, with net profits of £138,377, against £130,263. MANCHESTER COLLIERIES have earned £31,300 more, at £331,306, while trading profits are as much as 18 per cent. higher. Having experienced a good demand for coal at higher prices SOUTH HETTON COAL have doubled their dividend, at 5 per cent. Net profits of SHIPLEY COLLIERIES are slightly higher than the 1936-37 level at £189,171. J. STONE AND CO. (brass-founders and engineers, of Deptford) have earned £251,224, against £198,812, and the dividend is raised from 20 to 27½ per cent. Good progress has also been made by RUSTON AND HORNSBY, whose earnings are £81,000 higher at £222,426. Of this increase, however, £17,550 arises from profit on the sale of an investment. PHILLIPS AND POWIS AIRCRAFT again record a loss, though it is reduced to £19,297, compared with £31,586 for the previous year. The full benefit of increased orders placed in 1936 was not felt in 1937, but increased business was placed last year and the factory is now working to capacity. While LINGGI PLANTATIONS have earned no less than £65,897, against £25,202, the 5 per cent. dividend is unchanged, £30,000 being placed to general reserve. Tea companies generally show a substantial improvement in profits. ASSAM CONSOLIDATED, for example, has earned £40,051, against £17,400, and dividends are resumed with a 7 per cent. distribution. Profits of BRITISH ELECTRIC TRACTION again show a high rate of expansion, amounting to £446,472, against £390,895. The 5 per cent. dividend is maintained on an increased capital, and the 10 per cent. share bonus repeated. BROWNLEE AND CO., the timber merchants, record a fall of £8,000 in total profits to £63,878, the value of timber and investments having been reviewed before arriving at profits. MARSTON VALLEY BRICK are reducing their dividend from 20 to 17½ per cent. The works have been employed to full capacity, but extensions at Ridgmont

DIVIDEND

ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. †Final	Total	Pay- able	Prev. Year
RAILWAYS				
Bengal & N. Western.	8*	...	July 25	8*
Rohilkund & Kumaon	8*	...	July 25	7*
BANKS				
Guaranty Trust (N.Y.)	3*	...	July 1	3*
Nat. of New Zealand.	£2 1/2†	£4 1/2	...	£1
INSURANCE				
Eagle Star.	7 1/2*	...	...	6 1/2*
TEA & RUBBER				
Anglo-Ceylon Estates	6†	10	...	8
Borakai Tea	10†	2	July 6	Nil
Bordubi Tea	10†	15	...	12 1/2
Borelli Tea	15†	20	...	15
Budla Beta Tea	5†	7	...	5
Bukit Rajah Rubber	...	5	July 13	5
Buxa Doars Tea.	16†	20	...	15
Cicely Rubber Ord.	5†	10	...	12 1/2
Do. Pref.	7 1/2†	15	...	17 1/2
Cranley Tea	2 1/2*	...	...	2 1/2*
Dejoo Tea	...	6	July 9	5
Deli Batva Rubber	...	12	...	Nil
Dhendai Tea.	10†	12 1/2	...	10
Dima Tea	14†	17	...	15
Doloo Tea	12 1/2†	15	July 7	10
Eastern Assam Tea	12 1/2†	17 1/2	...	12 1/2
Empire of India Tea	7 1/2†	10	July 1	9
Indian Tea (Cachar)	...	3 1/2	July 6	3
Jalinga Tea	...	10	July 7	7 1/2
Kacharigaon Tea	...	10	...	10
Koomsong Tea	12 1/2†	15	...	2 1/2
Majuli Tea	...	5	...	5 1/2
Manch N. Borneo Rub.	11 1/2†	4	...	6
Namdang Tea	...	10	...	8
Tingri Tea	...	25	July 15	30
Vallambrosa Rubber	17 1/2†	25	...	30
MINING				
East Champ d'Or	6d p.s.	...	July 28	Nil
Government Areas	1/9ps	...	July 28	2/3ps
Idris Hydraulic Tin	2 1/2*	...	June 24	5*
Langlaagte Estate	1/- ps	...	July 28	1/6 ps
Randfontein	2/3 ps	...	July 28	2/3 ps
Scottish Australian	...	8	...	8
South Crofty	5†	25	...	7 1/2
Van Ryn Deep	2/6 ps	...	July 28	2/6 ps
Wit. Gold (Knights)	2/- ps	...	July 28	2/6 ps
INDUSTRIALS				
Aberdeen Trust	...	3	June 29	3
African Land, etc.	...	17 1/2	...	17 1/2
Amal. Roadstone	3 1/2†	6	...	6
Aron Electricity	10†	15	...	15
Beer (L.) and Sons	5†	8	June 22	10
Betts	£11 1/2*	...	June 24	£13 1/2*
Boase Spinning	...	6	...	4
British Sugar	...	4 1/2	...	4
Brit. Borneo Timber.	...	8	...	5
Brooke Bond & Co.	5†	10	...	10
Brown (John) & Co.	£12 1/2†	£17 1/2	...	£15
Cory Bros.	15†	20	...	20
De la Rue (T.)	...	2	...	8
Elder Dempster Lines	4†	9	...	6
Electric Construc.	...	12 1/2	...	10
Gale Lister & Co.	15†	20	June 30	17
Gen. Securities Inv.	3 1/2†	6	...	6
Glacier Metal	...	6	...	8
Grosvenor Caterers	...	8	...	8
Guest Keen & Nett.	£4 1/2†	£7 1/2	...	£6
Holroyd (John) & Co.	6*	...	June 30	6*
Key Glassworks	7*	...	...	5*
Maurice Trust	4†	...	June 1	8
Marston Thompson	...	£15 1/2	...	£15 1/2
Metal Indus.	4†	7 1/2	...	7-52
Newcastle Breweries	3†	...	...	3*
Ohlsson's Cape Brws.	12†	17 1/2	July 7	17 1/2
Reed (Albert) L.	a 6†	a 9	...	9
Reynolds (Glass)	38*	...	...	38*
S. African Breweries	£17 1/2†	£22 1/2	July 14	£22 1/2†
"Sanitas" Trust	...	£8 1/2	...	£8 1/2
Steel & Co.	...	10	...	...
Stork Bros. & Co.	...	5	...	Nil
Sunlight Laundries	£4 1/2*	...	June 29	8 1/2*
Thames Valley	...	...	June 29	35
Westburn Sugar	£6*	...	June 14	£6*
Whesoo Foundry	...	30	June 28	20
Whitehead Iron, etc.	a 22 1/2†	35b	...	35

in output will reduce the current rate of production from slightly over 50,000 tons to about 30,000 tons, which approximates to the level of the recent rate of absorption. A reduction in United States' stocks cannot therefore be expected, particularly as the supply of re-treated scrap copper is quite substantial. The restoration of equilibrium on the American market is now dependent on a recovery in that country's industrial activity, provided that the stringent restriction of production is maintained until consumption increases. Both factors are still somewhat uncertain, so that a definite view on the market's trend cannot be expressed at this stage. European copper interests, however, are watching very closely the new move of the United States copper industry, as the unsatisfactory state of that market and the danger of higher American copper exports provided the chief reasons for the recent slump in the London price of copper.

* * *

Co-operative Progress.—This year's Co-operative Congress at Scarborough, attended by 2,000 delegates, received an economic survey of the retail movement made by the recently established Research Department. The general conclusion is that during the post-War years the growth of co-operative retail trade has not been commensurate with the rapid growth in membership or with the increasing resources of the movement. Within the next few years, unless the merging of societies proceeds on a voluntary basis, certain societies will find themselves in financial difficulties. Therefore the Executive has recommended that the various areas shall be examined with a view to the amalgamation of societies. For the first time a census of co-operative shopkeeping has been taken. It shows the following distribution of trade:—

	No. of shops	Trade in millions £	Average weekly trade per member s. d.
Grocery, bread, etc.	10,660	135.0	6 8
Butchery	5,015	19.9	1 0
Greengrocery, etc.	1,249	3.9	0 2
Dairy	420	18.6	0 11
Drapery	2,101	18.4	0 11
Tailoring	728	6.3	0 4
Boots and shoes	1,236	5.9	0 3
Furniture, etc.	1,013	7.7	0 4
Chemist	421	1.6	0 1

Other businesses in which the retail co-operative societies are engaged include the provision of 50 shops for optical services, 20 for sports outfitting, 259 for tobacco, and 144 hairdressing saloons. Coal is supplied through 700 societies, 532 have laundry services, and 441 funeral furnishing departments. Co-operators have established 24,000 shops in all, which is twice as many as any figure with which the movement has been previously credited. If 750,000 is accepted as the total number of shops in the country, it would appear that there are now 685,000 private, 40,000 multiple and 24,000 co-operative shops, as well as 1,000 departmental stores.

* * *

Electricity in the Cotton Industry.—The appeal of the cotton industry against the increase in the delivery price of coal was disallowed by the Board of Trade's arbitrator last week. It is significant that this appeal should coincide with the putting into full operation of the great Barton Power Station. Coal prices have risen since the war, but during the last four years the movement has been accentuated; thus from an average of 18s. per ton in the years 1930-35, the price rose to 20s. 3d. in 1937, and it has been proposed by the coal owners that 24s. would be an equitable price for 1938. Despite the small part taken by power in the total cost of production of cotton goods, this increase lays a considerable burden upon the industry, which at present is in a state of real depression. Even before the recent rise in the price of coal, electricity was increasingly used in the textile trades as a source of power.

MILLION HORSE POWER

	1912	1924	1935
Electricity generated in own works...	46.5	92.4	141.2
Electricity purchased	29.9	168.7	453.2

Three main factors have been responsible for this change. In the first place, the increased efficiency of thermal power stations has reduced the coal equivalent of a unit of electricity from 1.97 lbs. in 1929 to 1.50 lbs. in 1936; with the further concentration of power production in a few large stations, it is possible that efficiency will be increased and that the cost of electricity will compare even more favourably than at present with that of power from primary engines. Secondly, many cotton mills have reached the stage when the obsolete nature of the boiler-room apparatus has made replacement essential, and at a time when it is difficult to raise new money in the cotton industry, the low capital cost of installing electrical machinery has been an important factor in increasing the use of electricity. Lastly, there are certain technical advantages that follow from the use of the electrical drive, such as elimination of variations in the speed of the different processes, the flexibility of individual units, the very considerable saving in floor space, and the freeing of the management from the responsibility for power production. For these reasons, the electrification of the cotton industry is an inevitable process, but it will be hastened by the replacement of obsolete plant and by any further rise in the price of coal.

* * *

Marketing Schemes and Fines.—The Agricultural Marketing Acts of 1931 and 1933 empowered the various Marketing Boards to impose monetary penalties for the contravention of their regulations. It was obvious that the Boards must have some method of compelling adherence to the provisions of the schemes, but, nevertheless, these powers have given rise to difficulties and to much criticism. The fines are imposed by a special committee of each Board, after hearing such evidence as they think fit, and the defendant has no appeal to any outside authority. The fines rank as commercial debts, and their payment has been enforced, where necessary, through the ordinary courts and ultimately by distraint. The Milk Marketing Board alone collected nearly £20,000 in the last two years by way of fines, which ranged in size from a few shillings up to several hundreds of pounds. The matter has been discussed recently in the House of Commons, and last week Mr Morrison announced that he would set up a departmental committee to enquire into the present arrangements for the imposition and recovery of penalties for contraventions of such schemes and to make recommendations for any changes they may think desirable.

* * *

Grass Drying.—Experiments in the artificial drying of grass have been carried on for some years. Investigation of the nutritive value of freshly-cut young grass showed that, when some of the water had been evaporated, it possessed a higher content of proteins, minerals and vitamins than the same weight of hay, and that it could be preserved in good condition for some months. The main problem has been to find a satisfactory and economical method of drying short grass quickly by means of hot air or by passing it over a hot surface. The subject has aroused much interest in the dairying and grazing districts, whose profits are greatly influenced by the eternal uncertainty of haymaking and by the cost of concentrated foods. Two reports on grass drying have been issued by the Agricultural Research Council and the Agricultural Economics Research Institute at Oxford has just published the results of its second inquiry into the cost of grass drying. From this report, which covered the operations of nine driers on nine farms during 1937, it can be deduced that neither the process nor the methods of operation are yet capable of standardisation. Each of the nine driers differed in some important respect from the other eight; the initial cost of the machinery ranged from £1,200 to £400, while the working costs (including

rent and depreciation) ranged from £8 7s. 2d. per ton to £3 17s. 6d. per ton of the dried product. At the latter level and with prices now ruling, dried grass is definitely competitive with corn as a source of protein, but as it contains less protein and more starch per unit of weight than the concentrated oil cakes, it is too bulky to be the sole foodstuff of cattle. The results of these recent investigations into costs and nutrition indicate that artificial grass drying cannot, as was originally hoped, produce sufficiently concentrated material to supplant altogether the use of other sources of protein. But when the more technical problems of method have been solved, it is probable that dried grass will provide a valuable supplement to winter rations on the larger farms which can afford the machinery and which maintain enough regular labour to keep the drier in operation for some months at a time. For most farmers, however, ensilage is likely to remain the cheapest and most convenient method of preserving grass for use in winter.

* * *

State and Industry in East Africa.—The dividing line between the functions of Government and those of industry have become increasingly blurred in the twentieth century. The report of the Joint East African Board for 1937 reveals the complicated rôle played by the State in the development of the colonies and protectorates of Kenya, Nyasaland, Tanganyika, Uganda and Zanzibar. Its activities have extended far beyond the provision of roads and railways, of harbours and airports, of educational, medical and social services. During the last year the Government of Nyasaland have instituted, by agreement with the industry, compulsory auctions for tobacco on the lines of those recently established in Southern Rhodesia. The excess ginning capacity in the Uganda cotton industry has been dealt with by a ginning and buying pool system, under Government encouragement, and a bill for the control of the cultivation, purchase, sale and ginning of cotton has been introduced into the Tanganyika Legislative Council. The coffee producers in Kenya, Tanganyika and Uganda have set up a Joint East African Coffee Producers' Board, under the chairmanship of the Secretary to the Governor's Conference; coffee exchanges have also been established in Nairobi and Mombasa. In all these territories, the State services of agricultural research and veterinary control are playing an active part in developing agricultural resources and educating the native farmers in the principles of good husbandry. Industry and State are, in fact, working hand in hand in building the economic structure of these new countries, and the Joint East African Board closes its report with a plea for a long-term policy of development, to be carried out by co-operation between the local Governments and private industry.

* * *

Diamonds.—At the annual meeting of De Beers on May 20th, Sir Ernest Oppenheimer pointed out that sales of diamonds this year would probably fall substantially below last year's level, and that in the absence of an improvement De Beers might be forced to curtail output. The decline in diamond sales this year is not surprising, for there is no commodity which depends more on prosperity in the United States than diamonds. In 1937 the value of the United States diamond imports, at \$44,132,424, showed an increase of one-third over the figure for the preceding year and was only about \$11 millions below the record level of 1929. Estimates for the current year put probable imports into the United States at less than \$30 millions. Such a decline must seriously affect world turnover. The recent estimate of the administrator of the South-West Africa Mandated Territory for world sales in 1938—£6,000,000, against £9,300,000 in 1937—appears too high rather than too low in the light of the recent trend of sales. In 1937 South African diamond sales, at 949,113 metric carats, were below the country's current production for the first time since the depression year of 1932, when sales amounted to 1,030,434 metric

carats. So far, however, the industry has had no difficulty in maintaining firm prices, a consequence of the strong organisation created in recent years. In 1937 the average value of South African sales was 78s. 10d. per metric carat, against 58s. 5d. and 24s. 6d., respectively, in the two preceding years and 80s. 9d. in the record year 1929. After the last slump the co-operating diamond producers had a hard task in restoring the confidence of the market. They may be expected to do their utmost to maintain prices and, therefore, confidence.

* * *

International Wholesale Prices.—The downward trend of British wholesale prices has for the moment been partially checked. During the past fortnight *The Economist's* complete British index number has fallen only from 119.6 to 119.1, which is a much smaller movement than occurred in the previous fortnight. The decline in primary products, both in England and the United States, is also less pronounced. Also the complete Irving Fisher American index has maintained a fair degree of stability ever since the end of March.

SEPTEMBER 18, 1931=100

Date	The Economist Indices		Price of Gold (sterling)	U.S.A. Irving Fisher	France, Statistique Générale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsanamt
	British Complete Index (sterling)	Primary Products (sterling)					
1936 Dec. 30th	131.3	163.9	187.3	166.7	128.8	113.0	116.3†
1937 Jan. 27th	134.2	164.2	184.5	167.0	131.0	115.9	95.7
Feb. 24th	136.3	168.2	185.5	167.4	131.8	116.8	96.2
Mar. 31st	144.3	181.9	199.7	167.4	137.3	121.8	97.5
Apr. 28th	142.0	169.9	183.5	165.4	135.6	120.5	97.0
June 2nd	142.7	170.2	178.9	165.6	134.3	119.8	97.5
July 28th	139.5	165.9	176.8	165.7	134.1	119.8	97.5
Aug. 25th	137.9	167.1	171.8	164.5	133.8	130.8	97.9
Sept. 22nd	136.0	164.4	165.3	164.2	133.0	133.3	98.1
Oct. 20th	133.6	156.2	152.3	165.4	129.5	138.8	97.3
Dec. 1st	127.5	145.4	138.9	164.8	125.1	134.0	97.0
Dec. 29th	127.8	147.4	135.3	164.2	120.5	135.8	97.0
1938 Jan. 5th	128.9	148.2	136.8	164.5	120.6	137.4	96.9
Jan. 19th	127.8	146.5	137.7	164.3	120.9	138.1	96.9
Feb. 2nd	126.6	144.4	135.4	164.5	119.8	137.9	97.0
Feb. 16th	125.0	141.7	136.8	164.5	119.5	138.1	96.9
Mar. 2nd	125.1	143.1	138.7	164.5	120.3	138.1	97.2
Mar. 16th	123.9	140.8	134.8	164.5	119.3	139.9	97.2
Mar. 30th	122.7	137.0	129.3	164.6	117.7	139.4	97.1
Apr. 12th	122.6	137.8	130.6	164.6	117.6	139.9	97.0
Apr. 27th	121.4	137.8	127.5	164.3	116.9	139.9	97.0
May 11th	121.3	137.0	126.1	164.6	117.1	145.3	96.9
May 25th	119.6	132.2	121.9	165.5	117.2	145.6	96.3
June 8th	119.1	131.5	121.6	165.4	116.7	...	96.7

* These figures relate to June 1st.

† Monthly average.

The following table shows the movement of the various groups comprised in *The Economist* index number:—

The Economist INDEX
(1927 = 100)

	Sept. 18, 1931	June 2, 1937	May 25, 1938	June 8, 1938
Cereals and meat...	64.5	93.6	88.3	88.3
Other foods	62.2	68.6	58.9	58.1
Textiles	43.7	73.2	52.1	51.9
Minerals	67.4	110.0	89.0	89.3
Miscellaneous	65.8	86.7	75.0	75.1
Complete index	60.4	86.2	72.2	71.9
1913 = 100	83.1	118.5	99.4	99.0
1924 = 100	52.2	74.5	62.4	62.1

Wheat prices are lower than a fortnight ago, though barley and oats show a rise. Potatoes and meat prices remain stable, and bacon is also unchanged. Butter shows a continued decline, this chiefly accounting for the fall in the "Other Foods" Index. Textile prices are again slightly lower. Tin and copper show some recovery, but there is very little change in the miscellaneous materials, though rubber and hides are dearer.

BRITISH WHOLESALE PRICES

CEREALS AND MEAT		June 1, 1938	June 8, 1938
GRAIN, etc.—		s. d.	s. d.
Wheat—			
No. 2, N. Man. 496 lb.	42 3	43 9	
Eng. Gaz. av., per cwt.	8 0	8 0	
Liv. July, per cental	5 9	6 1	
Flour, per 280 lb.—			
Straights, d/d London	31 0	31 0	
Manitoba, ex store	32 3	33 0	
Barley, Eng. Gaz. av.	9 11	11 3	
Oats	8 6	8 7	
Maize, La Plata, landed, 480 lb.	36 0		
Rice, No. 2 Burma, per cwt.	8 7½	8 7½	
MEAT—			
Beef, per 8 lb.—			
English long sides	4 8	4 8	
Argentine chilled hinds	4 4	4 2	
Mutton, per 8 lb.—			
English wethers	5 8	5 8	
N.Z. frozen wethers	2 10	2 10	
Lamb, per 8 lb.—			
N.Z. frozen	4 10	4 10	
Pork, English, per 8 lb.	5 10	5 6	
BACON (per cwt.)—			
English	98 0	98 0	
Danish	93 0	93 0	
Dutch	90 0	90 0	
Irish	90 0	90 0	
HAMS (per cwt.)—			
Canadian	100 0	102 0	
United States	94 0	95 0	
OTHER FOODS			
BUTTER (per cwt.)—			
Australian	120 0	122 0	
New Zealand	123 0	122 0	
Danish	125 0	122 0	
Dutch	126 0	123 0	
CHEESE (per cwt.)—			
Canadian	77 0	78 0	
New Zealand	70 0	69 0	
English Cheddars	52 6	52 0	
Dutch	60 0	59 0	
COCOA (per cwt.)—			
Accra, f.f.	22 6	22 6	
Trinidad	38 0	38 0	
Grenada	40 0	40 0	
COFFEE (per cwt.)—			
Santos sup. c. & f.	30 0	30 0	
Costa Rica, medium to good	46 0	46 0	
Kenya, medium	46 0	46 0	
EGGS (per 120)—			
English (15-15½ lb.)	11 3	11 9	
Danish (15½ lb.)	10 9	11 0	
FRUIT—			
Oranges, Jaffa	11 0	7 3	
„ Brazilian	18 0	15 3	
Lemons, Malaga	18 9	18 9	
„ Sicilian	14 6	13 0	
Apples, Amer. (var.)	19 0	22 6	
„ (var.)	10 9	10 9	
Almeria	14 3	14 3	
Electrical appeal of the delivery price	56 0	56 0	
Trade's arbitrat	62 0	62 0	
appeal should coincide	46 0	46 0	
of the great Barton	47 6	49 0	
risen since the war, but	0 2½	0 2½	
movement has been acced	0 3½	0 3½	
of 18s. per ton in the year	8 6	10 0	
20s. 3d. in 1937, and it has			
owners that 24s. would be an			
Despite the small part taken by po			
of production of cotton goods, this i			
siderable burden upon the industry, w			
in a state of real depression. Even before			
in the price of coal, electricity was increas			

SUGAR (per cwt.)—cont.		June 1, 1938	June 8, 1938
Crushed		20 10½	20 10½
Granulated		18 9	18 9
Home Grown		18 7½	18 7½
TEA* (Auction Average) (per lb.)—			
N. India		14 24	13 37
S. India		14 53	14 37
Ceylon		15 00	14 69
Java		14 03	13 86
Sumatra		12 06	11 20
Africa		12 63	12 34
Total		14 46	14 04
TOBACCO (per lb.)—			
Virginia stemmed and un-		s. d.	s. d.
stemmed, common to fine		0 8	0 8
Rhodesian stemmed and un-		0 9	0 9
stemmed		1 10	1 10
Nyassaland stemmed and un-		0 7	0 7
stemmed		1 4	1 4
East Indian		0 6	0 6
Stemmed		2 0	2 0
Unstemmed		1 6	1 6
TEXTILES			
COTTON (per lb.)—			
Raw, Mid-American		d. 4 29	d. 4 49
„ Sakellaria, F.G.F.		7 18	7 40
„ Giza, F.G.F.		6 58	6 80
Yarns, 32's Twist		9 9½	9 13
„ 40's Twist		9 12	9 13
„ 60's Twist (Egyptian)		17 17	17 17
Cloth, 32 in. Prints, 116 yds.		s. d.	s. d.
16x16, 32's & 50's		16 10	17 0
„ 36 in. Shirtings, 75 yds.		22 10	23 0
„ 38 in. 32's & 40's		9 9	9 9
„ 39 in. ditto, 37½ yds.		8 10	8 10
„ 16x15, 8¼ lb.		8 10	8 10
FLAX (per ton)—			
Livonian ZK		64 0	63 0
Pernau HD		65 0	64 0
Slanetz Medium, 1st sort		85 0	85 0
HEMP (per ton)—			
Italian PC		69 0	70 0
Manilla, June-Aug. "J2"		21 10	21 10
JUTE (per ton)—			
Native 1st mks., c.i.f. H.A.R.B.		17/7/6	17/0/0
June-July		16/17/6	16/16/3
Daisce 2/3 c.i.f. Dundee, June-		16 10	16 10
July		16 10	16 10
SISAL (per ton)—			
African, June-Aug.		17 0	17 0
SILK (per lb.)—			
Canton		7 3	7 3
Japan		7 3	7 3
Italian, raw, fr. Milan		8 0	8 0
WOOL (per lb.)—			
English, Southdown, greasy		12 11	10 10
„ Lincoln hog, washed		10 10	10 10
Queensland, scd. super combg.		23 23	13 12
N.S.W. greasy, super combg.		13 13	13 13
N.Z., greasy, half-bred 50-56		12 12	12 12
„ Crossbred 40-44		12 12	12 12
Tops—			
Merinos 70's average		27 27	26 26
Crossbred 48's		16 16	16 16
„ 46's		16 16	16 16
MINERALS			
COAL (per ton)—			
Welsh, best Admiralty		22 6	22 6
Durham, best gas, f.o.b. Tyne		20 6	20 6
Sheffield, best house, at pits		24 0	24 0
IRON AND STEEL (per ton)—			
Pig Cleveland No. 3, d/d		109 0	109 0
Bars, Middlesbrough		202 6	202 6
Steel rails, heavy		20 3	21 6
Tinplates		20 3	21 6
NON-FERROUS METALS (per ton)—			
Copper—			
Standard cash		32/18/9	34/8/9
Three months		33/0/0	34/10/0
Tin—			
Standard cash		163/0/0	171/5/0
Three months		163/5/0	171/10/0
Lead, soft foreign—			
Cash		13/5/3	13/6/3
English, pig		15/10/0	15/10/0
Spelter, G.O.B.—			
Spot		11/17/6	12/7/6
Aluminium, ingots and bars		100/0/0	100/0/0
rolling billets		102/0/0	102/0/0
Nickel, home and export		180/0/0	180/0/0
Antimony, Chinese		58/0/0	58/0/0
WOLFRAM, Chinese			
per unit		44 0	44 0
Platinum, refined		6/12/6	6/12/6
Quicksilver		13/18/0	13/18/0

	June 1, 1938	June 8, 1938
GOLD , per fine ounce	s. d. s. d.	s. d. s. d.
	140 7 6	140 7 5
SILVER (per ounce)—		
Cash	1 6 9	1 6½s
MISCELLANEOUS		
CEMENT , best Eng. Portland, d/d site, London area in paper bags 20 to ton (free, non-returnable)—		
4-ton loads and upwards	42s. per ton	
CHEMICALS —	s. d. s. d.	s. d. s. d.
Acid, citric, per lb., less 5%	1 0 1	1 0 1
„ Nitric	0 2 0	0 2 0
„ Oxalic, net	0 5 0	0 5 0
„ Tartaric, English, less 5%	1 1 1	1 1 1
Alcohol, Plain Ethyl	12 0	12 0
Ammonia, carb. ton	20 0/0	20 0/0
„ Sulphate	7/14/0	7/14/0
Arsenic, lump per ton	35/0/0	35/0/0
Borax, gran. per cwt.	s. d. s. d.	s. d. s. d.
„ powder	15 0 13 0	15 0 13 0
Nitrate of soda per cwt.	8 0 8 0	8 0 8 0
Potash, Chlorate, net	0 4 0 0 4 0	0 4 0 0 4 0
Sulphate per cwt.	10 0 10 0	10 0 10 0
Soda Bicarb. per cwt.	11 0 11 0	11 0 11 0
Crystals per cwt.	5 0 5 0	5 0 5 0
Sulphate of Copper..... per ton	17/10/0	17/10/0
COPRA (per ton)—		
S.D. Straits, c.i.f.	11/15/0	11/0/0
HIDES (per lb.)—	s. d. s. d.	s. d. s. d.
Wet salted, Australian	0 4½ 0 4½	0 4½ 0 4½
West Indian	0 2¾ 0 2¾	0 2¾ 0 2¾
Cape	0 4¾ 0 4¾	0 4¾ 0 4¾
Dry and Drysalted Cape	0 6½ 0 6½	0 6½ 0 6½
Market Hides, Manchester—	0 4¾ 0 4¾	0 4¾ 0 4¾
Best heavy ox and heifer	0 6 0 6	0 6 0 6
Best cow	0 3¾ 0 3¾	0 3¾ 0 3¾
Best calf	0 4¾ 0 4¾	0 4¾ 0 4¾
INDIGO (per lb.)—		
Bengal, gd. red-vio. to fine	5 0 5 0	5 0 5 0
LEATHER (per lb.)—		
Sole Bends, 8/14 lb.	1 0 1 0	1 0 1 0
Bark Tanned Sole	2 0 2 0	2 0 2 0
Shoulders from DS Hides	0 5½ 0 5½	0 7½ 0 7½
„ Eng. or WS do.	0 7½ 0 7½	0 7½ 0 7½
Bellies from DS do.	0 6 0 6	0 6 0 6
„ Eng. or WS do.	0 8 0 8	0 8 0 8
Dressing Hides	1 2 1 2	1 2 1 2
Ro. Eng. Calf, 20/35 lb. per doz.	3 6 3 6	3 6 3 6
PETROLEUM PRODUCTS (per gall.)—		
Motor Spirit No. 1, London	1 6 1 6	1 6 1 6
Petroleum, Amer. rid. brl. Lond.	0 10 0 10	0 10 0 10
Fuel, oil, in bulk, for contracts ex. instal. Thames—		
Furnace	0 3½ 0 3½	0 3½ 0 3½
Diesel	0 4½ 0 4½	0 4½ 0 4½
ROSIN (per ton)—	13/0/0	13/0/0
American	17/5/0	17/5/0
RUBBER (per lb.)—	s. d. s. d.	s. d. s. d.
St. ribbed smoked sheet	0 5½ 0 5½	0 5½ 0 5½
Fine hard Para	0 5¾ 0 5¾	0 5½ 0 5½
SHELLAC (per cwt.)—	34 6	36 0
TN Orange	37 6	39 0
TALLOW (per cwt.)—		
London town	18 0	18 0
TIMBER —		
Swedish u/s 3x8 per std.	22/0/0	24/15/0
„ 2x4 per std.	21/10/0	21/10/0
„ 2x4 per std.	19/0 0	18/15/0
Canadian Spruce, Dis.	23/0/0	22/15/0
Pitchpine per load	11/0/0	11/0/0
Rio Deals per std.	35/0/0	35/0/0
Teak per load	27/0/0	27/0/0
Honduras Mahogany logs c. ft.	0 12/0	0 12/0
English Oak Planks c. ft.	0 6/0	0 6/0
English Ash Planks c. ft.	0 7/0	0 7/0
VEGETABLE OILS (per ton net)—		
Linseed, naked	21/12/6	21/12/6
Rape, refined	33/0/0	33/0/0
Cotton-seed, crude	17/5/0	17/0/0
Coconut, crude	15/10/0	15/15/0
Palm	12/17/6	13/2/6
Oil Cakes, Linseed, Eng.	9/5/0	9/5/0
Oil Seeds, Linseed		
La Plata, June	10/13/9	10/17/6
Calcutta	11/15/0	11/17/6
Turpentine per cwt.	s. d. s. d.	s. d. s. d.
	31 3	31 3
for use in Diesel-engined road vehicles—and do not		

INDUSTRIAL REPORTS

THE latest employment returns do not indicate a quickening in the pulse of industry. New business in iron and steel continues at a low level, though consumption remains fairly heavy. The decision of the Basic Pig Iron Producers' Association to stabilise prices at the current level until the end of the year brings the price policy of this section into line with that of the producers of the other grades of pig iron. Reports from the coal trade indicate a decline in demand which cannot be fully explained by seasonal factors. In the cotton trade there has been some expansion of new business, but little change has taken place in the wool textile trade.

Coal

Sheffield.—The market was quiet this week. There are no signs of improvement in the demand for industrial steam coal, and very little movement is observable in gas and household fuels. Smalls are relatively quiet, and prompt business is slack. Electricity generating stations are taking good deliveries under contract. Coke stocks are increasing, largely attributable to the number of blast-furnaces which have lately been put out of operation. For Sheffield works the demand for patent oven coke is easier, and graded coke requirements are smaller. Values all round are steady. The export market shows no change and the reduction of prices has so far had little effect.

*

Newcastle-on-Tyne.—The coal market in this area shows little change, trade is dull with little new business passing. In recent tenders to Scandinavian consumers, concessions have had to be made on current prices to meet competition from foreign coalfields. Northumberland steam collieries are now feeling the seasonal decline in demand and have some difficulty in clearing production. The Durham market, whilst being fairly steady in the coking section, is generally quiet owing to a falling away in local industrial trade. Patent oven coke shows little improvement, there still being large stocks abroad.

*

Glasgow.—The past week has brought no improvement to the Scottish coal market. Conditions are in some respects even more depressed, and only a curtailment of production is preserving something approaching a balance between supply and demand. Large coal is freely available in Lanarkshire, especially with the reduction in household demand, and the hope of price concessions continues to retard sales. Industrial consumption is not unsatisfactory, but in some cases the utility undertakings have reduced their acceptance rate of deliveries. Lanarkshire and Fifeshire secured the bulk of the order for the supply of 25,000 tons of nuts to the Danish Sugar Works, and Fife and the Lothians hope to obtain part of the Swedish railways contract, tenders for which were lodged on Tuesday. These have been about the only features in an export market otherwise extremely dull.

Cardiff.—Work was resumed at the collieries on Tuesday, but hardly any new business has been reported on the Cardiff Exchange, which was closed until Wednesday. Prices are nominally unchanged. Shipments at the South Wales docks last week totalled only 349,800 tons, compared with 394,700 tons the previous week, and 394,344 tons in the corresponding week last year. The volume of traffic (foreign and coastwise) from January 1st to June 4th amounted to 8,371,939 tons, against 8,397,326 tons during the same period in 1937.

Iron and Steel

Sheffield.—Business in the iron and steel market has been at a very low ebb, consequent upon the holiday and the general weakening of the position. For forge and foundry pig-iron there is hardly any inquiry even for small parcels, and there is almost no forward buying. Hope of an early revival is meagre, heavy stocks at works and at furnaces having to be worked off. The quotation for basic pig-iron is to remain unchanged until the end of the year, so that the prices of forge, foundry, basic and hematite will stand throughout 1938. There is a limited inquiry for basic iron, but hematite is neglected.

There is no change in steel. Inquiries for billets are fewer, while actual business is in smaller tonnages. Delivery arrears appear to have been overtaken. Wire rods are in less active demand, but for stainless steel sheets and strip there is a good inquiry.

The fixed prices of steel scrap are to operate until the end of September. Business this week has been dull in all sections.

Production of steel remains at a high level, although some of the Siemens furnaces have gone out of commission. Furnaces producing special and acid steels are operating fully, and electric furnaces producing stainless steel are working to capacity. The heavy engineering works are as busy as ever, and the rather smaller flow of orders will not affect matters for some months to come. Although the immediate outlook is less satisfactory, the autumn is expected to witness a revival.

*

Middlesbrough.—During May the shipments of all classes of iron and steel from the Tees amounted to 40,762 tons, or approximately 3,000 tons more than the previous month. There is little change in the market for pig iron and steel.

Makers of black sheets, 24 gauge, have now reduced their price for export to £13 per ton. Semi-manufactured steel continues to arrive, a parcel of 6,000 billets having been imported into the Tees during the past week.

Consumers of pig iron in this area are still overstocked; consequently little business is being done. The intermittent production of foundry pig iron is going chiefly into stock in the makers' yards. East Coast hematite production continues in excess of requirements, whilst basic iron production is excessive, and since the last report arrangements have been made for two more furnaces on this class of iron to

be put out of operation. During the past week a parcel of 500 tons of pig iron was shipped to Finland.

*

Glasgow.—Export business is quiet in almost every branch of the iron and steel industry in the West of Scotland. Notwithstanding, the outlook is not unpromising; owing to the large amount of fabricated work which has been placed in the West of Scotland and other districts within recent months, heavy quantities of the raw materials of the various fabricators are being required from makers in this part of the country. Steelmakers have been finding orders more plentiful within the past few weeks, and the feeling seems to be general that business will gradually improve. There is still many weeks' work on hand at the steelmaking plants; in other branches it seems unlikely that any further curtailment of operations will take place within the next few weeks.

*

Cardiff.—Work has been virtually suspended this week at the tinplate works, and, owing to heavy stocks of ingot steel, several of the melting furnaces remained idle. Prices are nominally unchanged. Figures for production, stocks and shipments are given below:

		Tinplate Industry Statistics		
		Week ended		
		May 29, 1937	May 21, 1938	May 28, 1938
Production—per cent. of capacity		73.94	35.51	38.58
		Week ended		
		June 1, 1937	May 25, 1938	June 2, 1938
Shipments	Tons	9,169	4,638	1,356
Stocks (warehouse and in vans)	Tons	5,217	5,935	8,334
		Twenty-two Weeks ended		
		June 1, 1937	June 2, 1938	
Shipments	Tons	181,615	111,341	

Textiles

Cotton (Manchester).—Owing to the Whitsuntide holidays the market has been disorganised, but at the end of last week purchases of certain yarns increased, customers being attracted by the low prices caused by the fall in raw cotton rates. An unsettled feeling, however, has prevailed and the wider fluctuations in cotton futures in Liverpool and New York have had a disturbing influence. Raw cotton news has been rather mixed. Diverse reports have been received concerning the prospects for the new crop in the United States, but the statistical position remains bearish.

There has been freer buying in American yarns for home consumption, especially of coarse counts, some of this increased activity being due to short covering by manufacturers. In the Egyptian section some special contracts have been arranged in tyre yarns for Germany.

Operations in the cloth section have been restricted and for export and the home trade buyers have exercised caution in giving out orders. On the whole, however, customers have displayed more interest in prices. Owing to the depression a large number of spinning mills and weaving sheds have been closed for the whole of this week, the usual Whitsuntide holidays being extended.

(Continued on page 633)

COMPANY MEETINGS

ASSOCIATED NEWSPAPERS, LIMITED

THE HON. ESMOND HARMSWORTH ON THE YEAR'S RESULTS

The thirty-third annual ordinary general meeting of Associated Newspapers, Limited (proprietors of *The Daily Mail*, the *London Evening News*, and the *Sunday Dispatch*), was held in the Memorial Hall, Farringdon Street, London, on the 9th instant.

The Hon. Esmond C. Harmsworth, the chairman, presided. The secretary (Mr J. P. Hobbs, F.C.I.S.) read the notice convening the meeting and the report of the auditors.

The chairman, in moving the adoption of the annual report and balance sheet, said:

Ladies and gentlemen, the balance sheet and directors' report were sent with the notice convening this meeting; therefore, with your approval, I will take them as read.

The profit of the company for the year to March 31st last, after providing for interest on the company's 3½ per cent. registered notes, depreciation of plant and machinery, National Defence Contribution, income tax, etc., amounted to £785,035 15s. 1d.—a figure which we regard as very satisfactory, especially in view of the extremely difficult conditions existing during the period under review, to which I shall make further reference.

The dividends on the 5 per cent. preference shares and the 7 per cent. ordinary shares have been paid, and the directors have distributed interim dividends on the deferred shares amounting to 25 per cent. An amount of £50,000 has been transferred to publicity reserve and the balance, £525,131 6s. 6d., is carried forward.

The printed accounts are in the same form as previous years, and there is very little to comment upon on the liabilities side. Share and loan capital remain the same, but you will remember that, in accordance with the terms of the issue, registered notes to the nominal value of £25,000 are in October due to be drawn for repayment at 101 per cent. In this connection I am sure you will agree that the action the directors took last year in issuing these 15-year 3½ per cent. notes in substitution for the old 4½ per cent. Ten-year notes has been more than justified.

On the assets side of the balance sheet the item for properties and plant shows a normal reduction of £54,820 after depreciation, plus sundry additions to plant.

Stocks of paper, etc., are higher, newsprint stocks accounting for most of this item.

The alteration in investments on the balance sheet is largely a technical one. You will notice the item "Shares in Subsidiary Companies" has been substantially reduced, and the item for other investments increased. The chief reason for this is that, although the company's holding of shares in Anglo-Newfoundland Development Company, Limited, remains the same number as was included in last year's balance sheet, owing to shareholders exercising options obtained from it in 1933, the Anglo-Newfoundland Company has increased its issued share capital, so that our company's holding is now just below the number that determines a legal subsidiary company.

It is for this reason also that the item "Amount owing to a Subsidiary Company" on the liabilities side of the balance sheet is much less, because the balance owing to the Anglo-Newfoundland Company in respect of paper is, this year, included with the ordinary creditors.

With regard to our investments generally, I think shareholders would like to know that the total amount of gross dividends received from investments amounts to a sum in excess of 6 per cent. of the total value of investments shown in the balance sheet.

The debtor balances are a little less than last year, but these hardly call for comment, and cash at £370,350 is sufficient for our immediate requirements.

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY, LIMITED

The Anglo-Newfoundland Development Company's report which has just recently been issued shows a substantially increased profit for the year 1937. The improved results were due to a much larger revenue received from that company's interest in the Buchans Mine through its subsidiary Terra Nova Properties, Limited. In paying a final dividend of 5 per cent., making a total distribution of 8 per cent. for the year, the directors of the Anglo-Newfoundland Com-

pany have pursued a conservative policy, as the dividend for the year represented approximately only half the available earnings before the provision for reserve for contingencies. Whilst future earnings from the Buchans Mine will naturally depend to a great extent on the price of the base metals which it produces—and the price of these metals has fallen very considerably in the last few months—we feel that, looking to the future, our holding of shares in the Anglo-Newfoundland Company is a very satisfactory one, affording us as it does security for our newsprint supplies with prospect of a good return from our investment by reason of the mining interests. I need not refer more fully to the position and prospects of the Anglo-Newfoundland Company because the annual meeting of that company is to be held in Canada next week, and the chairman's speech at the meeting will, as in previous years, be published in *The Daily Mail* and other newspapers.

IDEAL HOME EXHIBITION

The *Daily Mail* Ideal Home Exhibition, in the thirtieth year of its history, demonstrated once again its pre-eminence in public favour by attracting a paid attendance of 568,756.

The Exhibition enjoyed the honour of a visit by H.R.H. the Duke of Kent, and the great privilege of an opening by Mrs Neville Chamberlain, whose charming presence contributed to an impressive ceremony.

Exhibitors' reports of business transacted at the Exhibition again show its remarkable force as a trade stimulant for all enterprises touching the needs of home life, and statistics recorded during the event point emphatically to its unflinching appeal to women.

The 1939 Exhibition will be held at Earl's Court, the special amenities of which lend themselves to plans which it is anticipated will enable us to organise an event of an attractiveness beyond anything which has hitherto been offered to the public.

ADVERTISING REVENUE

Concerning advertisement revenue, it was not to be expected that previous records would be improved upon, or even maintained, over a period so difficult for business.

World unrest has had its disturbing influence on the home market. All too frequently international affairs have given rise to anxiety, and under this cloud of uncertainty the normal processes of trade were bound to be affected.

With laudable courage and commensurate reward, many of the big business concerns have increased rather than diminished their advertising spaces. In other instances, rightly or wrongly, selling enterprise has been noticeably curtailed.

In this connection it says much for the prestige of your newspapers—*The Daily Mail* in particular—that they represent the first to be affected by increases in advertising and the last to be affected by reductions.

The Daily Mail still enjoys its enviable supremacy as the most powerful advertising medium in the country. For the year under review, in spite of the keenest competition ever faced, the display advertising revenue of *The Daily Mail*—that is, trade and financial—exceeded that of its nearest rival by well over 10 per cent.

This in itself shows that no national advertising campaign is considered complete unless it is headed by *The Daily Mail*.

The great and incomparable strength of *The Daily Mail* as a publicity medium rests, of course, in the appeal of this newspaper to the better class public. As evidence of this, independent research has recently established that *The Daily Mail* is read by one in every three owners of private motor-cars throughout Great Britain.

To advertise in *The Daily Mail* is the accepted golden rule of successful selling. Similarly, it is the ambition of every progressive business house to see its products displayed in that "National Shop Window," the *Daily Mail* Front Page.

"THE EVENING NEWS"

Referring now to *The Evening News*, once again progress is a gratifying feature of the year. This virile newspaper, which reaches

more homes than any other evening publication in the world, has increased still further its lead, in net sales, over its competitors.

An increase is shown also in trade advertisement revenue, and the trend for the current year is revealed in the fact that store and display advertising has increased in *The Evening News* and decreased in the columns of its rivals.

Over recent months *The Evening News* has carried more than twice as much store advertising as that in the next London evening newspaper on the list. This fact is, of course, of exceptional significance. Such publicity, being keyed, is placed with those newspapers in proportion to the amount of business produced.

Concerning the *Sunday Dispatch*, I can again report a sound and steady situation, which reflects the high standing of this newspaper in the estimation of advertisers as well as that of the reading public.

The great value of the *Sunday Dispatch* in national publicity campaigns is shown in the fact that it is essentially the home and family newspaper of the middle classes.

The *Over-Seas Daily Mail*, unrivalled as a link with the Homeland for Britons abroad, has had yet another successful year. Gratifying features are a 5 per cent. increase in advertisement revenue and the frequency of the special colour issues.

The position of our provincial newspapers, both in regard to sales and advertising revenue, was well maintained during the year.

In this connection, however, you will realise that the rise in the cost of newsprint for the current year will affect the profits of these papers.

NEWSPRINT

I referred last year to the price of newsprint. At the time of our last meeting, owing to the rapidly increasing costs of raw materials, the price of newsprint was increased for 1938 by approximately 30s. per ton, and, whilst this rise only partially affected your company in respect of our past financial year, we shall feel the full effect of the increase during the present financial year. Your company's papers consume approximately 140,000 tons of paper per annum, and it is, therefore, not difficult to see the heavy extra charge to be borne by an increase of 30s. per ton on this large tonnage.

The conditions in the paper industry have changed considerably since we last met, and, owing to the recession in world trade, no doubt aggravated by the disturbed political situation, there has been a considerable fall in the price of raw materials and in consumption of newsprint. These changed conditions would indicate that for the year 1939 there should be no further increase in the cost of newsprint supplies.

At the commencement of my speech I referred to the difficult conditions prevailing during our last financial year. Most of you are, I am sure, aware of the factors, particularly during the last six months of the year, which disturbed trade generally, not only in this country, but throughout the world, causing a falling off in business all round and, unfortunately, for the same reasons, similar conditions persist to-day. To give you only one example of how your company is affected: the amount of financial and city advertising carried by your papers during the last financial year was lower by over £100,000 than that carried in the previous year.

In the newspaper industry competition was as fierce as ever, heavy expenditure being incurred all round in the struggle to maintain and increase sales. You have probably heard a great deal on the vexed question of canvassing. Your directors have so far found it necessary to continue using it as a defensive measure to compete with its rivals, some of whom apparently do not seem to care how much they spend.

I wish now to refer to the payments of dividends. It has been our practice for some years to pay quarterly dividends on the deferred shares. Owing to the present uncertain world conditions and the impossibility of forecasting results very far ahead, your directors propose to discontinue the payment of quarterly dividends and instead to pay two interim dividends during the present financial year—one in July and a further one in January next—to be followed by a final dividend at the next annual general meeting. This, as you know, is the dividend policy adopted by the majority of industrial concerns, and I would mention that the interim dividends will not necessarily bear any relation to the final dividend.

I cannot be expected to assume the role of prophet in regard to the future, but your directors are satisfied with the soundness and strength of the finance of your company, which are reflected in the balance sheet you have before you, and that your company will continue to enjoy its full measure of any general improvement there may be in world trade.

I am sure you will not wish me to close without an expression of thanks and appreciation to our many loyal friends in the industry—particularly the wholesale and retail newsagents, and the advertisers and advertising agents—And also an acknowledgment to our staff

throughout the business for their loyalty and good work during a difficult year.

The chairman concluded by moving the adoption of the report and accounts.

Mr Stanley Bell (managing director) seconded the resolution, which was carried unanimously.

The retiring directors were re-elected, and the auditors, Messrs Lever Honeyman and Company, were reappointed.

The proceedings terminated with a vote of thanks to the chairman and directors.

HENDERSON'S TRANSVAAL ESTATES, LIMITED

SATISFACTORY RESULTS OF A DIFFICULT YEAR

The twenty-sixth ordinary general meeting of Henderson's Transvaal Estates, Limited, was held, on the 8th instant, at River Plate House, Finsbury Circus, Mr W. L. Castleden, the deputy chairman and managing director, presiding.

The chairman, after paying a tribute to Sir Abe Bailey, in the course of his speech said:—

The profit for the year carried to the balance sheet is £75,810. This figure is less by £8,763 than the record profit of last year, but I think that in the difficult circumstances which have prevailed during the past twelve months, you will regard it with some satisfaction.

The balance of £48,360 brought into the accounts brings the credit to profit and loss up to £124,171. Out of this your directors recommend a first and final dividend of 12½ per cent. for the year, less income tax, the same as last year, leaving £53,741 to be carried forward, subject to the directors' additional remuneration, amounting to £1,676 13s. 6d.

It is with satisfaction that again I am able to state that as at March 31st the market value of our quoted investments was in excess of book cost. This is notwithstanding the heavy fall in market quotations, which were at their lowest about the date when our accounts for the year were closed, viz., March 31st. The unquoted stocks and shares, which are comprised almost entirely of holdings in our subsidiary and associated companies, are of necessity valued by us, and we are satisfied that this valuation has been taken on a most conservative basis.

During the year our investments in Government securities increased by £10,858 and other stocks and shares by £38,117. These increases account for the reduction in our cash balances of £27,468.

Our reserve accounts in addition remain intact.

The chairman, having dealt at some length with the results of the subsidiary and associated companies, continuing, said:—

There is little more to say with regard to the past year. It is perhaps not surprising that in such difficult times our profits did not quite reach last year's record, but we can, I think, view with satisfaction the fact that we are able to maintain our dividend.

CONDITIONS IN SOUTH AFRICA

Business generally in the Union of South Africa continues to be active and prosperous, and there is progress to be recorded in most directions. In the realms of finance, however, there has been a setback, and the lack of confidence which has brought about a restriction in markets is inevitable in these days of uncertainty.

As in the past, so in the future, our interests are linked up mainly with South Africa. In no country is there greater faith in the future as is evident in the developments taking place in industry and in mining. Even the Union of South Africa, however, must feel the evil effects of world unrest and the unsettled conditions in almost every part of the globe. Wars and rumours of wars are a daily occurrence, and cannot but adversely affect economic conditions everywhere.

Politics in South Africa are, however, now in a more settled state, and the recent elections prove that the country as a whole has no desire to return to party and racial strife and would take no risks that might jeopardise the future of their country.

The prosperity of the Union is bound up with its great gold-mining industry and the developments now in progress are on a truly phenomenal scale. An adequate supply of native labour is, however, an essential, and it is recognised that the securing of this is an outstanding problem and one that is causing considerable anxiety. The report and accounts were unanimously adopted.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to the Reporting Manager of THE ECONOMIST, 8 Bouverie Street, Fleet Street, London, E.C.4.

MILK MARKETING BOARD

LIQUID SALES UP 60,000,000 GALLONS YEARLY

The annual general meeting of the Milk Marketing Board was held in London on the 8th instant.

Mr T. Baxter (the chairman) said:—I feel I must refer with sincere regret to the death of our late colleague, Mr John Garton, who was a member of the board for the South-Eastern Region. Mr Garton first became a member of the board in June, 1934, and was closely associated with agricultural interests for many years, and particularly with the National Farmers' Union, of which he was a past president. The board has lost a highly respected member.

One salient feature is the light thrown on the enormous part that milk production plays in the agriculture of the country and the number of individuals who are dependent on it. No fewer than 89,105 farmers have wholesale contracts, and 63,445 hold producer-retailer licences, a total of 152,550. There are approximately 22,000 producer-retailers, however, who have wholesale contracts also, so that some 130,000 farmers in England and Wales are concerned with the production and sale of milk.

VOLUME OF MILK SOLD

The total volume of milk sold was 1,011,249,539 gallons, which, when compared with the total production in the previous year, shows a decrease of 632,573 gallons. Actually on a true comparison the decrease would be greater because in this year's total there is included since October, 1937, the sale of milk which was previously exempt. There are two main factors which account for the lower production. One is the Government livestock policy, which has undoubtedly resulted in a little less attention being given to milk on some farms. I am inclined to believe, however, that the major cause is the higher costs of production, due to the rise in the price of feeding stuffs and costs of labour which producers had to meet during the year. It is unlikely that there will be any expansion in the quantity of milk produced unless and until milk production is more remunerative to the farmer.

The sales of liquid milk show an increase of 51,303,926 gallons over last year, and represent 71.3 per cent. of all milk passing through the Scheme, whereas in 1936 the proportion was 66.2 per cent. This development has been mainly at the expense of manufacturing milk, the volume of which this year was equal to 28.7 per cent., as compared with 33.8 per cent. for the previous twelve months.

BETTER POOL PRICES

Although production decreased slightly during the year, the sum realised from the sale of milk under wholesale contracts was £47,321,049, an increase of £3,138,000. The average pool price was 12.77d. per gallon, the highest yet paid under the Scheme, and an increase of 0.86d. per gallon. More than half of the increased price paid has been brought about by better marketing, by increasing the volume of sales through the liquid and higher-priced manufacturing markets. The remainder is due to the slightly better price per gallon in certain months which the Board was able to secure from the buyers. The average price per gallon for liquid milk this year was 15.58d.—last year it was 15.25d.; for manufacturing milk we realised 6.35d.—last year 5.39d.

Remembering that nearly 30 per cent. of the milk produced is used for manufacturing purposes and that, because of the low selling value of competing and subsidised imports, thoroughly uneconomic prices are obtained by producers, you will realise the drag which manufacturing milk has on your returns. During the period under review we have received no assistance under the Milk Act for manufacturing milk, and at present we are liable to be called upon to repay to the Government £26,320 for previous advances.

COST OF ADMINISTRATION

The cost of administration of the Scheme still remains at less than one-tenth of a penny per gallon, as in the previous year. In the year under review, increased liquid milk sales alone have returned to producers a sum which is three times greater than the total cost of administration.

While progress has been recorded in many directions, nowhere has it been more substantial than in the development of the liquid milk market. The people of this country are becoming more liquid conscious and realise that milk is a vital factor in national health. There is a net increase in sales of 40,000,000 gallons after allowing for the new entrants into the Scheme. So accepted has the milk habit become that the adult secret drinkers of a few years ago now come into the open to declare their faith in it.

The Board greatly appreciate the part which the Press of the whole country has played in this important development. In conjunction with the National Milk Publicity Council—whose splendid work on

behalf of the industry we gratefully acknowledge—a special approach has been made to employees in factories, offices and workshops throughout the country, with the result that 700,000 gallons of milk each month are being consumed in 6,624 factories. The service is proving beneficial to all who participate, and it has been followed by a decline in the sickness figures. There still remains considerable leeway to be made up by the use of more milk in the home before we can be satisfied that health, nutrition and fitness standards are being met and that we compare satisfactorily with some other countries in this respect.

You will be surprised that the total cost of transporting milk amounts to not less than £5,000,000 annually. After investigating the problem very closely we are convinced that there is a considerable wastage in the delivery of milk to depots and dairies and in the transporting of milk unduly long distances to consuming centres. The Board have been assisting producers in saving transport charges for a number of years. During this contract period we took action on behalf of 2,600 producers, so that their charges were reduced, and we estimate that a net saving of £20,000 per annum has been effected.

All wastage and inefficiency in the transport of milk is borne by the producers, although they have as yet but little control of it. We feel that as producers ultimately pay for transport, they should be able to direct and control it.

GOVERNMENT MILK BILL

We are aware of the main provisions to be embodied in the Milk Bill as published in the Government White Paper. I am extremely disappointed that the Government's policy does not contain provisions for a levy subsidy on imported milk products. That policy, at one time vigorously propounded, has apparently been discarded, and the main benefits of the Bill will be in the way of premiums on quality milks and in respect of attested herds which will be paid to the benefit of those producers participating in these progressive developments. I can only speak commendably on this aspect of the proposals; no progressive producer can criticise a policy of cash inducements for quality production. Another important feature will be a price insurance plan to guarantee to the Board a certain degree of assistance on manufacturing prices. With this the Board is not at all satisfied. The Government does not propose to guarantee a price for milk, but they will pay a subsidy when the prices of imported butter and cheese fall below a certain level, and this means prices even lower than those provided for in the present Milk Act. It also means that with such meagre help to the producer to combat the ravages of cheap imports there is little likelihood of the farmer being able to provide more milk—a tragic position for the country in these uncertain days.

I feel the recent drought was of such serious importance to farmers that some reference ought to be made to it here. The public themselves are well aware of the intensity of that drought and its effect upon the farmer's position. Throughout England and Wales there has been an abnormal shortage of grass for grazing cows, which has resulted in producers being unable to produce milk much under the cost of winter months by having to feed their cows with purchased and home-grown foodstuffs. In these circumstances I am of the opinion that a serious shortage may occur later on in the year unless the dairy farmer is compensated by an increase in the price of milk. We approached the buyers and asked them to agree to an increase in the wholesale price of liquid milk of 4d. per gallon in June and July, but I regret to say that they would not accede to our request. Hence we had no alternative but to take the matter before a consulted person whom we shall be meeting in a few days' time.

SOCIAL SCHEME'S PROGRESS

Let me review progress. The people of England and Wales are drinking 60,000,000 gallons of milk per year more than they were three years ago; nearly 40 per cent. of the country's total milk supply is now of accredited or tuberculin-tested standard; producers have received additional revenue; transport costs have been reduced; the remunerative markets have been given a first call on supplies; more mothers and infants in the Special Areas have availed themselves of the scheme to buy their milk at half price; more school-children have come on to their special milk roll; more and more milk bars are being opened; the Board has more creameries and is operating them successfully; altogether a record of progress which brings us a step nearer the day when producers of the most perfect food should have their costly, hazardous and arduous calling recognised by adequate remuneration.

ASSOCIATED TIN MINES OF NIGERIA, LIMITED

INCREASED EFFICIENCY FOR PRODUCTION

The eleventh ordinary general meeting of Associated Tin Mines of Nigeria, Limited, was held, on the 9th inst., at the Chartered Insurance Institute, 20, Aldermanbury, London, E.C.

Mr Douglas Christopherson (the chairman) presided, and in moving the adoption of the report and accounts, said that under the heading "Technical Management" shareholders would observe that, with a view to effecting economies, the management of their company in Nigeria has, from the first of January this year, been placed in the hands of a central organisation under the title of A. O. Nigerian Tin Mines, Limited. The same applied to their neighbour, London Nigerian Tin Mines, Limited. In future there would be one centralised clerical staff instead of two separate staffs, and it was the intention to standardise stores, as soon as possible, and to centralise them in one place instead of having them spread out as they had been.

Last year he had mentioned that a new dredge had been ordered and a Monaghan dragline; since then it was deemed advisable to order another Monaghan and to convert the 320 B. Shovel to an electrical dragline.

REDUCED OPERATING COSTS

With the completion of the present capital expenditure programme, so far as their technical management could see to-day, there would be no further call for heavy capital expenditure, whilst the property would be thoroughly equipped so as to meet at once any increase in the quota they might be called on to produce, and at greatly reduced operating costs. With the dredge and Monighans in operation their native labour requirements would be much less, and that also applied to the water consumption, the latter a most important consideration in a country where shortage of water supplies frequently occurred, which seriously interfered with maintaining a regular and steady output.

The fall in the price of tin during recent months and the reduced international quota had entirely upset their anticipations of being able to provide funds to meet those commitments from current profits.

It would be evident that the prospects for the current year were not good, but with an increase in the demand for tin metal, which they could safely anticipate, they could expect, equipped as they would be for much cheaper production, to find themselves once more in the position of earning substantial profits.

CREATION OF BUFFER STOCK

The directors were well pleased that the signatory countries to the Restriction Agreement had now agreed to the creation of a Buffer Stock, being convinced, as they were, that that was required to supplement the efforts of the International Tin Committee to prevent too violent fluctuations in the price of tin. From a study of the market during its periods of most violent fluctuations in 1937, namely, a rise of £82 between February 12th and March 15th and a fall of £83 between September 15th and November 8th, it was not too much to say that if even the old Buffer Stock had been in existence the fluctuations would have been confined to very much smaller limits. With the exceptional falling off in the consumption of tin, especially in America, during the present year he did not think either the Restriction Agreement or the existence of a Buffer Stock could have prevented some fall in the price, but it would have assisted in making the fall less severe.

Given normal fluctuations in consumption, the directors believed there was now machinery available which could be operated in such a way as to prevent abnormal fluctuations in the price. He used the word "abnormal" advisedly, because they felt, however it might be decided to operate the Buffer Stock, it was essential that it should not be operated in a way that would strangle the market for their metal. It was to the interest of them as producers that there should be a reasonably free market for their product, which could hardly be the case if the price was too narrowly controlled as to prevent reasonable fluctuations.

In the meantime, there had been a further reduction in the export quota. That was said to have been criticised in Malaya, because it did not fall in with the explanatory *communiqué* issued by the Committee at the beginning of May, but actually there had been a considerable fall in the price of primary commodities between May and June, and it seemed far better to make a sufficiently drastic cut at once, to bring production down below consumption; in other words, to start the process of eating into the existing large stocks rather than *shake half-measures*. The action of the International Tin Committee *pariis*, he thought, to be commended, and the report was adopted.

BURMAH OIL COMPANY, LIMITED

PETROLEUM INDUSTRY'S NEW HIGH RECORD

SIR JOHN T. CARGILL'S SPEECH

The thirty-sixth ordinary general meeting of the Burmah Oil Company, Limited, was held, on the 3rd instant, in Glasgow.

Sir John T. Cargill, Bart., chairman of the company, in the course of his speech, said:—In respect of the volume, both of production and demand, 1937 set up a new high record for the petroleum industry of the world. That on the whole orderly marketing prevailed and the industry in general benefited must, I am afraid, be attributed, however, not so much, if at all, to any universally planned co-ordination towards wise regulation of demand and supply of an asset vital to world progress and of a wasting nature, as to a fortuitous concatenation of other circumstances. Had there been in the period no decline in Roumanian production and export, no growth in the domestic demand for the production of that country and no disturbance of production from Venezuela and Mexico, such equilibrium between demand and supply as was achieved would not have been possible, despite the overhead expansion of the former. Even so, the improved trading results in 1937 of most of the petroleum companies operating throughout the world are due less to any higher values secured for the commodity itself than to reduction in their costs, consequent on larger outputs and to more remunerative employment of their tanker fleets due to higher ocean freights following on a temporary shortage of ocean tonnage.

OPERATIONS IN INDIA

In our own sphere in India our operations in the period were maintained approximately at the level at which we have stabilised them now for some years.

Selling prices on average were somewhat improved in our markets in India and Burma by the world conditions I have already referred to, but further reductions in costs themselves played a considerable part in producing the expansion in the net balance of trading profit to £2,502,284.

As regards your investments, and here I cannot too strongly emphasise the very considerable portion of your total profits for which they are responsible, and how much is due to them, the very satisfactory rate of your dividends and the capitalisation of surplus profits carried through in recent years and now further proposed, the considered view of your directors is that, considerable as is the overall excess of their present value, whether over the book cost as it is now, or as it will be after the writings up we are proposing, that excess in a normal course of events must steadily materially increase. In these circumstances we on this side of the table have had little hesitation in arriving at what we ourselves have already decided to do or at what we are to-day recommending you to do with the year's disposable balance.

Excluding export sales of paraffin wax—our only export—from the Eastern trading profits, an analysis of the total figure of profit shows that the following sources contributed in the percentages stated: India and Burma, trading 38.202 per cent., export trading 13.538 per cent., investment income and transfer fees 48.215 per cent.

BURDEN OF TAXATION

To emphasise what a serious factor taxation represents in the cost of petroleum products to the consumer I would instance the facts that expressing gross proceeds as one hundred we got out of them in 1937, in the case of kerosene 16.78 and in the case of benzene 9.58, whereas between Excise duties and taxation on profits the Governments concerned took in the case of the former product 29 and in the case of the latter 48.22.

You are aware that, unhappily, there developed in the beginning of the current year a situation in connection with the Burmese and Indian employees in our Burma fields which resulted in large though steadily reducing numbers withholding their labour for several weeks, and in the end compelled us, however reluctantly, to meet the balance of our requirements from the large body of those seeking employment there. We refrained from this immediate alternative as long as we could do so with safety to our operations and fairness to those seeking work. We have long enjoyed the reputation in India and Burma of being in the van of enlightened, generous, and considerate employers. It is a reputation of which we are proud, because we feel it to be justified and a reputation which it will be our constant endeavour to continue to deserve.

As regards the prospects for the current year, I prefer not to hazard conjectures, whether favourable or the reverse, beyond those implied or expressed in what I have already told you as to our own position in particular and as to that of the world industry in general.

The report was adopted.

MARSTON VALLEY BRICK COMPANY, LIMITED

DIVIDEND OF 17½ PER CENT.

The ninth annual meeting of the Marston Valley Brick Company, Limited, was held, on the 9th instant, at the Institute of Chartered Accountants, London.

Mr A. W. Allard, who presided, said that the trading profits and revenue from other sources amounted to £184,638; a slight improvement on the previous year, and, after various deductions had been made, the net profit was £116,912. Great difficulties had been experienced in getting deliveries of steel for the construction of the extensions to the Ridgmont Works, but those extensions were now proceeding satisfactorily and, having in view the continued large demand for the company's products, well known as Marston Besspres, and the difficulty of meeting their customers' requirements, he was still of opinion that the decision to provide for an increased output was fully justified.

Although the first section of the extension had come into partial production late in April and no benefit had been derived in the accounts under review, the sale of bricks for the past year showed a considerable increase. Both works had been in full production, working day and night shifts. During the winter the usual slackness of demand was experienced, but in February and March sales had established records. Out of the available profit of £92,068 it was proposed to pay a final dividend of 10 per cent., less tax, making 17½ per cent., less tax, for the year.

Their common and facing bricks were very popular, and there did not appear to be any falling off in the building trade generally; when one district got slack, another got busy. Demand for their facing bricks was growing so rapidly that the managing director intended largely to increase the output.

Mr Duncan Whitehouse (managing director) said that he was quite optimistic as to the future. Slum clearance was going on all the time private building continued, and in addition their bricks

(Continued from page 628)

Wool (Bradford).—Not much progress can be reported in the wool world during the past fortnight, all sections of the market marking time. It is the reports from Australia which have helped to maintain prices in consuming centres, although Bradford has inclined to a little weakness in tops. Raw material prices continue to be slightly ahead of prices for tops and yarns, and this is the strength of the present position. Manufacturing conditions are far from satisfactory, and many mills are standing idle the whole of this week. Good average 64's tops are available at 25d. per lb., and warp 64's at 26d.-26½d. per lb., while yarn prices are in line with these quotations. It seems as if the spring and summer trade of this year was a total failure, and this is causing no little concern regarding the future.

THE COMMODITY MARKETS

THE past week has witnessed a rally in the prices of primary products. There are no indications, however, that this really portends a change of trend, for there is little evidence of the imminence of a re-stocking movement by consumers.

Among commodities sensitive to changes in market psychology, copper, tin and spelter were marked up in price during the week ended last Wednesday. Rubber, raw cotton and wheat were also slightly firmer.

An improvement in prices was also noticeable in the United States. Thus, Moody's index of the prices of staple commodities (December 31, 1931 = 100) rose from 130.1 to 131.8 during the week ended last Wednesday. A month ago the index stood at 136.9 and a year ago at 201.0.

Metals

Copper.—On the news that the Kennecott Copper Corporation, the world's largest copper producer, will discontinue its output from America as from June 15th, a substantial improvement in London copper prices occurred this week. The standard cash price closed at £34 8s. 9d. per ton, a net gain of £1 10s. on the week. The prospects in this market are discussed in a special Industrial Note on page 623.

Tin.—Last Thursday's tin decisions, which are also discussed on page 623, have resulted in a substantial improvement in tin prices; and although the highest levels of the week were not maintained, there was a net gain of £8 5s., raising the closing price to £171 5s. per ton.

Lead and Spelter.—Lead closed this week at £13 6s. 3d. per ton and thus showed no change on last week's close. Simultaneously, spelter improved by 10s., to close at £12 7s. 5d. per ton. Demand for the two metals has not improved this week, but offerings have been on a much smaller scale than of late.

Grains

Private estimates of the United States winter wheat crop range from 768 million bushels to 845 million bushels, and are generally about 125 million bushels above the official estimate of last year's harvest. In spite of these forecasts, prices rose sharply before the holidays and though the market was easier early this week, old crop Manitoba registered a gain of 4s. to 5s. per quarter on the week, a recovery from the low prices of

were being used by the Air Ministry, H.M. Office of Works, the War Office and Admiralty, the L.C.C., and many other county councils.

The report and accounts were unanimously adopted.

TRONOH MINES, LIMITED

THE STANDARD TONNAGES POSITION

The thirty-sixth annual general meeting of Tronoh Mines, Limited, was held, on the 9th instant, in London.

Mr C. V. Thomas (the chairman) said that the profit for the year amounted to £276,594. The property account remained at the nominal figure of £1. That account represented the company's mining lands at Tronoh and Kampar, approximately 5,500 acres, the four dredges, the expenditure to December 31st last on the new dredge and all other plant, machinery and buildings at the mines. Dividends totalling 60 per cent. were paid during the year.

With respect to the question of the standard tonnages as being most unjust to Malaya, he had hoped that that would have received the attention of the authorities concerned.

Malaya stood out as the only country able steadily to produce her quota through 1937 when the quota was at its highest. It was thus proved that the Malayan standard tonnage was too low and that the standard tonnages of most other signatories were too high. Malayan producers, who were the best able of all to face uncontrolled production, were bearing a grossly unfair share of the burden of restriction. The standard tonnages had now been amended, but in discarding "operative" tonnages, Malaya's tonnage had been reduced by 4,500 tons (approximately), the N.E.I. tonnage had been reduced by 2,269 tons, and Bolivia enjoyed an increase of nearly 9,000 tons. Operating under the tonnages as amended and an International Quota of 45 per cent., the domestic quotas for Malaya, Bolivia, Belgian Congo and Siam would be 35 per cent. (approximately), 68 per cent., 64 per cent. and 60 per cent. respectively. If the other signatories were not prepared to agree to a fair revision of the tonnages, Malaya should at once give notice of withdrawal under Clause 22 of the Agreement.

The report was adopted.

the last ten days. Maize was also dearer before Whitsun, but there has been some reaction since. Demand for feeding barley is small, but prices are firm, in anticipation of a shortage of maize.

Other Foods

Provisions.—Meat has been a slow trade and prices are unchanged, as are those of bacon. The seasonal decline in butter prices continues and Danish is quoted at 122s. 6d. per cwt. Eggs were 6d. per 120 dearer at the end of the week, English selling at 11s. 9d. per 120.

★

Colonial Produce.—The markets for sugar, coffee and cocoa have been dull and prices are hardly changed. At the auctions held before Whitsun, teas were generally about ¼d. per lb. cheaper, and demand was quiet.

Miscellaneous Commodities

Oilseeds and Oils.—A certain amount of business has been transacted at the recent low prices, but the seasonal decline in activity has prevented any marked recovery. The new Indian crop of linseed is officially estimated at 457,000 tons, as compared with 420,000 tons in last year. There was a good demand for cotton seed ex Hull, which helped to improve prices.

★

Rubber.—There were only two full business days this week. The market was steady and prices were advanced by ¼d. per lb., on reports from New York that the cut in the production quota will soon cause a decline in stocks.

CURRENT STATISTICS

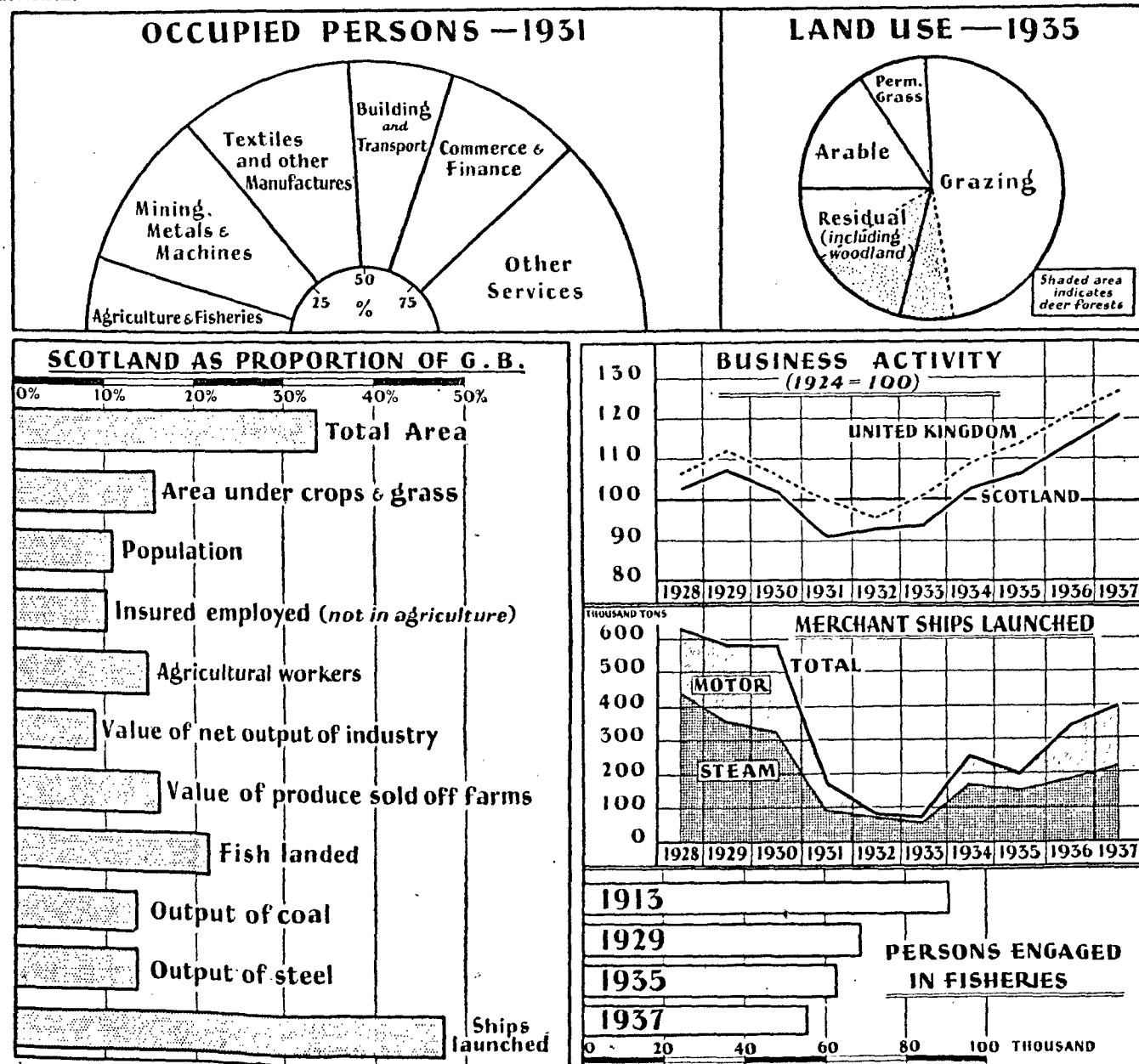
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

Scotland

We take the opportunity offered by the holding of the Empire Exhibition in Glasgow to present a series of charts on the economic position of Scotland. In the upper panel we show the distribution of occupations at the census of 1931 and the use of land in 1935. The series of pillars, which compare the importance of Scotland in different fields of activity, relate to 1937, except in the cases of the output of agriculture and industry—these are for the census years 1935 and 1930-31 respectively. Scotland's proportion of Great Britain's agricultural output in 1936-37 would be about 15.4 per cent. compared with 16 per cent. shown. The figures used for fish landed, output of coal and steel and merchant ships launched are of volume. To show the course of business activity we have used our own index for the U.K. and that of the Clydesdale Bank for Scotland. In the remaining space we have selected two industries—shipbuilding and fisheries—for further examination. As the curves of business activity and shipbuilding are based on annual figures they do not show the effects of the recent recession.



GOVERNMENT RETURNS

For the week ended June 4, 1938, total ordinary revenue was £7,966,000, against ordinary expenditure of £45,015,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £80,156,000, against a deficit of £56,586,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	April 1, 1937, to June 5, 1937	April 1, 1938, to June 4, 1938	Week ended June 5, 1937	Week ended June 4, 1938
ORDINARY REVENUE				
Income Tax	11,584	10,383	6	7
Sur-tax	4,180	5,310	250	290
Estate, etc., duties	16,850	12,630	2,030	1,310
Stamps	2,990	2,970	330	850
N.D.C.	...	1,210	...	140
Other Inland Rev.	70	70	...	...
Total I. Revenue	35,674	32,573	2,616	2,597
Customs	39,812	38,629	3,923	4,131
Excise	18,900	18,580	853	776
Total Customs and Excise	58,712	57,209	4,776	4,907
Motor duties	4,433	4,301	158	162
P.O. (net receipt)	6,025	4,210	345	210
Crown Lands	230	240	...	...
Leases	362	365	91	90
Misc. receipts	893	756	67	...
Total Ordinary Rev.	106,329	99,654	8,053	7,966
SELF-BAL. REVENUE				
Post Office and Broadcasting*	10,075	11,890	905	1,090
Total	116,404	111,544	8,958	9,056

Expenditure	April 1, 1937, to June 5, 1937	April 1, 1938, to June 4, 1938	Week ended June 5, 1937	Week ended June 4, 1938
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	69,779	69,255	30,572	29,926
Payments to N. Ireland	1,085	1,189	248	419
Other Con. Fund Services	408	369	75	10
Total	71,272	70,813	30,895	30,355
Supply Services†	91,642	108,997	12,330	14,660
Total Ord. Expend.	162,914	179,810	43,225	45,015
SELF-BALANCING EXPENDITURE				
Post Office and Broadcasting Votes	10,075	11,890	905	1,090
Total	172,989	191,700	44,130	46,105

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting.

After reducing Exchequer balances by £230,197 to £2,711,143, the other operations for the week (as shown below, but excluding £240,000 issued to Sinking Funds), raised the gross National Debt by £37,059,000 to about £8,227 millions.

WEEK'S CHANGES IN DEBT

Net Increases in Debt	Net Repayments, Etc.
Treasury bills	32,364
Pub. Debt Adv.	3,060
Bk. of Eng. Adv.	2,000
Land Sett. Acts	15
Tithe Act	200
	37,639
	580

Finance

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to June 4, 1938, are shown below:—

Ordinary Exp.	Ordinary Rev.
179,810	99,654
Inc. in balances...	Gross borr. 81,528
347	445
	Sink. Fds. 1,025
	Net borrowing ...
	80,503
180,157	180,157

FLOATING DEBT

Date	Tender	Tap	Public Depts.	Bank of Eng.	Total Floating Debt	Float. Assets
1937						
Mar. 31	674.6*	23.5	...	...	698.1	...
June 5	535.0	140.0	31.9	9.5	716.4	171.9
Dec. 31	889.7*	39.4	55.7	...	984.9	...
1938						
Feb. 5	572.0	281.7	33.6	...	887.3	315.3
" 12	557.0	276.9	31.9	...	865.8	308.8
" 19	542.0	275.5	31.3	...	848.8	306.8
" 26	532.0	273.1	39.2	...	844.3	312.3
Mar. 5	522.0	282.4	39.8	...	844.2	322.2
" 12	517.0	283.8	38.9	...	839.8	322.7
" 19	512.0	288.5	35.6	...	836.1	324.1
" 26	528.7*	13.1	...	...	841.8	...
Apr. 9	512.0	304.9	30.6	5.0	852.5	335.5
" 16	522.0	306.8	28.6	1.5	858.9	335.4
" 23	532.0	298.1	27.2	...	857.3	323.3
" 30	545.0	288.6	36.5	...	870.2	325.1
May 7	560.0	281.6	35.9	8.0	885.4	317.5
" 14	570.0	278.1	39.2	...	887.3	317.3
" 21	570.0	276.0	41.8	...	887.8	317.8
" 28	570.0	281.4	40.8	...	892.2	322.2
June 4	575.0	308.7	43.9	2.0	929.6	332.6

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS

Date of Tender	Offered	Applied for	Allotted	Average Rate %	Per Cent. Allotted at minimum Rate
1937					
June 4	45.0	69.2	45.0	5.0	54
Dec. 31	50.0	80.5	50.0	10 11.59	47
1938					
Feb. 4	30.0	88.4	30.0	10 0.98	18
" 11	40.0	87.7	30.0	10 0.89	18
" 18	35.0	86.6	35.0	10 1.04	23
" 25	40.0	92.0	40.0	10 1.39	33
Mar. 4	45.0	97.8	45.0	10 0.94	30
" 11	45.0	92.1	45.0	10 1.35	36
" 18	50.0	82.3	50.0	10 1.54	54
" 25	50.0	84.6	50.0	9 11.31	55
Apr. 1	50.0	77.0	50.0	10 3.24	71
" 8	50.0	85.2	50.0	10 2.65	56
" 15	45.0	85.6	45.0	10 2.82	41
" 22	45.0	88.5	45.0	10 2.95	41
" 29	45.0	80.3	45.0	10 1.99	60
May 6	45.0	87.8	40.0	10 0.69	29
" 13	30.0	75.5	30.0	10 1.12	29
" 20	35.0	74.3	35.0	10 1.11	35
" 27	45.0	69.0	45.0	10 9.37	57
June 3	50.0	83.1	50.0	12 1.04	51

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On June 3rd, applications at £99 16s. 11d. per cent. for bills to be paid for on any day except Monday (a Bank Holiday) and Saturday of the following week were accepted as to about 51 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Saturday at £99 17s. 0d. per cent. and above were allotted in full. £50.0 millions of Treasury bills are being offered on June 10th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
20 weeks to —		
May 22, 1937	13,443,543	10,082,656
May 21, 1938	13,542,407	10,156,803
Week to —		
May 22, 1937	584,801	438,601
May 14, 1938	694,458	520,843
May 21, 1938	640,942	480,706

† After adjustments to March 27th. N.B.—Net Exchequer receipts, week to May 21, 1938: £150,000.

BANK OF ENGLAND RETURNS

JUNE 8, 1938

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt
In Circulation ...	11,015,100
In Bank of England ...	188,901,870
Other Govt. Securities ...	74,474
Other Secs. ...	8,556
Silver Coin	200,000,000
	326,410,111
	526,410,111

BANKING DEPARTMENT

Props. Capital	Govt. Secs.
14,553,000	111,421,164
Rest ...	3,250,316
Public Depts.*	7,937,500
Other Depts.*	20,166,949
Others ...	28,104,449
Bankers ...	35,688,781
Other ...	856,079
	176,070,473

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

THE WEEK'S CHANGES

Both Departments	Amt. June 8, 1938	Compared with Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	490,721	+ 5,800	+ 14,180
Deposits: Public	11,732	- 13,136	+ 1,045
Bankers	111,110	+ 8,307	+ 3,682
Others	35,425	- 37	- 1,351
Total outside liabilities	648,988	+ 935	+ 17,555
Capital and rest	17,803	+ 23	- 27
COMBINED ASSETS			
Govt. debt and securities	311,338	+ 2,271	+ 15,032
Discounts and advances	7,938	- 997	+ 3,105
Other securities	20,241	- 335	- 5,718
Silver coin in issue dept.	9	...	...
Gold coin and bullion	327,266	+ 19	+ 5,112
RESERVES			
Res. of notes & coin in banking department	36,545	- 5,782	- 9,068
Proportion of reserve to outside liabilities	23.0%	- 2.9%	- 6.4%
(a) Bankers' dept. only			
(b) Gold stocks to deposits and notes	50.4%	- 0.1%	- 0.6%

COMPARATIVE ANALYSIS

	1937	1938			
	June 9	May 18	May 25	June 1	June 8*
Issue Dept.:					
Notes in circ.	476.5	478.6	480.2	484.9	490.7
Notes in banking dept.	44.7	47.8	46.2	41.5	35.7
Govt. debt and securities	195.1	199.2	199.5	199.4	199.9
Other sec. ...	4.9	0.7	0.5	0.6	0.7
Gold	321.3	326.4	326.4	326.4	326.4
Deposits:					
Public	10.7	28.5	26.5	24.9	11.7
Bankers	107.4	93.2	91.2	102.8	111.1
Others	36.8	36.0	36.1	35.4	35.4
Total	154.9	157.7	153.8	163.1	158.2
Eng. Dept. Secs.:					
Government ..	101.2	98.3	95.7	109.7	111.4
Discounts, etc.	7.8	9.5	8.9	7.9	7.9
Other	21.1	20.7	19.4	20.0	20.2
Total	129.1	128.6	124.6	138.6	139.5
Banking dept. reserve	45.6	48.5	47.0	42.3	36.5
"Proportion"	29.4	30.8	30.5	25.9	23.0
Reserve ratio†	51.0	51.4	51.6	50.5	50.4

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £8,556; capital, £14,553,000; rest, £3,250,316.

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Rumania appeared in The Economist of April 23rd; Denmark, of May 14th; Danzig, Egypt, Lithuania, and Spain, of May 28th; Argentina, Bulgaria, Finland, Greece, Hungary, India, Jugoslavia, Latvia, New Zealand, Norway and Sweden of June 4th.

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

	May 31, 1937	Mar. 31, 1938	Apr. 30, 1938	May 31, 1938
ASSETS				
Gold in bars	51.0	20.9	21.1	32.3
Cash	42.6	22.2	20.6	21.0
Sight funds	43.6	15.8	19.6	16.5
Bills and acceptances				
(a) Commercial bills	117.8	126.8	132.3	140.1
(b) Treasury bills	131.4	102.8	90.3	100.3
Time funds at interest	36.2	53.9	57.6	53.2
Sundry bills & invests.	273.9	300.5	293.3	282.2
Other assets	1.7	1.2	1.1	2.2
LIABILITIES				
Capital paid up	125.0	125.0	125.0	125.0
Reserves	23.2	23.2	23.2	24.3
Long-term commitments:				
(1) Annuity trust account deposits	152.9	153.2	153.3	153.2
(2) Govt. deposits	119.3	106.1	106.1	103.3
Short term and sight deposits:				
(1) Central banks:				
Own account	215.8	179.2	170.8	183.9
(2) Central banks:				
For acct. others	3.5	3.3	1.9	1.9
For acct. others	0.4	2.2	2.4	2.3
(3) Other deposits:				
Sight deposits	16.6	9.6	9.8	9.8
Miscellaneous items	33.3	42.3	43.3	36.4
Profits (dist. July 1)	7.9	...	...	7.9

U.S. FEDERAL RESERVE BANKS
Million \$'s

	June 10, 1937	May 12, 1938	June 2, 1938	June 9, 1938
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treas.	8,831	10,644	10,639	10,637
Total reserves	9,155	11,077	11,036	11,045
Total cash reserves	306	427	389	398
Total bills discounted	14	8	8	9
Bills bt. in open mkt.	6	1	1	1
Total bills on hand	20	9	9	9
Industrial advances	22	16	17	17
Total U.S. Govt. secs.	2,526	2,564	2,564	2,564
Total bills and secs.	2,569	2,589	2,590	2,590
Total resources	12,436	14,305	14,320	14,263
LIABILITIES				
F.R. notes in actual circulation	4,202	4,133	4,157	4,136
Aggregate of excess mfr. bank res. over reqts.	930	2,480	2,640	2,710
Deposits—Member-bank reserve account	6,929	7,560	7,745	7,848
Govt. deposits	85	1,361	1,093	1,005
Total deposits	7,293	9,292	9,251	9,251
Cap. paid in and surplus	305	309	309	309
Total liabilities	12,436	14,305	14,320	14,263
Ratio of total res. to deposit and F.R. note liab. combined	79.6%	82.5%	82.4%	82.5%
U.S.F.R. BANKS AND TREASURY COMBINED				
RESOURCES				
Monetary gold stock	12,118	12,880	12,918	12,940
Treasury and Nat. Bk. currency	2,547	2,695	2,703	2,703
LIABILITIES				
Money in circulation	6,435	6,396	6,469	6,437
Treasury cash and deposits with F.R. Bks.	3,339	3,576	3,347	3,282

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

	June 10, 1937	May 12, 1938	June 2, 1938	June 9, 1938
Total gold reserves	3,380.3	4,625.9	4,744.3	4,560.8
Total bills discounted	7.9	2.7	2.1	2.1
Bills bt. in open mkt.	2.0	0.2	0.2	0.2
Total U.S. Govt. secs.	725.0	745.8	745.8	745.8
Total bills and securities	740.9	753.2	752.5	752.5
Deposits—Member-bank reserve account	2,982.9	3,483.9	3,708.6	3,580.2
Total res. to dep. and Fed. Res. note liabilities combined	83.8%	87.5%	87.8%	84.7%

FEDERAL RESERVE REPORTING
MEMBER BANKS.—Million \$'s

	May 26, 1937	May 27, 1938	May 18, 1938	May 25, 1938
ASSETS				
Loans, total	9,529	8,587	8,408	8,345
Investments	12,653	12,237	12,271	12,252
Reserve with Federal Reserve banks	5,385	6,066	6,107	6,230
Due from domestic bks.	1,796	2,256	2,315	2,328
LIABILITIES				
Deposits: demand (adjusted)	15,528	14,598	14,569	14,697
Time	5,222	5,230	5,209	5,212
U.S. Government	181	385	545	538
Inter-bank	5,585	5,969	6,047	6,010

BANK OF FRANCE.—Million francs

	June 3, 1937	May 5, 1938	May 25, 1938	June 2, 1938
ASSETS				
Advances on gold coin	1,099	55,807	55,808	55,808
Bills: Commercial	8,896	11,090	9,639	7,647
Bought abroad	1,024	774	774	760
Advances on securities	3,990	3,878	3,454	3,549
Thirty-day advances	659	1,414	1,131	337
Loans to State without interest: (a) general	19,980	14,014	14,014	14,014
(b) provisional	5,642	5,575	5,575	5,575
Negotiable bonds	3,985	4,372	4,155	4,115
Sinking Fund Dept.	86,971	98,960	98,923	101,078
LIABILITIES				
Notes in circulation	2,488	2,280	3,248	3,026
Deposits: Public	13,688	21,233	17,341	14,222
Private	2,686	3,769	3,340	2,809
Other liabilities	55.6%	45.5%	46.6%	47.1%

* From July 29, 1937, based on franc at 43 (against 49) milligrams.
† Of which Frs. 18,050 millions under Convention of June 30, 1937 (permissible limit, Frs. 20,000 millions).

REICHSBANK
Million Reichsmarks

	May 31, 1937	Apr. 30, 1938	May 23, 1938	May 31, 1938
ASSETS				
Gold	68.1	70.8	70.8	70.8
Of which deposited abroad	19.4	20.3	20.3	20.3
Res. in foreign currencies	5.9	5.1	5.6	5.4
Bills of exchange and cheques	505.4	585.2	502.2	584.9
Silver and other coin	172.1	152.3	251.8	172.6
Advances	50.0	59.0	45.9	56.8
Investments	414.2	417.9	844.1	844.2
Other assets	774.8	1461.5	1273.9	1200.7
LIABILITIES				
Reserves	493.0	514.4	514.4	514.4
Notes in circulation	4901.8	5086.2	5608.3	6268.7
Other daily maturing obligations	803.9	1030.8	1007.5	1020.8
Other liabilities	192.4	238.2	234.4	246.3
Cover of note circulatn.	1.52%	1.25%	1.36%	1.22%

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

	June 1937	May 1938	May 30, 1938	June 6, 1938
ASSETS				
Gold and English stg.	1937	1938	1938	1938
Other coin, bullion, &c.	16.01	16.01	16.01	16.01
Money at short call—London	32.90	25.98	26.72	25.76
Short-term loans	3.69	91.50	90.16	88.58
Secrs. and Treas. bills	76.59	91.50	90.16	88.58
Discounts and advances	9.62	12.79	12.78	12.75
LIABILITIES				
Notes issued	47.04	50.28	49.03	49.03
Res. pm. on gold sold	7.75	7.75	7.75	7.75
Deposits, etc.	82.00	86.06	86.11	83.51

NATIONAL BANK OF BELGIUM
Million belgas

	May 1938	May 1938	May 1938	June 1938
ASSETS				
Gold	3,101	2,734	2,693	2,685
Silver and other coin	50	54	55	53
Foreign exchange, etc.	1,152	718	742	742
Bills and securities	566	87	872	885
Advances	45	137	133	134
LIABILITIES				
Notes in circulation	4,366	4,128	4,116	4,157
Deposits: Govt.	398	287	279	213
Other	...	...	...	...

BANK OF CANADA
Million \$'s

	May 26, 1937	Apr. 23, 1938	May 25, 1938	May 25, 1938
ASSETS				
Reserve, of which:	204.7	204.6	208.0	211.3
Gold coin and bullion	187.3	180.7	181.3	182.3
Securities	148.1	172.1	170.4	172.3
LIABILITIES				
Notes in circulation	130.6	156.6	156.9	155.8
Deposits: Dom. Govt.	22.2	15.7	17.4	22.5
Chartered banks	191.4	199.6	191.7	194.1
Reserves to notes and deposit liabilities	59.3%	54.6%	56.4%	56.3%

BANK OF ESTONIA
Million Estonian kronas

	May 23, 1937	Apr. 15, 1938	May 23, 1938	May 23, 1938
ASSETS				
Gold coin & gold bullion	34.19	34.22	34.24	34.25
Net foreign exchange	12.76	10.98	10.55	10.57
Home bills discounted	9.94	10.59	9.91	10.29
Advances	12.76	10.98	10.55	10.57
LIABILITIES				
Notes in circulation	45.01	51.27	48.15	49.79
Sight dep. of current accounts, of which:	32.22	30.30	30.98	29.00
(a) Government	25.16	18.35	18.45	16.74
(b) Bankers	6.15	9.67	9.79	10.00
Reserve to current liabilities	62.7%	61.9%	63.0%	62.9%

NATIONAL BANK OF CZECHOSLOVAKIA.—Million Cz. Kr.

	May 31, 1937	Apr. 30, 1938	May 31, 1938	May 31, 1938
ASSETS				
Gold	2,578	2,658	2,654	2,653
Balance abroad and foreign currencies	444	422	384	363
Discounts and advances	1,865	2,720	3,223	3,549
State notes debt	2,017	2,007	2,007	2,007
LIABILITIES				
Bank notes in circulatn.	5,789	7,123	7,573	7,936
Deposits	402	245	681	335

BANK OF JAPAN.—Million yen

	May 15, 1937	Apr. 16, 1938	May 14, 1938	May 14, 1938
ASSETS				
Coin and bullion: Gold	539.5	801.0	801.0	801.1
Other	47.2	36.2	36.8	38.3
Discounts and advances	783.1	510.1	507.6	501.6
Government bonds	659.8	1165.1	1051.1	1015.8
Agencies' accounts	86.8	97.8	114.5	102.3
LIABILITIES				
Notes issued	1335.2	1725.0	1784.3	1700.7
Deposits: Government	432.8	482.2	358.1	380.6
Other	52.2	92.8	103.0	122.1

BANK OF JAVA.—Million florins

	June 1937	May 1938	May 28, 1938	June 4, 1938
ASSETS				
Gold and silver	125.69	136.71	136.52	136.94
Discounts, advances & other investments	74.62	76.79	73.43	75.12
Foreign bills	5.25	1.65	1.63	2.45
Other assets	83.22	58.90	49.96	50.56
Notes in circulation	195.62	190.95	184.61	188.91
Deposits and bills	79.45	62.65	62.46	61.65

NETHERLANDS BANK
Million florins

	June 7, 1937	May 30, 1938	May 30, 1938	June 3, 1938
ASSETS				
Gold	1146.1	1480.3	1480.8	1500.5
Silver	18.6	20.0	20.3	...
Home bills, &c.	18.2	9.2	9.2	8.6
Foreign bills	2.4	5.4	5.4	5.4
Loans and advances in current account	170.7	331.6	330.7	329.7
LIABILITIES				
Notes in circulation	824.0	931.1	944.3	932.1
Deposits: (a) Govt.	57.6	141.6	135.6	...
(b) Other	494.0	792.1	785.9	...

BANK OF POLAND
Million zloty

	May 31, 1937	Apr. 30, 1938	May 30, 1938	May 31, 1938
ASSETS				
Gold	412.5	439.0	440.2	440.8
For. exch. and balances	40.5	14.5	18.8	20.3
Bills discounted	520.8	633.7	606.3	647.1
Loans against securities	32.3	32.9	32.7	31.9
Treas. bills discounted	13.5	42.8	38.4	40.1
Securities	24.6	127.3	127.5	127.6
LIABILITIES				
Notes in circulation	975.3	1141.0	1059.0	1123.3
Sight liabilities:				
(a) Government	1.0	51.7	54.7	61.6
(b) Others	266.8	173.5	225.4	216.4

BANK OF PORTUGAL
Million escudos

	Mar. 31, 1937	Mar. 31, 1938	Mar. 31, 1938	Mar. 31, 1938
ASSETS				
Gold	1937	1938	1938	1938
Balances abroad	913.4	917.3	917.3	917.3
Discounts	617.5	569.4	556.5	558.5
Securities	320.8	332.6	341.1	343.4
Government loans	124.5	120.6	120.6	120.6
LIABILITIES				
Notes in circulation	2058.9	2022.3	2006.1	2033.1
Deposits: Government	524.3	636.2	665.8	

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	June 2, 1938	June 3, 1938	June 4, 1938	June 5, 1938	June 6, 1938	June 7, 1938	June 8, 1938
London:—	Old Par 4-8666	4-9378	4-9416	4-9416	4-9416	4-9416	4-9416	4-9416
60 days ...	New Par 4-9416	4-9416	4-9416	4-9416	4-9416	4-9416	4-9416	4-9416
Cables ...	8-2397	4-9416	4-9416	4-9416	4-9416	4-9416	4-9416	4-9416
Demand ...	6-63	2-7716	2-7716	2-7716	2-7716	2-7716	2-7716	2-7716
Paris, Fr.	23-54	16-9014	16-9014	16-9014	16-9014	16-9014	16-9014	16-9014
Brussels, Bel. ...	32-67	22-77	22-77	22-77	22-77	22-77	22-77	22-77
Switz'd. Fr.	8-91	5-2614	5-2614	5-2614	5-2614	5-2614	5-2614	5-2614
Italy, Lira.	40-33	40-1312	40-1312	40-1312	40-1312	40-1312	40-1312	40-1312
Berlin, Mk.	23-82	...	...	...	...	...	...	...
Vienna, Sch.	32-67	...	...	...	...	...	...	...
Madrid, Pt.	55-1712	55-22	55-2112	55-2112	55-2112	55-2112	55-2112	55-2112
Amst'dm Gldr. ...	22-0712	22-10	22-0712	22-10	22-10	22-10	22-10	22-10
Oslo, Kr.	24-85	24-8712	24-8712	24-8712	24-8712	24-8712	24-8712	24-8712
Cop'h'gn, Kr.	25-50	25-5212	25-5212	25-5212	25-5212	25-5212	25-5212	25-5212
S'ph'm, Kr.	1-2912	0-9034	0-9034	0-9034	0-9034	0-9034	0-9034	0-9034
Athens, Dr.	169-31	98-930	98-870	98-870	98-870	98-870	98-870	98-870
M'ntal, Cam. ...	84-40	28-85	28-86	28-86	28-86	28-86	28-86	28-86
Y'o'hama, Yen ...	...	21-62	21-62	21-62	21-62	21-62	21-62	21-62
Shanghai, \$...	...	30-67	30-70	30-70	30-70	30-70	30-70	30-70
B. Aires, Peso ...	11-96	...	...	...	...	...	...	...
Rio, Ms. f.	...	...	...	...	...	...	...	...

Usance: T.T. * Dollars per £1. † Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER
Week ended June 9, 1938

From	Imports		To	Exports	
	Bullion	Coin		Bullion	Coin
GOLD			GOLD		
British S. Africa ...	784,733	662,707	Canada ...	1,350	9,281
New Zealand ...	33,588	...	Finland ...	44,498	...
Canada ...	102,917	...	Netherlands ...	57,300	281,352
Soviet Union ...	2,270,887	...	France ...	248,037	...
Belgium ...	1,226,090	...	Syria ...	...	17,781
Switzerland ...	12,674	29,278	Switzerland ...	...	10,409
Venezuela ...	27,857	...	United States ...	1,107,042	...
Total*	4,386,388	810,413	Total*	1,210,540	569,839
SILVER			SILVER		
British S. Africa ...	98	...	Sweden ...	1,940	...
New Zealand ...	1,426	300	Denmark ...	1,070	...
Canada ...	19,385	11,140	Germany ...	13,595	...
Belgium ...	10,668	280	France ...	27,056	...
Switzerland ...	14,000	...	United States ...	36,040	1,720,000
Total*	47,414	14,202	Total*	80,446	1,720,000

* Including other countries.

MONTHLY STATEMENT OF LONDON CLEARING BANKS

(000's omitted)

Average Weekly Balance May, 1938	Barclays Bank Limited	Courts and Co.	District Bank Limited	Glyn, Mills and Co.	Lloyds Bank Limited	Martins Bank Limited	Midland Bank Limited	National Bank Limited	National Provincial Bank Limited	Westminster Bank Limited	Williams Deacon's Bank Limited	Aggregate
ASSETS												
Coin, bank notes and balances with the Bank of England	44,054	1,827	7,949	3,223	37,874	9,613	51,957	3,182	32,070	35,695	3,703	231,147
Balances with and cheques in course of collection on other Banks in Great Britain and Ireland	11,564	681	2,257	3,126	10,652	3,032	12,569	300	6,910	8,820	1,728	61,639
Items in transit	...	...	...	...	4,030	649	...	...	...	...	...	4,679
Money at call and short notice	26,377	1,675	7,733	6,283	23,914	6,455	19,504	4,883	21,834	21,806	5,595	146,059
Bills discounted	59,150	826	4,154	458	37,737	4,199	81,930	1,511	34,870	54,035	742	279,612
Investments	95,378	8,877	29,640	11,046	106,586	31,818	124,831	14,302	84,234	112,272	11,578	630,562
Advances to customers and other accounts	198,860	10,297	30,154	9,332	168,783	43,425	214,216	17,190	143,712	130,414	14,659	981,042
Liabilities of customers for acceptances, endorsements, etc.	10,358	738	7,818	3,323	35,822	7,641	18,923	212	8,907	20,634	1,669	116,045
Bank premises account	7,378	412	1,581	740	7,524	2,684	9,815	657	7,319	5,166	1,070	44,346
Investments in affiliated banks and subsidiary companies	6,993	...	...	...	3,525	...	7,874	...	2,514	2,993	...	23,899
Total	460,112	25,333	91,286	37,531	436,447	109,516	541,619	42,237	342,370	391,835	40,744	2,519,030
LIABILITIES												
Capital paid up	15,858	1,000	2,977	1,060	15,810	4,160	15,157	1,500	9,479	9,320	1,875	78,196
Reserve fund	10,750	1,000	2,977	530	9,500	3,500	12,409	1,140	8,500	9,320	800	60,426
Current, deposit and other accounts	423,146	22,595	77,514	32,328	375,308	94,194	495,130	38,040	315,484	352,547	36,400	2,262,686
Acceptances, endorsements, etc.	10,358	738	7,818	3,323	35,822	7,641	18,923	212	8,907	20,634	1,669	116,045
Notes in circulation	...	...	...	...	7	...	...	1,345	...	14	...	1,387
Reduction of bank premises account	...	...	...	290	...	...	...	...	...	...	...	290
Total	460,112	25,333	91,286	37,531	436,447	109,516	541,619	42,237	342,370	391,835	40,744	2,519,030

OIL OUTPUTS

The Venezuelan Oil Concessions, Ltd.—Total output for the week ended May 28, 1938, was 1,117,704 barrels. Total output week to June 4, 1938, 1,157,128 barrels.

Trinidad Petroleum Development Company, Ltd.—Production for week ended May 28th: 59,205 barrels. Production for May: 264,923 barrels; deliveries for May, including purchased oil, 286,610 barrels; production for week ended June 4: 56,579 barrels.

Dacia Romano Petroleum Syndicate, Ltd.—Gross production for May: Dacia,

1,612 tons; Perimeter X, 2,893 tons; Starnaphtha, 679 tons.

British Controlled Oilfields, Ltd.—Total production for May: 57,392 barrels; shipments for May: 53,277 barrels; production for week ended June 4: total, 12,786 barrels.

Kern Oil Company, Ltd.—The total output during May was 210,166 barrels, or approximately 30,024 tons.

Tampico Oil, Ltd.—The total production from the company's properties in Mexico during May was 10,711 barrels, in respect

of which the royalty due to Tampico Oil, Ltd., was 803 barrels.

Trinidad Leaseholds, Ltd.—Oil produced during May, 44,311 tons; oil purchased during May from other companies, 78,101 tons.

Phoenix Oil and Transport Company, Ltd.—The gross production of crude oil of the Phoenix Group for May was 61,827 tons.

Trinidad Consolidated Oilfields, Ltd.—The output for May was 66,464 barrels, which was an increase of over 11 per cent. on the April output.

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended June 5 (£'000)					Aggregate Gross Receipts, 22 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Goods	Total	Passenger	Merchandise	Coal & Coke	Goods	Total
L. M. & S.—										
1937	513	514	247	761	1,274	9,810	10,737	6,011	16,748	26,558
1938	676	434	235	669	1,345	9,718	10,464	5,933	16,397	26,115
L. & N. E. (a)—										
1937	339	360	257	617	956	6,430	7,430	5,630	18,060	19,490
1938	406	320	218	538	956	6,297	7,301	5,584	12,885	19,182
Great Western—										
1937	219	215	115	330	549	4,111	4,303	2,512	6,815	10,926
1938	273	193	101	294	549	4,062	4,251	2,522	6,773	10,835
Southern—										
1937	353	64	29	83	446	6,341	1,337	721	2,058	8,399
1938	407	60	26	86	493	6,235	1,325	707	2,032	8,317
Total—										
1937	1,424	1,153	648	1,801	3,225	26,692	28,807	14,874	38,681	65,373
1938	1,756	1,007	580	1,587	3,343	26,362	23,341	14,746	38,087	64,449

(a) Week ended June 4.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+1,329	+1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+1,443	+1,099	+ 647	+ 372
Gross decrease first half 1938, over first half 1937	- 443	- 308	- 91	- 82
Weekly Figures				
Av. weekly decrease, 1st half 1938, latest week compared with 1937	- 20.14	- 14.00	- 4.14	- 3.73
Latest week compared with average 1937-38	- 71	- 18	- 18	- 47
1937-38	- 38	- 26	- 9	- 70

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended June 3 (£'000)			Aggregate Gross Receipts, 22 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	2-4	0-5	2-9	43-0	10-9	53-9
1938	2-2	0-3	2-5	41-0	9-6	50-6
Great Northern—						
1937	10-7	9-8	20-5	192-2	210-6	402-8
1938	9-8	9-4	19-2	191-6	192-8	384-4
Great Southern—						
1937	33-1	43-0	76-1	652-9	927-0	1,579-9
1938	33-4	39-7	73-1	660-8	871-0	1,531-8

AMERICAN RAILROADS

Company	Month of April, 1938	Compared with April, 1937	4 Months 1938	Compared with 4 Months 1937
Baltimore and Ohio	Gross 10,054,000	- 5,032,000	40,555,000	- 17,787,000
	Net 495,000	- 1,932,000	292,000	- 9,197,000
Erie	Gross 5,324,000	- 2,233,000	21,046,000	- 7,881,000
	Net 17,000	- 1,518,000	Dr. 252,000	- 5,982,000
New York Central	Gross 22,948,000	- 7,729,000	93,005,000	- 31,697,000
	Net 82,000	- 4,124,000	Dr. 1,717,000	- 19,107,000
Pennsylvania Railroad	Gross 27,918,000	- 11,573,000	110,823,000	- 43,367,000
	Net 3,524,000	- 3,073,000	10,649,000	- 13,821,000
Southern Pacific	Gross 15,095,000	- 3,082,000	59,787,000	- 14,562,000
	Net 371,000	- 1,620,000	Dr. 1,629,000	- 10,281,000
Union Pacific	Gross 10,363,000	- 2,010,000	40,645,000	- 9,399,000
	Net 573,000	+ 395,000	2,655,000	- 917,000

† Net operating income.

Burntisland Shipbuilding Company.—Profits for year ended March 31, 1938, £62,832, an increase of £18,241. Also £1,750 profit on sale of an investment. To taxation, £19,199 (£6,080); depreciation, £10,000 (same). Ordinary distribution raised by 2 per cent. to 10 per cent. To reserve £15,000 (same). Carry forward raised from £5,369 to £14,802.

Manchester Collieries.—Profit for 1937, £331,305, an increase of £31,311. Ordinary dividend raised from 4s to 5s per cent. Written off goodwill, £29,564. To amortisation reserve £43,326 (£30,062). Written off railway wagons, £21,146 (£14,504). Mine rents reserve, £4,982 (£4,630). To timber stocks reserve £2,500 (nil). Carry forward raised from £111,554 to £122,427.

"Sanitas" Trust.—Net profit for year to May 31, 1938, £91,276, an increase of £32,165. To general reserve £39,000

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending June 4, 1938, before pooling	582,400	— £2,700
Total 38 weeks to date	27,617,850	+ 596,500
L.P.T.B. receipts, 52 weeks to June 26, 1937	28,732,000	+ 255,000
L.P.T.B. receipts, year to June, 1937, after pooling	30,247,378	+ 522,655
London Transport Pool receipts, year to June 30, 1937	41,377,929	+ 771,590

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit	Dividend
					Prefere. Amount	Ordinary Amount	Rate				
Breweries		£	£	£	£	£	%	£	£	£	%
Marston, Thompson, etc. ...	Mar. 31	138,957	138,377	277,334	15,000	70,800	15†	50,194	141,340	130,263	15†
Electric Lighting, etc. ...	Mar. 31	50,477	535,119	585,596	113,211	344,200	9	30,000	98,185	520,368	9
Edmundson's Electricity ...	Mar. 31	141,499	777,312	918,811	40,000	280,000	10	382,859	215,952	636,761	7½
Iron, Coal and Steel											
Consett Iron	Mar. 31	839,939	768,339	1,608,278	42,500	590,020	20	...	975,758	719,536	20
Cory (Wm.) and Son	Mar. 31	111,555	331,306	442,861	64,938	153,975	5	101,520	122,428	299,995	4½
Manchester Collieries	Mar. 31	50,125	222,426	272,551	23,500	92,250	7½	95,000	61,801	140,906	6½
Ruston and Hornsby	Mar. 31	50,676	189,171	239,847	11,638	72,000	12	104,259	51,950	188,208	12
Shipley Collieries	Mar. 31	24,231	158,583	182,814	10,675	18,325	5	112,128	41,686	45,807	2½
South Hetton Coal	Dec. 31	165,392	251,224	416,616	39,000	165,110	27½	...	212,506	198,812	20
Stone (J.) and Co.	Dec. 31	2,716	11,390	14,106	5,200	5,000	20	1,000	2,906	7,501	20
Motor, Cycle & Aviation											
Mansfields, Ltd.	Mar. 31	Dr. 51,821	Dr. 19,297	Dr. 71,118	...	...	...	...	Dr. 71,118	Dr. 31,586	Nil
Phillips and Powis Aircraft... Oil	Dec. 31	143,823	326,456	470,279	...	233,500	12½	91,464	145,315	302,783	12½
Anglo-Egyptian Oilfields.....	Dec. 31	Dr. 14,124	56,885	42,761	...	...	...	40,000	2,761	22,472	Nil
Attock Oil Company	Dec. 31	14,317	7,848	22,165	...	2,911	5	2,384	16,870	10,101	10
Caledonian (Selangor)	Dec. 31	Dr. 1,148	Dr. 946	Dr. 2,094	...	...	...	...	Dr. 2,094	Dr. 63	Nil
Dahan	Dec. 31	1,036	28,838	29,874	...	12,247	4	15,000	2,627	16,853	4
General Ceylon	Dec. 31	8,714	22,139	30,853	2,903	14,168	5	2,374	11,408	16,897	5
Gordon (Malaya)	Dec. 31	20,173	65,897	86,070	700	28,000	5	30,000	27,370	25,202	5
Linggi	Dec. 31	5,320	9,300	14,620	...	5,600	5	3,390	5,630	6,941	6
Nordanal (Johore)	Dec. 31	1,386	9,226	10,612	...	7,200	6	378	3,034	7,068	5
Rubber Estates of Krian....	Dec. 31	26,992	29,332	56,324	...	13,983	12½	14,000	28,341	17,102	10
Sungei Krian	Dec. 31	Dr. 2,509	263	Dr. 2,246	...	...	...	...	Dr. 2,246	2,008	Nil
Ulu Caledonian	Mar. 31	105,013	400,316	505,329	194,250	90,000	4½	115,875	105,204	462,200	4½
Shipping											
Coast Lines	Dec. 31	316,987	762,625	1,079,612	96,750	464,000 (d)	29(c)	172,132	346,730	799,898	29(c)
Shops and Stores											
Boots Pure Drug Co.	Mar. 31	25,289	16,500	41,789	12,500	2,500	5	2,500	24,289	17,687	5
Burton (Joseph) and Sons... Tea	Apr. 16										
Assam Consolidated	Dec. 31	13,337	40,051	53,388	12,000	14,000	7	13,000	14,388	17,400	Nil
Bamgaon	Dec. 31	3,719	4,671	8,390	...	2,356	10	2,793	3,241	2,595	5
Bamgaon (Sylhet)	Dec. 31	15,656	36,318	51,974	4,750	24,000	20	8,000	15,224	37,451	20
Baraora (Sylhet)	Dec. 31	1,128	30,568	31,696	20,006	...	...	10,481	1,209	20,087	Nil
Bengal United	Dec. 31	3,332	7,203	10,535	560	3,714	15	2,700	3,561	3,520	10
Borjan	Dec. 31	2,790	6,919	9,709	...	3,601	15	2,783	3,325	2,830	10
Boroi	Dec. 31	847	25,104	25,951	3,599	5,903	10	13,189	3,260	12,660	5
Cachar and Dooars	Dec. 31	4,302	20,109	24,411	2,500	13,000	10	4,000	4,911	11,952	6
Moabund	Dec. 31	2,908	11,207	14,115	720	6,300	22½	3,148	3,947	7,362	17½
New Sylhet	Dec. 31	2,990	11,581	14,571	1,453	7,150	15	1,155	4,813	6,784	15
Pathini	Dec. 31	7,269	18,424	25,693	1,960	12,600	22½	2,000	9,133	10,115	15
Rajmai	Dec. 31	8,753	7,668	16,421	...	6,802	42½	400	9,219	4,479	30
Romai	Dec. 31	880	6,964	7,844	...	1,826	10	4,950	1,068	3,150	5
Rupajuli	Dec. 31	1,869	6,278	8,147	...	2,400	6	4,000	1,747	2,950	5
Zaloni	Dec. 31										
Textiles											
Woodrow (John) and Son ...	Mar. 31	7,800	11,019	18,819	4,875	3,625	5	1,229	9,090	15,668	8
Tramways and Omnibus											
British Electric Traction ...	Mar. 31	1,535,955	446,472	1,982,427	163,121	98,028	15(e)	...	1,721,278	390,895	15(e)
Lisbon Electric Tramways...	Dec. 31	36,590	146,046	182,636	25,533	71,328	7½†	55,000	30,775	150,823	7½†
Para Electric Railways	Nov. 30	Dr. 39,142	Dr. 49,019	Dr. 88,161	...	...	...	...	Dr. 88,161	Dr. 24,269	Nil
Southdown Motor Services...	Mar. 31	18,484	85,543	104,027	...	75,000	10	10,000	19,027	85,390	10
Tilling-Stevens, Ltd.	Dec. 31	Dr. 157,084	35,336	Dr. 121,748	...	...	...	...	Dr. 121,748	9,630	Nil
Trusts											
First Scottish American.....	May 2	13,164	39,364	52,528	7,160	23,707	20	10,000	11,661	38,957	20
Rhodesia Railways Trust ...	Mar. 31	300,858	59,018	359,876	...	100,288	5†	...	259,588	115,857	5†
2nd Lond. Scottish American											
Trust Union, Ltd.	Apr. 30	23,347	49,755	73,102	30,000	12,000	3	5,000	26,102	40,377	3
Other Companies											
Argosy, etc., Libraries	Mar. 31	31,159	70,341	101,500	15,188	33,520	10	16,000	36,792	64,902	9
Banister Walton & Co.	Mar. 31	426	8,605	9,031	3,600	3,675	7½	1,000	756	7,734	7
Barnagore Jute Factory	Mar. 31	17,960	42,859	60,819	...	20,169	25	26,192	14,458	50,045	22½
Bradford (F.) & Co.	Mar. 31	14,612	17,820	32,432	10,000	13,750	5	...	8,682	24,597	5
Brown (Thomas) and Sons....	Jan. 31	9,360	9,367	18,727	508	1,305	6	...	16,914	(a)	(a)
Brownlee and Co.	Mar. 31	1,518	23,212	24,730	7,425	6,750	5	8,868	1,687	17,491	3½
Cambury Coffee, etc.	Mar. 31	49,657	58,853	108,510	3,688	39,369	12½†	15,000	50,453	66,767	15†
Cope Brothers & Co.	Dec. 31	3,565	33,297	36,862	...	25,200	6	8,707	2,955	33,371	7
Fisher's Fois	Mar. 31	56,309	45,940	102,249	...	38,344	10	5,000	58,905	47,300	13½(e)
H. L. Cabinet Works.....	Apr. 30	6,984	26,406	33,390	...	5,000	5	22,000	6,390	14,763	5
Holbrooks, Ltd.	Mar. 31	9,744	30,042	39,786	13,808	...	...	19,000	6,978	9,474	Nil
Marston Valley Brick.....	Mar. 31	22,130	35,874	58,004	2,800	33,000	11½	...	22,204	38,580	12½
Oceana Laundry	Mar. 31	15,529	182,539	198,068	...	94,202	17½	83,127	20,739	180,385	20
Sanders and Co.	Apr. 30	809	5,469	6,278	2,212	1,475	4	2,000	591	8,171	10
Yorkshire Dyeware, etc.	Mar. 31	4,174	24,389	28,563	...	10,875	15	10,138	7,550	11,479	15
Total Profits, 1938, in £000's:											
To June 4.....	1,206	48,291	175,346	223,637	28,811	90,953	...	51,063	52,810	155,410	...
To June 11	1,269	52,518	182,141	234,659	29,820	94,462	...	52,806	57,571	161,520	...

† Free of income tax. (a) No comparable figure. (b) Six months. (c) 5 per cent. paid free of income tax. (d) Also special cash distribution of 2d. per share. (e) Includes bonus of 10 per cent. in shares. (f) Absorbed £15,500. (g) Absorbed £38,109.

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provides, or in the adequacy of its news service, the B.B.C. has fallen behindhand. It is, of course, impossible to please everybody, and there has always been running criticism of its programmes. But in general terms, the British public is satisfied with its broadcasting service, which it believes to be as good as any in the world.

Whatever judgment may be passed on the B.B.C.'s general services, there is little, if any, room for difference of opinion on one vital issue: that of political impartiality. Here, Sir John Reith's regime, taken as a whole, passes the test triumphantly. A decade and a half ago a few discriminating people realised that a monopoly of the use of the air for broadcasting might have very serious hidden dangers. To-day, it is crystal clear to the whole world that the right of expressing opinion through the microphone may be one of the most powerful, if not *the* most powerful instrument for good or evil; and that the power of controlling the knowledge of events which is vouchsafed to the people of a country may spell the difference between their being slave or free.

In the past ten years the B.B.C. has had to create new traditions in this respect. The confidence which the public feels in the information contained in the news bulletins is proof of the B.B.C.'s success. Indeed, it would not be unfair to say that the poise of the B.B.C. bulletins has greatly helped to give the British public a power of discrimination which has exercised a salutary influence on the Press and the screen. It is far more difficult to-day to bamboozle the common people of England—whether from the soap box, in the cinema or even by the printed word—than it would have been in past decades. If unbiased information tends to break down the barriers of party feeling and thereby to make the traditional organisation of democracy on a party basis more difficult and uncertain, it has unquestionably helped to consolidate the feeling for democracy itself. The dangers to which we refer still lurk in the background. Sir John has had his troubles with Government departments;

and one wonders what would happen to this independent monopoly in time of war. But up to the present the difficulties have been successfully overcome.

Sir John Reith would, of course, be the first to repudiate any suggestion that he alone is responsible for the happy evolution of this great experiment. He has been protected from interference and has been assisted and advised by an authoritative Board of Governors. He has had the advice of experienced Committees in many aspects of his work. But, above all, he has done his work under the searchlight of a critical public and in a country where Parliament and a free Press were on the watch. While it would be a little hard on some of our neighbours to suggest that a country gets the broadcasting service which it deserves, it is certainly very true that the B.B.C. is a typical reflection of twentieth-century Britain.

These reflections inevitably suggest the question whether, and by what road, the totalitarian countries will be able to escape from their present mental servitude, one of the most binding shackles of which is propaganda through the microphone. Our experience has shown that a monopoly of the air is not incompatible with democracy. But such compatibility can only permanently be secured on condition that the service itself is deliberately made independent of the political organs of the State and that there are other effective means, such as Parliament and the Press, through which differences of opinion on any topic can be freely ventilated. It is not to be expected that, short of a revolution, the dictators will hand over to anybody else the control of the air. The inevitable return of some measure of freedom must rather be looked for in the gradual unmuzzling of the Press. Meanwhile, there is hope in the comforting fact that scientists have not yet discovered a way of damming the ether waves themselves. And this means that some remain, even in the most closely guarded of dictatorships, who are able to listen and to learn from other countries other versions of many-sided truth.

Wages and Household Means

IF Great Britain has passed for good out of the Dark Ages of industrialism it is because we have ceased to think of "hands" in the same terms as we think of power or machinery. These same "hands" are no longer a mere factor in production or an element in costs; but the men and women for whose welfare the economic organism exists and functions. Moreover, anyone who has administrative responsibility knows from experience that every group of people, whether it be the employees of a firm, a unit in an army, or the members of a college or institution, presents some individual problem which requires that rules and regulations shall be applied with understanding and humanity.

These truths are illustrated on the grand scale in the Annual Report of the Unemployment Assistance Board, which records year by year the progress of the very ambitious attempt that this country is making to abolish destitution. Its two hundred pages are at first sight mainly concerned with the arid details of elaborate Acts of Parliament, administrative machinery and statistics; but behind this rather forbidding exterior is the record of a great organisation of officials and voluntary workers who are seeking to apply to hundreds of thousands of individual human problems the general rules framed by the central Government. The account reveals the extent to which the economic system still fails to employ the full capabilities of the population and the infinite variety of the need which arises for public assistance.

The Report is able to record that the great change of a few years back, which brought under a centralised organisation the whole system of assistance to those unemployed whose right to insurance benefits had lapsed, is working with greater ease and smoothness every year, and that the anomalies and inequalities are being done away with. No voice would now be raised to undo this important act of centralisation. But the greater possibility of seeing the picture as a whole is throwing into sharper focus the contrast between the income required to meet family needs and the income which many families in fact receive in the form of wages for work done. The U.A.B. is thus bringing to the fore a problem which has long been lurking in the background—but is now being underlined by the responsibility, which the State now accepts, of securing for every individual or family an income sufficient for its needs.

The use of the wage system as the main inducement to work requires that those who do not work shall not be as well off as those who do. The operations of the U.A.B. are therefore guided, like those of the Poor Law Commissioners a hundred years ago, by the principle of "less eligibility." Then, the rubric ran, "the condition of the pauper must be less eligible than that of the lowest-paid independent labourer in work." To-day, the U.A.B.'s regulation reads: "the assessment of an applicant's needs shall, in the absence of exceptional needs or special circumstances, be less than the amount which would ordinarily be available

for the support of the household out of the earnings of the applicant and other members of the household."

The purpose of this restriction is clearly to prevent the relief of distress due to unemployment from becoming a premium upon idleness. Actually, the principle is far from easy to apply in practice. For in the case of an appreciable number of applicants for assistance, allowances lower than normal earnings would be insufficient to cover the cost of the barest needs. The Report of the Unemployment Assistance Board for 1937 cites a number of such cases. "Wages," the Board points out, "are not determined primarily, if at all, by reference to the family responsibilities of the earner." The earnings of unskilled labourers with large families and of women with dependants not infrequently fall short of the Board's assessment of their needs. Indeed, earnings are often far below the minimum level laid down by Mr Rowntree and nutritional experts as necessary for the maintenance of health and physique.

The Pilgrim Trust's recent investigation of long unemployment revealed the same problem of basic poverty. Up to a point, the Board can cope with the difficulty by an intelligent local interpretation of the terms of the statute which permits it to depart from the general principle to meet "exceptional needs or special circumstances." But even so, the position remains wholly unsatisfactory. For idleness is encouraged, not by the generosity of the Board, but by the niggardliness of the applicants' normal earnings; and the dilemma is likely, in the Board's own words, to have "serious social consequences." The existence of a number of men and women living, even when in work, at a level below adequate physical subsistence ought not easily

to be tolerated. The adverse effects of earnings lower than the barest assessment of need upon the physique, morale, health, nutrition and industrial efficiency of their recipients and their families are far-reaching, and almost beyond remedy by the various agencies which exist to promote physical fitness. The houses of many more even than those unfortunate few are shown in the Board's Report to be obviously in disrepair and neglected.

The nation cannot afford the existence of these depressed conditions—depressed alike in boom and slump, for 1937 was a year of relative prosperity. To-day we are in a period of declining trade. Yet, clearly, the consumption industries will suffer and the depression be deepened if the expenditure of low-paid workers on the necessities of life is not maintained. Expediency and considerations of social justice alike require that the lowest-paid man and woman in work shall receive in wages, or in wages *plus* allowances sufficient to meet the needs of themselves and their dependants.

There are only two ways to achieve this end: by the introduction of child allowances into the industrial wages system; or by the institution of family allowances by State action. The principle of leaving parents with children a larger income than is left in the hands of the childless is part and parcel of income tax law, but persons earning less than £5 a week are not affected by these concessions. Those earning less than, say, 45s. a week suffer gravely for lack of some parallel concession if their families are large. Organised labour and political parties would do well to read and mark the Board's Report and, in conjunction with the employers of industry, to frame a policy to meet what is perhaps the outstanding anomaly of our present system.

War Risks at Sea

(By a Correspondent)

IN 1936, fire companies and underwriters who had been accepting in various degrees and amounts the liability for damage done to property in time of war, took stock of their position and asked themselves whether it was prudent to go on taking this risk. The answer they gave to themselves was "No"; and for the past eighteen months no European insurer has been covering the risk of war on land. The purpose of this article is to put to marine underwriters the same question. Are normal war risks written in time of peace worth while?

The reasons which led the fire managers to their decision were two-fold: first, that the damage likely to be done by war on land exceeded the resources of the insurance market; and, secondly, that the rate of premium obtainable in time of peace was nominal and inadequate to the risk which would have to be borne after the outbreak of war and until the insurances had run off.

It was thought, two years ago, that these two reasons did not apply to marine insurance. The marine underwriter's unit of liability is the value of a ship and her cargo, and the great concentrations of value in buildings and warehouses, which increase by so much war risk on land, are not to be found at sea. And the voyage book of a marine underwriter clears itself far more quickly than the risk book of a fire manager. The marine market, in fact, within a few weeks of the outbreak of war, could put its voyage rates on to a war footing. In the light of what we know now, but did not know then, and particularly in view of what has been happening round the coast of Spain, does that distinction between the fire manager and the marine underwriter still hold good?

Let us take the second of the two points—the speed at which the marine market would, after the outbreak of war, adjust its rates to the new conditions. If the marine

market is to be allowed to do what it did in the last war, quoting for any and every voyage, fixing its own rates, leaving the liability to the Government when danger increased, and cutting the Government's rates when the peril was reduced—if that happens in the next war, then the argument that marine underwriters would soon be filling their books at rates appropriate to war, would no doubt be sound. But is there any reason to believe that this will happen? Is it conceivable that the Government will do what it did in 1914, taking all the risks that are underpaid and none that are overpaid? Is it not almost certain that all war risks on cargoes, at least in British bottoms, will have to go to the Government, and that the marine market will have no cargoes to insure against war risks, except perhaps those that are carried under a neutral flag? If that surmise is correct, then the theory that the marine underwriter will be able to adjust his war rates quickly to war conditions collapses; for there will be no British cargo on which to raise rates.

If that forecast should turn out to be sound, the position of the marine underwriter on cargo at the outbreak of war will be unenviable. His war underwriting in British bottoms will have come to an end and he will have no more premium on British borne cargo; but he will have outstanding a considerable—a very considerable—amount of liability on cargoes which are waterborne at the outbreak of war or are loaded and become waterborne within forty-eight hours of the war cancellation notice being given. In ports, in the North Sea, in the Channel, in the Mediterranean and in the nearer waters of the Atlantic he will be covering at 3d., 6d. or 2s. 6d. per cent. a large number of cargoes in British bottoms all within striking distance of the enemy's forces. And it will be on those risks and those only that the result of his war underwriting,

so far as British shipping is concerned, will depend. He will have no more war premiums with which to pay his claims, but if there are heavy losses in the first week or fortnight they will fall on him. He will have to meet them out of his peace-time premiums.

What would happen at sea in the first week of war is clearly a matter of conjecture, but it needs no prophetic instinct to guess that attempts to deal a quick knock-out blow would not be confined to raids on shore property. An enemy would tell himself that the first few weeks, or even the first few hours, of warfare at sea were his golden opportunity. The period before the convoy system had come fully and effectively into operation would be the time for submarines to raid the Channel, the Mediterranean and the Atlantic passages. Before anti-aircraft guns had been fitted to the decks of merchant steamers would be the time for seaplanes to search the trade routes. Before the air-raid defences of docks and harbours had been tested would be the time for enemy planes to swoop over and try to bomb steamers as they loaded and discharged their cargoes, not only in home but in foreign ports.

It is not suggested that such tactics of an enemy would necessarily be successful or that the damage done in the first week or fortnight of war must be either great or disastrous. But it would be absurd to deny that these

earliest stages of warfare would be a most critical time for waterborne cargo—probably the most critical time of the whole war. The attack might prove to be less formidable than the defence and be successfully repelled from the first moment; but other possibilities exist. The result of that early clash between attack and defence cannot be foretold. And be the losses great or small, they must be borne by past arrivals. There will be no current premiums.

It might, therefore, be a good thing if underwriters, in writing war risks at present rates, had clearly in their minds that the first fortnight or month of war is what they are really writing. For a present stream of threepences, sixpences and half-crowns they are accepting liability for the uncertainties of that short but enormously critical period, and unless they reserve year by year the war premiums which they take on arrivals in time of peace they are not likely to have a fund of war premiums to pay for any losses which may fall on them in war. And the extent of their war liability, it must be remembered, is not fixed by the amount that they choose to write specifically on war risks. Since most war risk in time of peace is placed in conjunction with marine, their war liability is for the most part concurrent with their marine liability and what they have insured against perils of the sea they have also insured against perils of the air and the submarine.

Essays in Autarky

Can Italy Feed Herself?

Italy can and must achieve the maximum useful level of economic autonomy, for time of peace and above all for time of war. The whole Italian economy must be turned towards this supreme necessity: on it depends the future of the Italian people.—Signor Mussolini.

ITALY'S "battle for autarky" has brought into sharp focus conflicting trends of theory and practice which a close observer might have seen grappling each other, beneath the surface, for the last thirty years. In the supreme efforts now being made to render Italy fit to produce all her nutritive needs, the problems which have agitated agronomes since the days of Jacini and the Great Enquiry—*latifondi*, *bonifica*, reforestation, syndicalism, co-operatives—all receive their joint solution in terms of Signor Mussolini's pronouncement.

The corpses of dead problems infest the ministries of Rome. Will Nature give them life again? She has done her best this year by producing a drought which has affected a large part of the wheat crop. Now everybody knows that the *battaglia del grano* must be renewed again, and more vigorously. The first of the accompanying tables shows how the conflict has moved back and forth in recent years. Until the average annual production can be stabilised at

about 85 million quintals, Italy must remain to some extent dependent on imported wheat.

TABLE 1: WHEAT PRODUCTION AND CONSUMPTION
(In thousand quintals)

	1934	1935	1936	1937	1938
Production...	63,000	77,000	61,000	80,000*	60,000†
Imports	4,691	5,497	5,337	1,782	...

* Estimate in *Giornale d'Italia* for January 11th last.
† Forecast based on weather reports: probably lower.

TABLE 2:
CORRELATION OF WHEAT AREA WITH STOCK-RAISING

	1908	1918	1930	1936
Area under Wheat (hectares)	Abt. 4½ million	*4,542,440	4,822,716	5,132,677
Livestock (thous. of heads):—				
Horses.....	956	990	979	816
Oxen	6,199	6,240	7,094	7,235
Pigs	2,508	2,339	3,322	3,206
Sheep	11,163	11,754	10,269	8,862
Goats	2,175	3,083	1,893	1,795

* Average for 1915–19.

battaglia del grano is being utilised in finding solutions for both. Prices "are no longer guided by the criterion of comparative costs, or by the influence of exchanges, but by the needs of internal production." Just as the home price of

grain has since 1926 remained at a level far above the world price, so will each product in future be assigned an artificial price dictated by autarkic policy. It is proposed to maintain internal prices by a rigorous regimentation of supply, chiefly by storage in *amassi* and by the marketing arrangements of various official *enti*, of which several already exist. An initial rise in prices, though slight, seems generally to be anticipated: "A moderate rise in prices," a writer in an official publication stated last winter, "is not only inevitable, but convenient and even opportune: it helps to allow private enterprises to recover the greater costs deriving from new and increased productions." In January of this year the Minister of Corporations issued a warning statement declaring that "prices had reached the maximum level permitted by conditions of consumption," and that henceforward "any further rise in prices was in general to be considered unjustified." It is in face of such statements that one may realise the sacrifices to be imposed on the nation by a policy of agricultural self-sufficiency.

Maintenance of prices presents few difficulties compared with those encountered by the production side of the problem. Workers' and employers' syndicates will be called on to offer a perfectly co-ordinated mechanism, comprehensive of every living soul in rural Italy, upon which may be operated the Government's production plans. The transformation of the *latifondi* may no longer be delayed. Labour "constitutes the first of our raw materials," and "the farm is only the instrument with which labour operates."

The accompanying map shows how the wheat acreage in the principal regions of Italy is distributed between mountains, hillside and plain. But the kernel of the problem is indicated by our second table. How can Italy increase her livestock, so as to obtain bigger supplies of meat, dairy produce, and animal fats, and at the same time grow more wheat? In 1936 Italy produced 295 million quintals of forage stuffs on an area of 9,262,000 hectares; of those hectares 4,355,000 are classed as "permanent pastures"—land fit for no rotation crop without undergoing *bonifica integrale*. At this point Italy enters a vicious circle. Signor Mussolini may choose to await self-sufficiency through long years during which money for reclamation is first being saved and then being used. Since 1935, expenditure on *bonifica* has virtually ceased; and the rise in the cost of living, increased taxes, and mortgages on agricultural property have made it difficult to find private money available for the doubtful service of reclamation. Failing that, the Duce must aim at what seems to be the impossible. For to cover the barest national needs, Italian livestock will have to be increased by at least 10 per cent.; and if this is to suffice, the quality, which at the moment is very poor, will need to be greatly improved.

Unless an increase in the forage-growing area is contemplated, this objective cannot be attained without years of land improvement and a huge expenditure. But an increase in the forage-growing area would conflict with the increase in wheat-growing hectareage, which is none the less necessary, although it is not admitted. And it would conflict also with the essential increases in area contemplated for a dozen other products—for maize, poultry, olives, vegetables, citrus fruits, timber, industrial plants such as canapa, and so forth. Some of the methods suggested can hardly be taken seriously. To obtain self-sufficiency in olive oil, for example, Italy must have another 50 million olives and it is suggested that half a million be planted each year. On this time-table, self-sufficiency will not be achieved for

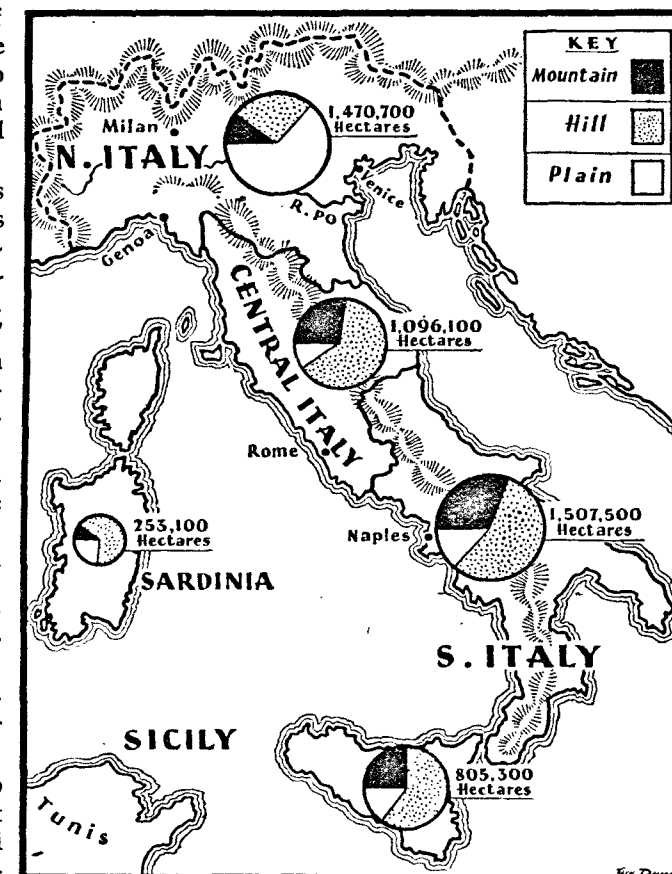
a century; and, even after allowing for replacements, most of the new olives must be put down on land now occupied by other, but indispensable, crops. The need for more sheep, again, is particularly urgent, and it has been suggested in an official publication that "in all the farms of Central Italy at least one sheep could find a place alongside a bullock," without weighing on the consumption of forage, since the animal would find sufficient nourishment on waste stuffs. The Tuscan *mezzadro*, a model of frugality and farming skill, who for centuries has been squeezing the last *soldo* out of his *podere*, would doubtless supply the best answer to this suggestion.

Several commissions have sat during the past few years, and made various recommendations designed to increase Italy's livestock. As Table 2 shows, however, their efforts have been fruitless. The *battaglia del grano* has weighed heaviest on sheep stocks; the marked decrease in the number of goats is due chiefly to reforestation and the police-work of the *Milizia Forestale*.

In the literature on agricultural self-sufficiency, each specialist tends to solve his own problem by assuming an increase in the area of production. The competition for land thereby caused creates what is perhaps the most serious problem of all. According to the inquiry of 1929, the completely unproductive area of Italy is only one-fourteenth of the total. We may leave aside the effects of autarky on the vital and admitted necessity of extending foreign markets for Italian produce. We may eschew the wholesale difficulties raised by its effects on the cost of living. If we consider its feasibility merely under the heading of production, we must conclude that the "battle for autarky" cannot be successful, for lack of land, or of time and money to transform Italy's *latifondi* and improve her hill-pastures. That judgment applies to the long period. If by autarky, however, is meant, merely temporary independence during time of war, it may be fair to add that by careful storage and a sharp tightening of their belts the Italian people might scrape through for a short time. But the war would have to be short.

AREA UNDER WHEAT, 1936

The areas of the circles represent the actual acreage devoted to wheat cultivation in 1936 in each of the principal regions of Italy. The circles are divided to show the distribution of wheat area between mountain, hillside and plain.



Topics of the Week

Anglo-German Economic Relations.—The Anglo-German negotiations in Berlin, necessitated by the incorporation of Austria in the Reich and the Reich's default of June 1st on the Austrian Loans services, bid fair to stir up a hornet's nest. Mr Oliver Stanley warned the Commons on Wednesday that payments from Germany after June 30th—the date on which the Anglo-German Payments Agreement may be ended—might be hard to collect. Last week we published an article on the background of the dispute; and the gloomy developments during the last week are described in a Note on page 667 of this issue. What concerns us here is the wider question raised by a dispute as gratuitous as it is unwarranted on the German side: Can Germany both have the cake of free-exchange relations with this country, and eat it by acting towards us—and others—in authoritarian fashion? The immediate cause of the dispute shows the matter clearly. The Reich conquers Austria and annexes all her assets, including the gold in the Austrian National Bank. The Reich then says it hasn't conquered and annexed them, but it has been invited to accept them by Austria's own representatives. This would render the Reich liable for the debts of the invaders. On Thursday, Herr Funk, Reich Minister of Economics, repudiated Austrian liabilities because Austria gave up her sovereignty: a contradiction in terms. The British Government and their representatives point to the Austrian assets taken by the Reich, and also to the £8,000,000 worth of free exchange at the Reich's disposal in London every year, after paying for Germany's direct imports from this country. It would be only equitable and just for them to insist that, if the Reich wants to take all Austria's assets (including those on which Austrian loans were secured) and default on Austria's debts, then she should not be permitted to enjoy every benefit which Austria's creditors have hitherto made to the Reich.

The conciliatory attitude of the British Government towards Germany, Italy and Japan during the last few years has unhappily led to the belief abroad that this country will take any rap which anyone cares to administer. British capital and property in China, or Mexico, or Austria, has been sent the way of British ships and British lives in Spain—so far with impunity. Protests, reservations and hortatory utterances by British spokesmen have availed nothing; and we have continued to confer upon our detractors, unilaterally, economic beliefs without counter-vailing advantage. Such a one-sided procedure is, to use Bentham's words, "nonsense upon stilts." It is beside the point to argue that to counter Germany's recent behaviour with an exchange-clearing might reduce our trade or that of the Dominions with her. It not only might; it almost certainly would reduce trade. Germany would probably curtail her imports from us and our Dominions—with the latter as a whole she has an import surplus—and curtail her exports to us. But, after all, Germany desperately needs the £6,000,000 or £8,000,000 of free sterling which she gets here in a year. It is her *masse de manœuvre*; her marginal fund for filling gaps and meeting emergencies in the rigid German system of trade and exchange control. And are we to let her go on enjoying this valuable latitude while at the same time she is repudiating her obligations? In our opinion the sanest and healthiest measure would be the threat of an exchange-clearing—with the knowledge that it might even force us in the end to exercise some measure of control over our trade with Germany. If this did not produce the £2,000,000 or so for the services of Austria's debts, it would at least clearly and decisively demarcate those countries who intend to trade and engage with each other, on honoured principles, from those who do not. When this is determined the rest of us will know how to reconstruct the trading world, and with whom.

British Trade Policy.—The debate in the Commons on Wednesday, initiated by the Opposition Liberals' motion to reduce the Board of Trade Vote, was remarkable only for two things. The first was the insistence of spokesmen from all Parties on the inestimable advantage to this country and other countries of speedily concluding the long-negotiated Anglo-American Trade Agreement. The second was the amount of consideration given to shipping. On the Anglo-American trade negotiations Mr Oliver Stanley once again expressed himself with extreme caniness; it was, he said, useless to conclude an agreement in which one side alone made sacrifices. This sounded ominous after the Government's surrender to the Lords on the Coal Bill, and after a united all-Party onslaught on the Federation of British Industries' protectionist objections to an Anglo-American trade agreement. Mr Lees-Smith for Labour, Sir Arthur Salter as an Independent, Mr Graham White for the Opposition Liberals, and Sir Alan Anderson for Conservatives, the City, and shipping, all pointed out how much greater were the general benefits to this country's economy (including our invisible foreign trade) than the particular losses which one or two branches of domestic industry here might—but only might—suffer. It was noted, as has often been remarked in these columns, that the United Kingdom and the Dominions and Colonies together practically balance their visible and invisible trade with the United States; and that, if we look at the Empire as a whole, a small loss in one part of one industry in one Dominion would be overwhelmed by the great and diffused advantages arising from freer trade between the U.S.A., the U.K., and the Dominions.

Some advocacy of the Van Zeeland Report in the debate was regretfully rejected by Mr Stanley, who said the time for its initiation was not now ripe; a rejoinder which, alas, seems true. But this does not mean we should do nothing to extend freer trading beyond the bounds of the Empire and the U.S.A. As Mr Boothby pointed out, there are many countries in Europe to-day—especially after the elimination of Austria—which are anxiously scanning the British scene for signs of an intention to organise, with France, the Low Countries and Scandinavia, an expansion of Europe's remaining freely-traded commerce. Mr R. H. Cross, Parliamentary Secretary to the Board of Trade, announced a refashioned Governmental war-risk insurance scheme for our shipping in time of war, and a plan to economise British shipping and utilise neutral shipping under one organisation if hostilities broke out. He foreshadowed a new levy for enabling owners of unwanted tonnage to be compensated for laying it up. It was a little dispiriting for listeners at the debate to notice that the Government seemed more energetically concerned to provide for economic administration in wartime than to build up and strengthen, now and henceforth, the economic sinews of war. Our trade is still our best insurance policy against poverty in peace, against a growing annual burden of armaments, and against defeat in war.

New West Indies Commission.—By grappling firmly with fundamentals, Mr MacDonald was able to withstand the Government's critics, vigorous as they were, in the debate on West Indian conditions, when the House debated the Colonial Office Vote last Tuesday. The Secretary of State admitted frankly that recent disorders had been the product of economic distress, and declared that from the beginnings made in the last few years there must be evolved a long-term policy of reconstruction. Social services must be expanded, assistance given to the staple agricultural industries on which the islands depend, and alternative additional occupations developed. A strong Royal Commission was to be appointed to make a comprehensive inquiry

into social and economic conditions in the West Indies, but the Government did not intend to use this investigation as a cover for delay. The Colonial Office and the local administrations, said Mr MacDonald, had been hampered at every turn by the economic vulnerability of colonies dependent on the export of one or two agricultural products. Greater self-sufficiency in the necessities of life was part of the long-term policy proposed, but it was also clearly implied that the needed improvement in social conditions was likely to entail a charge upon the home taxpayer, unless and until the prices of West Indian products improved. Among the critics were Mr Lloyd George, who spoke of the appalling conditions he himself had seen in Jamaica, and declared that we did not want a "Slum Empire." For the rest, the recent debates in both Houses on colonial affairs have given the Government an opportunity of plainly reaffirming their adherence to the policy of partition in Palestine, as the most hopeful and constructive solution in the circumstances.

War Planes.—The Air Ministry has at present two schemes of expansion in operation. The first (scheme F), formulated last year, is still wholly dependent upon domestic manufacturing capacity. The second (scheme L), announced in May, involves the speedy training of many additional pilots; and to augment British supplies of machines for training purposes under this scheme the Air Ministry has decided, as one result of the recent Air Mission to North America, to purchase 200 planes from North American Aviation Incorporated, of California. These machines for special training duties, as well as the further 200 planes for reconnaissance purposes ordered from Lockheed Aircraft Corporation (also of California), are expected to be delivered within twelve months; and the cost of the two orders is likely to exceed £7 millions. Actually, as was frequently stated at the time of the Mission's appointment, the American industry lacks the capacity easily to give early delivery of special types of machines in large quantities.

Orders for training machines have been placed in the last few weeks with British firms at Reading, Portsmouth, Hatfield and Luton, which, together with earlier orders from the same firms, amount to many times the American order. The possibility of expanding Canadian capacity to manufacture war planes on a long-range and large-scale plan has, indeed, been discussed as a result of the Mission; but the success of the air programme in speed and scale of deliveries almost wholly depends upon the British industry's ability to overcome the shortcomings in organisation and the shortages of special tools, equipment and, in part, of men which so far have seriously impeded efficiency. The co-option of Lord Nuffield's forthright abilities in the development of a large-scale undertaking on 130 acres at Birmingham augurs well for the future, though organised labour's hesitations suggest that there are obstacles still to overcome. At home and abroad, difficulties in the way of the defence programme are political as well as industrial. President Roosevelt has proclaimed his Government's intention to ban the export of military aircraft to countries responsible for bombing civilians. The target for this diplomatic attack is Japan. But surely Germany and Italy (who do not import much war material from America) cannot be excluded from the ban; and certain American pacifists have urged that police operations on the North-west frontier of India involve Britain as well. All countries are by their own profession defenders, not attackers; but the function of bombers, meanwhile, is to bomb. Until the Government of every country can give earnest of only the best motives in its foreign policy, thoroughgoing mutual assistance in re-armament will not be easy to secure.

Imperial Airways Chief.—The appointment of Sir John Reith, Director General of the British Broadcasting Corporation, to be whole-time chairman of Imperial Air-

ways is in line with the Cadman Committee's Report. This Report declared that the management of Imperial Airways had been defective, intolerant and unyielding; and that the managing director had taken "a commercial view of his responsibilities that was too narrow." Sir John Reith has at no time in his guidance of British broadcasting during sixteen years permitted commercial considerations to impede his conception of a public service. An engineer by training and experience, Sir John brings to civil aviation no direct technical qualifications. He has the record of a successful organiser and, at forty-nine years of age, he has still the vigour and determination of a young man. It will now be his task to ensure that, in the fresh pattern of civil aviation which it is the responsibility of the new Air Minister to draft, Imperial Airways will play its part in regaining Britain's place in world flying. The first problem which faces the new chairman is difficult. The storm broke over Imperial Airways initially in connection with the complaints of their pilot employees regarding working conditions and a series of subsequent dismissals. The Cadman Report claimed that, internally, the company's attitude in staff matters left much to be desired. On May 31st last, a number of Members renewed these charges in the House of Commons. The Government is satisfied that the pilots' dismissals were justified and that they were due in no way to victimisation. The House of Commons is less satisfied. Sir John will now be called upon, at the directors' behest, to examine a serious indictment, and if possible to exculpate them. Sir John's not altogether happy experience at Broadcasting House in such matters has at least given him a great insight into all the difficulties. For the rest, his strength of character and passion for efficient organisation should gain the day, if it is matched with similar qualities on the side of the Government. Once again, Scotland has been summoned to supply a strong man to industry in time of need.

After the Czechoslovak Elections.—Last week-end the third and last set of communal elections in Czechoslovakia passed off without incident. The net results of one month's nervous tension since May 20th (there were no elections Whitsun week-end) have been a great increase in political and military excitement, a strengthening of the Czechoslovak Centre and Popular Parties, an increase of the Henlein poll to 75 per cent. of all German votes (which is far from justifying the Sudetendeutsch claim to totalitarian representation of all Germans), and a crushing defeat of the Hlinka autonomists in Slovakia. The outcome has been a strengthening of M. Hodza's personal position as the Slovak Agrarian Prime Minister. He has now a stronger Slovak wing against the more Rightward Czech Agrarians; and the latter have discovered in Bohemia and Moravia that the

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Czech electorate is firmly wedded to the principles and policies of Masaryk and Benes. The German Social Democrats, led by Herr Jaksch, suffered greatly in the German areas, owing to the Prague Government's desire not to "provoke" the Henleinians, who virtually enjoyed free rein against their electoral foes. But even in these circumstances, a poll of 25 per cent. of German Liberals, Jews, Communists, etc., against the Sudetendeutschen shows the importance of the State's guarantees of liberty to a minority within the minority. Negotiations are still proceeding between M. Hodza and Herr Henlein's deputies, on the basis of a memorandum which seems slightly more moderate than the intransigent minimum demands of Herr Henlein at Carlsbad on April 24th. But little has changed in the basic situation; and even though M. Hodza and the Agrarian Party are said to be willing to abandon the non-Henlein Germans in the Sudetenland to the tender care of Herr Henlein, the Government cannot blink the real danger. That danger is still what it was: the disruption of the Czechoslovak State from within, by agents from without.

Towns and Industry.—The Barlow Commission are nearing the end of their labours. What recommendations they will make for the mitigation of the ill-consequences of excessive town growth are unknown. It is significant that, on the eve of drafting their conclusions, the Commission this week recalled the representatives of the Garden City and Town Planning Association, whose admirable evidence presented some weeks ago included proposals for a National Planning Board to control industrial and commercial development in overgrown urban centres and, generally, in agricultural regions. The Town Planning Institute's representatives were also re-examined on Wednesday; and they too have advised the setting up of a National Planning Commission to co-ordinate the planning activities of Government departments and local authorities. Several considerations must by now have impressed the Commission deeply. The growth of our towns has been largely fortuitous and, in the last few generations, it has been part and parcel of a national dependence on manufactures and overseas trade and investment. These developments have served us exceedingly well. They have been instrumental in enabling us to build up a high standard of material living on the basis of a rising national income. But to-day there is a widespread revulsion against their social consequences. And experts combine to demonstrate, not only that urban over-development is detrimental to health, nutrition, happiness and aesthetic standards, but also that the excessive size of towns involves public charges for social services, utilities and transport out of all proportion to the communal advantages gained (as Political and Economic Planning point out in their latest broadsheet). Existing methods of town and country planning are ineffective, and almost certainly the Royal Commission are now seeking to devise influential ways and means of controlling urban and industrial development. The decimation of valuable agricultural land is an additional stimulus to these efforts; and agriculturists are at hand with the planners to advise Sir Montagu Barlow and his colleagues. None, however, has devised a satisfactory provision for the compensation of landowners who hold the key to national planning. Here is the Commission's most obdurate problem.

Forests and Smallholdings.—Reports published during the last few days by the Forestry Commissioners and the Land Settlement Association afford an encouraging record of the work which is being done to provide new occupations in country surroundings for a few at least of the victims of industrial decline in the Special Areas. The Forestry Commission's programme of forest workers' holdings was extended in 1936 to

include the establishment in ten years of 1,000 holdings in or near the Special Areas. The Land Settlement Association, formed on behalf of the Commissioner, in 1934 to settle miners and other men from the Special Areas on small holdings, have settled 3,500 persons on 11,500 acres, of whom 600 are now financially independent. The men are brought from their towns or pit villages, trained at central farms in horticulture, pig rearing or poultry keeping. If the training is successful, they are then provided with houses for their families and capital to start work on their own account. They are subsequently assisted by central buying of stock, central marketing and the provision of certain central equipment. Training costs are £300 per head. Working capital on the central farms, including tractors and machinery, works out at about £500 per smallholder, while the realisable assets provided to each settler amount to about £1,000. The regeneration of these forest workers and smallholders is an important social service, but certain outside criticisms cannot be ignored. The economic wisdom of land settlement depends ultimately upon reasonably profitable prospects for farming as a whole. And smallholdings of this kind, if they succeed, may be at the expense of farms and farm workers who do not enjoy the advantages of centrally provided capital, equipment and marketing facilities. But if these central agencies are so advantageous, their voluntary provision by and for farmers themselves would seem eminently desirable. Official forestry policy, similarly, does not go uncriticised. Afforestation to improve soil conditions and increase timber supplies is generally approved. But the wholesale planting of conifers is condemned, on the one hand by agriculturists who wish to see oak and coppice woodlands once more an integral element in British farming, and on the other hand by those who complain that the character of the countryside is being artificially altered. True, 93 per cent. of the Commission's planted acreage is under conifers; but the importance of home-grown timber in time of war can hardly be neglected in present conditions.

Decline in Automobile Production.—The recession in business, which has been reflected in the falling index of business activity, has also affected the motor industry. Production in the first six months of the current

Year ended September—	Private Cars and Taxis			Commercial Vehicles and Tractors (General haulage)		
	Output	Imports	Exports	Output	Imports	Exports
	Number			Number		
1929	182,347	6,919	20,453	56,458	69	2,205
1932	171,244	2,394	22,400	61,475	33	2,233
1935	311,544	12,280	45,889†	92,176	344	2,137
1936	353,743	9,306	41,813†	107,609	531	3,008
1937	389,633	17,552	60,916†	118,116	976	4,087
Oct., 1936–March, 1937	202,975	8,894	23,635†	60,680	656	2,494
Oct., 1937–March, 1938	183,591	10,633	23,987†	56,774	575	1,629

* Excluding chassis.

† Including second-hand commercial vehicles.

motor year (October, 1937, to March, 1938) has been at a considerably lower level than in the corresponding months of 1936-37. The output of private cars, including taxis, was nearly 10 per cent. smaller, and that of commercial vehicles 6 per cent. smaller than in the preceding winter. For every month since October the output of private cars fell below the level of the corresponding month of last year, but the output of commercial vehicles was stimulated in February and March by Government purchases and slightly exceeded the figures for February and March of last year. This explains the relatively smaller reduction in the half-year's production of commercial vehicles. Exports of private cars have been well maintained, while those of commercial vehicles have fallen to about two-thirds of those in the six winter months of last season. The new registrations for April totalled 25,649, against 31,121 for April, 1937. Although some of the fall must be ascribed

to the fewer working days in the month, caused by the late Easter, the figures show that the decline in demand for new cars has not yet been reversed.

Goods Road Vehicles.—The third annual reports of the Licensing Authorities appointed under the Road and Rail Traffic Act 1933, which have just been published, give more statistical information than has hitherto been available about the goods road transport industry. Compared with April, 1936, the date of the last published information, the number of licence holders at June 30, 1937, showed an increase of 24,506, or 11 per cent., while the number of vehicles in possession increased by 47,240, or 10.3 per cent.

Type of Licence	No. of Licence Holders		No. of Vehicles in Possession	
	April, 1936	June, 1937	April, 1936	June, 1937
"A"	25,648	23,750	85,337	83,626
"A" Contract ...	2,084	3,267	5,156	7,475
"B"	34,100	34,061	52,809	53,775
"C"	161,221	186,481	316,714	362,380
Total	223,053	247,559	460,016	507,256

Note.—"A" licences are for public carriers, "B" for limited carriers, and "C" for private carriers.

The increase in the number of goods vehicles on the road has come from the "C" licence holders. "A" contract licences, which also show some increase, may really be regarded as in the same category as "C" licences, as these vehicles are engaged exclusively in carrying goods of one particular firm and, in effect, constitute the transport department of that firm. The conclusion is inescapable that public haulage of goods by road is losing ground to private haulage. The introduction of statutory wages and conditions of service for employees in the goods road haulage industry (which in all probability the Road Haulage Wages Bill now before Parliament will shortly secure), coupled with the provision that the recent extension of the currency period of licences is to be accompanied by the upholding of the observance of the conditions of licences "by the strongest possible measure," may weaken the competitive position of some hauliers. The public haulier is not only in competition with other forms of transport, but must so organise his work as to make his charges lower than the "C" licence holder's cost of doing the work himself. On the other hand, the Minister of Transport is understood to have given a sympathetic reception to deputations from the British Road Federation, which urged amendments to the Road and Rail Traffic Act, 1933, designed to afford protection against objections by competitors to licence renewals, and to modify existing restrictions on the transfer of licences. Incidentally, among "A" licence holders, under the latest figures (apart from the railway companies), some 52 per cent. have only one vehicle and 86 per cent. have less than five.

A Blow to Mr. Aberhart.—The failure of the Social Credit Party in the Saskatchewan provincial elections is of much more than local moment. The electoral campaign had been Mr Aberhart's first major expedition beyond the borders of Alberta. Encouraged by some Social Credit successes in the neighbouring province in the Dominion elections, he and other Albertan Ministers invaded Saskatchewan in force, with every hope of triumph. In the result, although the Social Credit Party secured 15 per cent. of the votes, it won only two seats in a House of fifty, while the Liberals, with 36 seats, retained an ample majority, in spite of losses to the Co-operative Commonwealth Federation, Canada's Socialist Party. The latter, with 19 per cent. of the votes, won 10 seats—a disproportion which reflects its concentration of strength in urban areas. The C.C.F. suffered a disappointment at the last Dominion elections, but its path to power is made the smoother by episodes such as the debate the other day at Ottawa, in which accusations of mass corruption were

hurled between the Liberal and Conservative Parties. Meanwhile, through the success of the Saskatchewan Liberals, Mr Mackenzie King's Administration has staved off another threat to its once almost impregnable power; for Social Credit has been revealed as a merely local and perhaps a declining force in the West.

The War in Spain.—General Franco's pace is being set for him by the bread crisis in Italy. It is becoming almost desperately urgent for Signor Mussolini to win his war in Spain this summer, and last week's offensive on the Teruel front speaks as eloquently of the Italian dictator's straits as the persistent and deliberate bombing of British and French ships and the machine-gunning of their crews—which still go on despite Mr Chamberlain's hopes to the contrary. The insurgent forces have now taken Castellon and are pressing down towards Almeria. It is of little profit, however, for Signor Mussolini to win Spanish victories that do not bring his Italian war to a victorious end; and there is no reason to expect that the Fascist Powers' latest victory on the Teruel front is going to be any more decisive than their previous victory in Aragon. In the psychology of modern warfare, outbreaks of vindictive bombing are coming to be recognised as symptoms of military frustration. In the House of Commons on Tuesday the Prime Minister announced that since the middle of April twenty-two British ships had been involved in air attacks in Spanish ports; that eleven of them had been sunk or seriously damaged; that in several cases the attack appeared to have been deliberate; but that the Government had decided to take no action to protect British shipping in Spanish territorial waters, because they saw no way of doing this without taking an active part in the hostilities. The British Government were investigating—actively but not hopefully—the question of providing safety zones in certain harbours; and General Franco had suggested that one port (and apparently one only) in the territory under the Spanish Government's control should be constituted a harbour of refuge for British shipping, on condition that these ships refrained from supplying the Spanish Government, not only with munitions within the meaning of the Non-Intervention Agreement, but also with certain other commodities to be designated by General Franco. It is evident that nothing is going to be done by His Majesty's Government beyond representing to Burgos that "it is impossible that attacks, frequently involving loss of life and sometimes apparently deliberate, can be repeated without serious injury to friendly relations." The most illuminating commentary on Mr Chamberlain's decision is to be found in the Italian Press, which frankly expressed its anxiety that Italy might be facing another Nyon, and then as frankly displayed its relief that, after all, the British Foreign Secretary was now not an Eden but a Halifax.

INSURE WITH



7, CHANCERY LANE, LONDON, W.C.2

The War in China.—During the past week there has been some slackening in the air attacks upon the civilian population of Canton, while the Japanese have been resuming their advance on Hankow. Once again the Japanese Army and Navy seem to be in competition: the Navy pushing its way up the Yangtse, while the Japanese land forces are marching westwards to Hankow from Nanking. It had been intended that there should be a converging movement, down the Peking-Hankow railway, by the army that has been advancing up the Lunghai railway from Suchow. But the dykes of the Yellow River have been breached, and the flood waters have swept away the Japanese tanks and cannon like Pharaoh's chariots and horsemen. This catastrophe—whether deliberate or accidental—has also inflicted untold misery upon the peasantry over vast stretches of the Honan countryside. Yet China has survived still more devastating natural calamities and still more brutal invasions. Up the Yangtse the Japanese Navy now claims to have reached Anking and even to have landed troops at a point above it. They have still to encounter the Chinese booms and minefields; and the forcing of the Yangtse would appear to be an even more hazardous operation for warships than the forcing of the Dardanelles. With the flooding of the Honan plains, the Japanese advance on Hankow will now presumably be confined to the Yangtse Valley and will be based on Shanghai. We may almost take it for granted that the Japanese will reach this objective and that, when they have arrived there, they will find themselves no nearer than before to a decision of the war in their own favour. At quite an early stage in the war the Japanese marched into Taiyuan and proclaimed that Shansi was in their hands. To-day they have been forced to confess that this province has slipped back again into the hands of Chinese guerrillas. There are many other Shansis in the great continent of China; and, if Japanese experience to date proves an omen, the end of this war lies out of sight. Can Japan stay the course?

The Sanjak of Alexandretta.—Trouble has boiled up again in the small but important district of Antioch and Alexandretta in the north-western corner of Syria, adjoining the Turkish frontier. It arose originally out of the conclusion, in 1936, of a Franco-Syrian treaty on the lines of the British treaties with Iraq and Egypt. Turkey then demanded that, without the framework of the future sovereign independent Syrian state, a special status should be guaranteed to the district of Alexandretta on account of the considerable Turkish element in the local population. After a long-drawn-out, and at moments dangerous, controversy, through the good offices of the League of Nations, the district was demilitarised last year; it was given a far-reaching autonomy; and Turkish and Arabic were placed on an equal footing as the official languages. The approach of the first elections that are due to be held under the new regime has now produced a fresh wave of local unrest; and in reply to a demand from Turkey for the protection of the Turkish inhabitants of the district, France (whose mandate has not yet been terminated) has proclaimed martial law. The crux is that the Turkish element does not appear, any more than the Arab element, to amount to an absolute majority of the whole population; for the racial mixture in this corner of Asia is extraordinarily complex: there are not only Turks and Arabs there, but also Armenians, Kurds and Nusayris. Conversations over the recent hitch took place between the French Government and the Turkish Ambassador in Paris; and Turkey is to be empowered to guard certain areas. Meanwhile, Syrian public opinion is becoming restive over rumours that France has promised Turkey that there shall be a Turkish majority in the Alexandretan Parliament, whatever may be the results of the census that is now being taken under the League's auspices. We hope that Turkey will not press her claims too hard. President Atatürk is no doubt well aware that any present threats to Turkey's independence come, not from the south-east but from the north-west.

An International Highway.—The Suez Canal is now the artery of four Empires; and Italy's activity in the pioneer and primitive stages of Empire building figured appreciably in the Canal's busy traffic during 1937. The net tonnage of 36,491,332 which passed through the Canal last year was a new high record. Out of 697,800 passengers some 300,079 were Italian soldiers, compared with 332,010 civilian travellers of all nations and 48,270 British soldiers. An Italian company, Lloyd Triestino, was responsible for the greatest tonnage of Canal shipping during the year, with 3,913,000 tons, compared with 1,334,000 in the previous year. Nevertheless, the improvement of 12.7 per cent. in the volume of Canal traffic last year was due more to the high activity of world trade than to unusual military movements. The tonnage of the British Tanker Company which passed through the Canal rose from 2,932,000 to 3,019,000. The quantity of metals and machinery proceeding southwards rose 13.7 per cent. The movement of mineral and vegetable oils northwards was exceptionally active, and cereal cargoes in the same direction increased 50 per cent. British accounted for one-third of the Canal's traffic in both directions. Over 47 per cent. of the tonnage passing through sailed under the British flag. And, among the four Imperial users of the Canal, Britain's stake remains appreciably the largest.

Fewer Motoring Offences.—The first decrease since 1933 in the number of motoring offences dealt with in England and Wales is shown in the Home Office returns for 1937 published this week. While the numbers of prosecutions, convictions and fines, however, declined between 1936 and 1937, the totals of written warnings, suspensions, endorsements and disqualifications of licences and sentences of imprisonment were higher in every case. And the average length of prison sentences showed a slight increase.

MOTORING OFFENCES—ENGLAND AND WALES

	Total Offences	Written Warnings	Prosecutions	No. of Fines	Sentences of Imprisonment	Licences suspended or endorsed
1933	366,943	93,476	273,467	228,379	407	10,491
1934	433,060	113,817	319,243	266,775	576	18,496
1935	518,240	118,125	400,115	341,233	456	77,826
1936	593,778	134,427	459,351	397,001	594	100,119
1937	579,170	136,169	443,001	382,432	780	106,705

Among particular offences, the principal decreases between 1936 and 1937 were in connection with drivers' licences from 53,751 to 46,632 (13 per cent.), for lighting, from 59,263 to 55,744 (6 per cent.), and for speeding, from 136,762 to 123,707 (9½ per cent.). But while in each of these cases the number of fines declined, there was a sharp increase in prison sentences and licence punishments for offences connected with drivers' licences, and a slight increase in licence punishments for "speeding." Average fines were substantially unchanged, but the proportion of these offences dealt with by warnings increased. The principal increases were for reckless driving, from 9,039 in 1936 to 10,003 in 1937 (11 per cent.), careless driving, from 31,955 to 33,723 (5½ per cent.), for being under the influence of drink, from 2,849 to 3,040 (7 per cent.), neglect of traffic directions, from 67,199 to 71,755 (6½ per cent.), failure to stop or report an accident, from 7,014 to 7,770 (11 per cent.), and obstruction of the highway, from 71,645 to 74,964 (4 per cent.). In almost every case the proportion of offences dealt with by police warnings rose. Prison sentences for being under the influence of drink rose by more than 20 per cent., whilst the total amount paid in fines rose by only 5 per cent. Altogether, the latest returns bring only partial comfort to the average citizen; for they convey no suggestion that the average standard of driving, road sense, and consideration for others is rising in really convincing fashion. On the other hand, the increase between 1936 and 1937 in registrations of cars shows that there were more cars on the road, and probably more use was made of cars as a whole last year than ever before.

JAPAN'S BUSINESS FAMILIES

Organisation and Leadership

Industry, trade and politics are closely woven into the pattern of Japanese national policy. The inner significance of events in the Far East can be appreciated only by an understanding of the economic forces which have inexorably urged Japan towards her present military action in Asia. Western countries know little of Japan's industrial organisation and leadership, though they have witnessed certain of their effects, successively, in Japan's monopolisation of the world's trade in raw silk, the post-war conquest of the Asiatic cotton markets and the building up of the world's largest rayon industry. More recently, Japan has turned to the task of extending her steel, chemical and engineering industries, with the aim of securing an immense market in China. Who are the men behind these movements? How is Japanese industry organised? The difficulty of answering these questions is magnified, for most Europeans, by the complex forms of the Japanese written language. Particular interest attaches therefore to the following detailed survey of Japanese economic organisation and leadership, which has been drawn up by Mr Neil Skene Smith, formerly Professor of Economics in the University of Commerce, Tokyo, on the basis of authoritative material recently published, in the vernacular, in Japan.

In considering the leading figures in Japanese life, it should be remembered that often the men at the top, though important, are not the chief power in the group to which they belong, whether they are managing directors, generals or Cabinet Ministers. In the East, the real leaders stay behind the scenes, and can only be approached by indirect means. It frequently happens, also, that two men fulfil much the same functions at the head of affairs, each acting as adviser or censor of the other—much in the same way as did the Ministers of the Left and of the Right in ancient times. Although this method appears cumbersome, Japan in the last seventy years has shown that, with modifications, it can function fairly effectively under modern conditions.

PICTURE IN OUTLINE

It is estimated that, in Japan, with its national income of some 13,000 million yen (£1,300 millions at par or 40 per cent. less at present rates), there are only a few hundred persons who pay taxes on incomes exceeding 100,000 yen a year (£10,000 at par). In addition, there are said to be some 10,000 smaller active investors and speculators in the main financial centres, particularly Tokyo and Osaka. These few persons, together with certain officers in the fighting services and various Government officials, are the economic leaders of Japan. They compete or co-operate with one another in an electrical and volcanic atmosphere, supercharged with currents of intense group rivalry and semi-feudal loyalties.

For the last six years the fighting services have been calling the tune, and the capitalists have paid the piper to the extent of about a thousand million yen per annum. The services, like most Japanese institutions, are united against foreign interference and against any group at home which seems to hamper their progress. They are divided, however, into a number of complex and often traditional cliques, whose relative positions rise and fall with fluctuations in the national fortunes.

First, there are the South-Western military families. These families, after two-and-a-half centuries of unwilling and only partial submission to the Tokugawa dictators, joined with other discontented groups of soldiers in restoring the political status of the Imperial family in the Restoration of 1868. They have naturally endeavoured to retain their control over military and naval affairs.

Secondly, there are certain younger officers (particularly those from poverty-stricken Northern districts), who in the depression of 1930-31, were dissatisfied with their own chances of promotion and with the living conditions in their villages. General Araki, the new Education Minister, was for a time popular with this group.

Thirdly, across the sea, the Kwantung army has been busily building up the Manchukuo State, often with scant

attention to the immediate needs of the homeland. Their former Chief of Staff is now War Minister.

Fourthly, there was, until recently, the Tientsin Garrison, which desired the removal from power in North China of all anti-Japanese administrators.

A fifth influence is the garrison in Korea, whose former Governor-General, General Ugaki (who attempted unsuccessfully to form a Government in Tokyo last year) became Minister of Foreign Affairs at the end of May, 1938.

Last, but not least, is the Navy, which has its own internal factions, but invariably strives to protect its interests and prestige against the Army.

Since the war an attempt has been made to co-ordinate these rival forces by setting up Imperial Headquarters, a supreme body in charge of all military and naval matters, which exercises a tremendous potential influence over the Cabinet.

Within the Government itself there are numerous forces capable of exerting some degree of independent leadership in economic matters. These include: (1) The permanent advisers to the Imperial Household—namely, the Keeper of the Privy Seals and the Minister to the Imperial Household; (2) the only remaining (and very aged) Elder Statesman, Prince Saionji; (3) the Cabinet, with its several Advisory Councils; and (4) various Government Departments, particularly those of Defence, Finance, Home Affairs, Agriculture and Industry and Commerce. These Departments together exercise extensive powers over banking, industry and economic life generally. Among the Cabinet Advisory Councils special mention may be made of the Planning Council, which contains representatives of business and offers recommendations on the utilisation of the natural material resources and labour supplies. Another of these Councils is the Capital Adjustment Commission, which examines all private projects for the increase or decrease in the capitalisation of companies. Finally there are the Railway Ministry (which owns and works all the main lines of the country), the semi-Governmental Japan Iron and Steel Company and a group of "special" banks administered by the Government. Plans are also under way for the management of the chief branches of the electric power industry by a semi-Governmental company.

Private business and industry, apart from agriculture, small-scale trading and domestic workshops, is largely in the hands of four powerful family groups. The Mitsui and Sumitomo groups date back for several centuries. The Mitsubishi and Yasuda groups came to the forefront soon after the middle of the last century. All four groups are now being confronted by the "Shinko" (literally, New Rise) groups, which have developed during the past thirty years. Their combined financial power, however, is probably still less than that of the Mitsui family alone. The

largest of the Shinko, the Aikawa concern, sprang up largely as the result of fortunate speculative purchases, in the depression of 1930-31, of shares in Japanese heavy industry, whose prices subsequently soared to record heights, thanks to armaments expenditure following the Manchurian affair. The other Shinko groups are also connected mainly with the armament industries, particularly with those producing chemicals.

The smaller industrialists and traders of Japan have been organised (sometimes compulsorily) into local associations, or guilds, with national federations, in order to strengthen themselves against the big combines and to reduce cut-throat competition in the export trade. The farmers have been encouraged to buy supplies of fertiliser and seed, and to sell their produce, through co-operative societies, which now have five million members. These organisations have not been spontaneously evolved by the traders and farmers, but have been fostered mainly through the central and local Governments.

In Manchuria and China, Japanese economic enterprise is exercised chiefly through semi-Governmental companies. These include the South Manchurian Railway Company, with its subsidiary in North China, the Kōchu Kōshi (Internal Development Company). The newly formed Mangyo (Manchurian Industrial Development Company) is controlled jointly by the Aikawa interests and the Government. Two semi-Government companies were also formed a few months ago to promote economic expansion in North and Central China.

THE BIG FOUR

Such, in brief, is the framework of economic conditions in modern Japan. We may now proceed to examine the structure of Japanese industry in greater detail. Our survey must necessarily begin by describing the rôle of the Big Four families to which allusion has already been made. Of these, Mitsui is still the most powerful. The Mitsui family are descended from a soldier who, a thousand years ago, restored for a time the secular power of the Imperial family. They entered business in the early seventeenth century and carried on sauce brewing, pawn-broking and, later, cloth selling. After building up large connections as Government money exchange agents and financiers, they became the leading financiers of Old Japan. Seventy years ago, when the Tokugawa dictatorship was at the end of its tether, they financed the Imperial cause; and they played a large part in safeguarding Government funds during the first years of Modern Japan. The rapid expansion of Japan's trade and territory carried them from strength to strength, and only in the last decade has their domination been checked.

Sumitomo, next of the Big Four in seniority, were in charge of important metal mines in the Shogunate days, and had some control over the minting of coinage. They also were able quickly to adjust their mining and financial activities to the new state of affairs.

Mitsubishi, which is controlled by the Iwasaki family, were pioneers in ocean shipping during the first years after the Restoration. This business led them on to coal-mining, shipbuilding and heavy industry, and their influence grew rapidly during these years of industrial revolution.

Finally, Yasuda began his apprenticeship to a small money exchange dealer in Edo (now Tokyo) ten years before the Restoration. By dint of careful speculation in currency during the eventful first years of the new Government, he acquired sufficient capital to enable him to play a large financial part in the wars with China and Russia. He was assassinated in 1921, at the age of 84, but his family remains in charge of all the interests he acquired.

So much for the history of the Big Four. A brief review of their financial and industrial interests will serve to show the importance of their present rôle in Japan. Each of the Big Four is controlled through a family holding company as shown in the following table.

The capital of these holding companies, in fact, gives little idea of their actual strength. They have large interests in almost all branches of Japanese economic development and are the greatest "wealth-cliques" in the country.

Holding Company	Nature	Paid-up capital* (Million yen)
Mitsui Gomei Kaisha...	Unlimited partnership...	300
Mitsubishi Goshi	Limited partnership ...	120
Sumitomo Goshi	Limited partnership ...	150
Yasuda Hozen-sha† ...	Special Trust Co.	30

In banking, naturally, these concerns are powerful. Table II at the end of this article will show that, at the end of 1936, they held about 40 per cent. of the deposits of all the ordinary Japanese banks. Two other groups held a further 19 per cent. In life assurance, although they have not been engaged in the business for very many years, they held 20 per cent. of the reserve funds of all Japanese companies. In marine, fire and accident insurance their predominance is much greater, their holdings amounting to nearly three-quarters of the national total. Again, of the property held in trust by Japanese trust companies, firms managed by the Big Four were in charge of two-thirds of the total.

Their commercial and industrial interests are no less important (see Tables III and V-XIV). In Japan's cotton textile industry three firms handle, between them, from 70 to 80 per cent. of imported raw cotton and some 40 per cent. of total exports of manufactures. The chief of these concerns, Toyo Menka, is a subsidiary of Mitsui, who also control one of the largest mills (Kanegafuchi) and numerous other spinning mills and textile weaving factories. Mitsubishi have connections with various leading textile producing companies. Both Mitsui and Mitsubishi handle raw silk through their two companies, Mitsui Bussan and Mitsubishi Shoji, which are the largest foreign trading institutions in the country. The chief shipping line, Nippon Yusen Kaisha, and its subsidiaries, are closely connected with Mitsubishi, who were the founders of Japan's modern mercantile marine.

While Mitsui specialise in light industries, Mitsubishi and Sumitomo have concentrated rather on mining, engineering and the heavy industries. They have invested several hundred million yen in shipbuilding, aircraft manufacture, dock management, electrical equipment and armament manufacture, the chemical industry and mining production of all kinds. Mitsui, however, own a mining company with a capital of 100 millions, and engage in the production of electrical switchboards, in the electro-chemical industry, and in numerous branches of engineering.

The interests of the great families in the armaments industries, as might be expected, is considerable. According to a recent calculation of the *Oriental Economist* (Toyo Keizai), Japan's armament concerns have a paid-up capital of 748 million yen, 90 per cent. of which is under the control of a dozen large and medium-sized family groups. The biggest nine of these, which own nearly 80 per cent. of the total capital, are shown separately in Table III; and three of them, it will be observed, belong to members of the Big Four.

The list of industries controlled by these family concerns extends beyond textiles, engineering and armaments. The Oji Paper Trust—a huge concern which produces three-quarters of a million tons of paper annually and controls the greater part of the entire Japanese output—is a "side company" of Mitsui. Japan has the largest output of plate glass of any country in the world, and her chief manufacturing company is Asahi Glass, whose shares are owned, as to 59 per cent., by Mitsubishi. Japan's coal resources are somewhat limited, and much of the power used in her industry is derived from hydro-electric plants, in which the Big Four have large shareholding interests.

Altogether, recent estimates have suggested that sums equal to 60 per cent. of the 21,000 million yen (£2,100 millions, at par) invested in all Japanese joint-stock companies are controlled by these concerns; and that Mitsui alone accounts for 5,000 million yen (£500 millions), or nearly 25 per cent. of the total. These interests have,

* The par rate of exchange for the yen is 10 to the £ and the present rate approximately 17 to the £. The internal value of the yen has not depreciated nearly as much as the external value. In estimating internal conditions, therefore, the par rate may be a better guide than the current rate of exchange.

† Literally, Virtue Protection Company.

clearly, given a high rate of return recently, to judge by the following figures:—

PROFITS OF 350 REPRESENTATIVE JAPANESE COMPANIES
(Calculated by the Mitsubishi Economic Research Bureau)

	Rate of annual net profit to paid-up capital	Dividends
1936 { 1st half-year	12·6	8·3
2nd " "	12·8	8·2
1937 { 1st " "	14·0	8·5
2nd " "†	13·8	8·6

† Provisional estimate based on 190 companies.

Net profits in manufacturing and mining averaged as much as 16 per cent. and dividends 10 per cent. These high rates, however, were offset by lower figures for the electric power, transport and financial companies.

ORGANISATION IN THE FAMILY GROUPS

The capital of the Big Four's holding companies is owned by the chief members of the family, who are required to conform, in each case, to the Family Constitution. In the Mitsui group this constitution is about two centuries old. Actual day-to-day administration, however, is largely in the hands of one or more distinguished "Banto" (literally "head watchmen") such as Nanjo of Mitsui, Ishikawa of Mitsubishi, Kozo Mori of Yasuda and, until recently, Toyotaro Yuki of Sumitomo. At the time of his assassination, in 1932, Baron Dan was chief Banto of Mitsui. He was succeeded by Mr Seihin Ikeda, the new Minister of the Departments of Finance and Commerce, who retired in 1936.

These great businesses have a pyramidal structure, with a holding company at the top controlling the main operating companies and the "side-line" concerns. Each of these two classes of company has numerous subsidiaries, which frequently, in turn, have smaller companies largely dependent upon them. In addition, the families enjoy extensive control of outside businesses to whom their banking, insurance and trust organisations supply funds. Yasuda, in fact, has few direct manufacturing activities. Like the industrial banks of pre-War Germany, it exercises control chiefly through its lending power.

Before the last depression set in, all the family concerns were busy expanding, studying conditions abroad and modernising their constitutions so far as the traditional framework allowed. Although they had set their faces against trade unionism, their more enlightened leaders were conscious that they must pay increasing attention to the social consequences of their policy. The depression—and the increased attention given to social studies among junior army officers—coincided with the assassinations of economic leaders in 1932 and with military demands for an expansion in armaments, which had been cut down under the stress of deflation. Simultaneously, the younger members of the Big Four's staffs became very dissatisfied with their chances of promotion. Accordingly, Mitsui, under the direction of Mr Ikeda, took the lead in introducing a policy of "slewing-round"—in the Japanese journalistic term. This policy involved the large-scale donation of funds to national social organisations, accompanied by a slowing-up of the tendency of big business to monopolise all branches of trade, particularly in overseas markets. The big concerns sold a considerable portion of their shares to the general public, and made arrangements for the automatic retirement of senior staff members, including directors, between the ages of 50 and 60.

Although this reorientation of policy did not increase the popularity of the big concerns, it showed the military that their criticisms were not without effect. Meanwhile, after the absorption of Government armament bonds by the Japanese market had proceeded satisfactorily for some years, there were signs, in 1936, of hesitation both among the large capitalists and in the cabinet, in their willingness to support continued Budget deficits. The revolt of February, 1936, however, convinced them of the necessity of accepting their position with a good grace; and they were prepared to intensify their efforts when the war with China started. To-day they are becoming increasingly aware of two factors: first, the vast potentialities which are being opened up in China for the production of coal, iron, steel,

raw cotton and electric power; and, secondly, their own need for foreign capital.

SMALLER FAMILY GROUPS

Other old-established family groups beside the Big Four, have played an important part in the rise of modern Japan. The chief of these groups are:—

(1) The Shibusawa interests. These were built up by the late Viscount Shibusawa, who, among his many activities in all branches of Japanese economic life, established the Dai-ichi Bank and an important engineering works. He was one of the founders of the Tokyo University of Commerce, which has trained a large proportion of Japan's business leaders. The Viscount's son is now managing director of the semi-Governmental Japan Iron and Steel Company.

(2) The Okura group, which owns numerous small companies engaged in trading, mining and engineering, and is particularly interested in development on the East Asian mainland.

(3) The Fujita group, which is engaged in mining and trading.

(4) The Furukawa metal-mining and electric cable manufacturing concerns.

(5) The Shibuya Explosives Company.

(6) The Kawasaki Dock and Engineering Companies, banks and insurance firms.

(7) The Asano cement and building interests.

The relations of these smaller concerns to the Big Four have, on occasions, been close. Several of their managing families are connected by marriage with the main families of the Big Four, to whose subsidiary companies they frequently subscribe. On the other hand, the Big Four often take up their debentures. The Asano interests, for example, are largely dependent on loans from Yasuda.

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NEWER GROUPS IN JAPAN

No picture of industrial Japan to-day would be complete without some mention of the newer "Shinko" groups, whose influence, while not as great as that of the old-established family concerns, has grown rapidly in the last five years. The most striking of these groups is led by Yoshisuke Aikawa, a trained engineer of fifty-seven years. After gaining experience in America, Aikawa in 1910 founded the Tobata Casting Works, with capital borrowed from his relations. In 1928 he bought up shares in the Kuhara Mining Company at ridiculously low prices, part of which he sold to the public after the armament boom of 1931, at eight or nine times their earlier quotations. The mining firm was then separated from the main company which became an open holding company, Nissan (or Japan Production). On the eve of the present Chinese war, Yoshisuke Aikawa controlled companies with a capital of 500 million yen and with 95,000 employees, in the mining, engineering, electric power, chemical, trawling and fishing, gramophone, wireless and match industries. He has also taken the lead in motor-car production in Japan. His policy of offering shares to the public, his successful handling of relations with foreign companies, and his willingness to take considerable business risks have combined to render him *persona grata* in military circles. He has, consequently, been entrusted with the development of mining, iron and steel production and engineering in Manchuria—activities formerly monopolised by the South Manchurian Railway—though half the shares in the Manchurian enterprise are held by the Manchukuo Government. Mr Aikawa, in short, has spread his net widely over both war-time and peace-time industries, and his family is connected, by marriage, with the Mitsubishi leaders and with several other big concerns.

Certain other Shinko industrial groups may be separately enumerated. They include:—

(1) Japan Nitrogen (Nichitsu), led by Jun Noguchi, and built up originally on imported fertiliser.

(2) Japan Soda (Nisso), whose wide range of products has been developed from the careful study, by Yurei Nakano, of salt and foreign processes for transforming it into chemicals.

(3) The chemical companies of Nobuteru Mori, first concerned with the manufacture of iodine and now engaged in electro-chemical processes and fertiliser manufacture. This group is largely dependent for funds upon Yasuda and Mitsubishi.

(4) The curious collection of companies controlled by an organisation known as Riken. These companies were developed from a Government-subsidised physical and chemical research institute and subscriptions were made to their capital by all the leading family businesses. The group has now started its own factories to produce light engineering products, particularly piston rings, precision machines and machine-tools.

Apart from Nissan, these new concerns do not approach the older families in capital power. They are of first-rate importance, however, in shaping the modern development of Japan, since they have applied Western science to Japanese industry. For example, they are already taking a leading part in the manufacture of ammonium sulphate, where, as Table XII shows, three Shinko concerns are among the "Big Six" which together own nine-tenths of Japan's productive capacity. The business of the newer concerns has been built up with noteworthy skill and dispatch; so much so, that Japan is now largely self-sufficient in chemicals and electrical apparatus, and will shortly turn her energies to the production of high-quality machines.

In general, the new concerns, like the old, are permeated with the influence of the family system. They are, however, far more than the older groups, the product of a small number of enterprising individuals; and, although their interests are widespread, they are, on the whole, rather more specialised. Perhaps their most significant feature is the part that armament expenditure has played in their recent development. Their prosperity, however, will depend ultimately upon their ability to turn their activities to peaceful ends. For this reason, they are particularly interested in the course of events in China, where, for centuries, public works,

transport and (until recently) Western science have all been neglected. Their co-operation in the war can be looked for as a matter of course; for their investments are confined to Asia, and military defeat would mean their destruction.

THE GOVERNMENT AND BUSINESS

Before bringing the survey to a close, a brief description may be given of the methods by which the Government is endeavouring to forward its ambitious policies on the economic side. The National Planning Council and the Capital Adjustment Commission, upon whose advice the Cabinet relies, have the co-operation of certain Government institutions. These include:—

(1) The Bank of Japan, the Central Bank, which now has outstanding 1,800 million yen of notes against its bullion holdings of 800 million yen. The bank buys up most of the Government war bonds and holds them until it can dispose of them to other banks.

(2) The Yokohama Specie Bank, which controls the foreign exchange market.

(3) The Hypothec Bank, which makes long term loans on the security of agricultural and city property.

(4) The Industrial Bank of Japan, which is able to compete with private banks in granting loans to industry.

(5) The special banks formed for assisting Hokkaido and the colonies.

All these institutions are under the control of the Department of Finance, and their outstanding loans aggregate more than 4,000 million yen (£400 millions at par). In addition to the departments controlling the railways, industrial welfare and agriculture, the Department of Commerce and Industry has powers to encourage the organisation of industrial guilds and selling associations.

Some eighty per cent. of the shares of the Japan Iron and Steel Company, which produces half of Japan's steel, were until recently owned by the Government. The company has now, however, raised its capital from 360 to 511 million yen, and private investors have increased their holdings. Under the latest scheme for national co-ordination of the electric power industry (in which the five largest companies have assets valued at a total of 1,500 million yen) there are to be a Board of Electricity to plan developments, a special National Power Company (formed from existing companies) to carry them out, and an Electric Power Council to supervise the results.

SOUTH MANCHURIA RAILWAY

The history of the South Manchuria Railway indicates the possible future trend of Japanese investment in China. This huge semi-Governmental organisation has a capital of 800 million yen, and assets which were worth, in 1936, some 2,000 million yen. It has been the pioneer of economic development in Manchuria, through its concentration on railways and the soya-bean trade. It now controls nearly all the railways in Manchuria, North China and part of Korea, and is comparable, in many ways, with the Canadian Pacific, the Trans-Siberian and other great lines. Some Japanese refer to it as their "East India Company," for, in addition to its purely transport activities, it has developed most of Manchuria's coal, iron and gold mining, gas, electricity and water supplies, docks, engineering works, modern hotels and newspapers.

The capital of the South Manchuria Railway was provided as to one-half by the Japanese Government and as to the remaining half by the big family concerns and others. No one set of private interests, however, has ever had dominating power in it. The Governors have usually been Government servants.

After 1931, however, side by side with the thirty years old South Manchuria Railway, with its headquarters at the trading port of Dairen, there rose up the Manchukuo Government, largely controlled by the Kwantung army, at the rapidly growing political capital of Hsinking. The authorities at the latter place became impatient with the monopoly of the South Manchuria Railway, and anxious for the rapid economic expansion of the new State. They desired to obtain increased supplies of coal, iron, oil and

LARGE CONCERNS IN JAPAN

The following tables give some idea of the importance of the leading group concerns in Japan's economic structure. Table I shows the total paid-up capital of the main and affiliated companies of most of the big groups (with the exception of the Shibusawa group, for which figures are not available). Table II indicates the part played by the "Big Four"—Mitsui, Mitsubishi, Sumitomo and Yasuda—as well as by Shibusawa and Kawasaki, in Japanese banking, insurance and trust companies. Table III discloses the relative shares of leading groups in the paid-up capital of Japan's armament manufacturing companies. Tables IV–XI give the positions of the various concerns in the production of iron and steel, coal, copper, gold, cotton textiles, sugar and flour and in the export of raw silk. Tables XII and XIII relate to the position of the newer group concerns in two leading chemical industries—the production of ammonium sulphate and the manufacture of soda by electrolysis. Finally, in Table XIV is given a list of Japan's leading shipping companies and the tonnage owned by them. (Most of the statistics in the article and tables are based on information contained in a series of twelve volumes, Nihon Konzern Zensho, the publication of which was begun last year by Shunjusha, Tokyo.)

TABLE I
JAPANESE GROUP CONCERNS. MAIN AND AFFILIATED COMPANIES

Total Paid-up Capital at end of June, 1937	
	Million Yen
The Big Four—	
Mitsui	1,177
Mitsubishi	848
Sumitomo	384
Yasuda	264
Total	2,673
Other Older Groups—	
Asano	236
Okura	133
Furukawa	102
Kawasaki	99
Total	570
New Groups (Shinko)—	
Nissan	474*
Japan Nitrogen (Nichitsu)	198
Mori	142
Japan Soda (Nisso)	85
Riken	31
Total	930
Total paid-up capital of all Japanese Companies at end of 1936†	4,173
Share of Big Four in Japanese total	17%
Share of New Groups in Japanese total	6%

* Before the formation of the Manchurian Industrial Development Co. (Mangyo) which has greatly increased Nissan's importance.

† Excluding semi-Governmental Banks and Companies.

The table, however, tempts us to under-estimate greatly the relative importance of the big concerns, whose shares are worth from 30 to 100 per cent. more than their nominal value, whereas those of smaller companies do not so often bear high premiums. Also there are numerous other companies largely under their control though not exactly affiliated to them. A truer picture can be obtained from the following table which indicates the vast amounts of loanable funds at the disposal of the big concerns.

TABLE II
JAPANESE BANKS, TRUST COMPANIES AND INSURANCE COMPANIES MANAGED BY SIX LEADING GROUP CONCERNS (end of 1936)*

	LOANABLE FUNDS† (Million yen)			
	Banks	Trust Companies	Life Insurance Companies	Marine, Fire and Accident Insurance Companies
	Deposits	Property in Trust	Reserves	Reserves
Mitsui	977	533	47	26
Mitsubishi	1,090	393	288	230
Sumitomo	1,112	384	38	17
Yasuda	1,766	244	103	32
Total of Big Four	4,945	1,554	476	305
Shibusawa	1,386	None	39	None
Kawasaki	994	51	161	39
Total of Six Groups	7,325	1,605	676	344
Total for whole of Japan	12,403‡	2,360	2,431	417
Share of Six Groups in Japanese Total	59%	68%	28%	82%
Share of Big Four in Japanese Total	40%	66%	20%	73%

The six groups hold 57 per cent. of the national total of all funds included in the above. In 1929, the equivalent figure was 45 per cent.
* Insurance figures are for the end of 1935. † All figures include share capital.
‡ Not including Government and semi-Governmental banks.

TABLE III
JAPANESE ARMAMENT MANUFACTURING COMPANIES

Paid-up Capital	
	Million Yen
Mitsubishi	127
Peers' Bank	107
Sumitomo	100
Nissan	96
Mitsui	83
Asano	32
Furukawa	25
Shibusawa	15
Okura	11
Above companies (80% of total)	596
Total, all companies	748

(From a recent investigation by Toyo Keizai Shimpō)

TABLE IV
PRODUCTION OF IRON AND STEEL IN JAPAN, HER COLONIES AND MANCHURIA, 1936
(Amounts in million metric tons)

Producing Group	Pig Iron		Steel		Steel Products	
	Amount	Per cent. of Total	Amount	Per cent. of Total	Amount	Per cent. of Total
Japan Iron and Steel Manufacturing Co. (Nippon) managed by Government and several group concerns	2.04	71.5	2.73	48.2	1.84	39.1
Showa Steel Co. then under S.M.R. but now under Nissan and Manchukuo Government	.47	16.6	.34	6.1	.14	2.9
Above Groups	2.51	88.1	3.07	54.3	1.98	42.0
Total output	2.86	100.0	5.66	100.0	4.70	100.0

The output not produced by Japan Iron and Showa Steel (whose capacity is now being greatly increased) was manufactured by numerous smaller firms controlled by Okawa (linked with several groups), the Peers' Bank, the Bank of Taiwan (Formosa), Asano, the Big Four and others.

TABLE V
JAPANESE COAL PRODUCTION 1936

Producing Group—	Percentage of Total Output
Mitsui	25.1
Mitsubishi	14.9
Various Kyushu firms	13.6
Japan Iron	4.1
Sumitomo	4.0
Nissan	3.2
Asano	2.8
Furukawa	2.5
Okura	1.4
Total	71.6

TABLE VI
JAPANESE COPPER PRODUCTION 1936

Producing Group—	Percentage of Total Output
Nissan	30.7
Mitsubishi	18.4
Furukawa	17.2
Sumitomo	15.4
Fujita	11.1
Sumitomo-Asano	3.7
Mori	2.2
Total	98.7

TABLE VII
JAPANESE GOLD PRODUCTION 1936

Producing Group—	Percentage of Total Output
Nissan	39.0
Mitsui	13.9
Mitsubishi	10.8
Sumitomo	15.9
Fujita	5.5
Furukawa	.9
Mori	.3
Total	86.3

TABLE VIII

JAPANESE TEXTILE COMPANIES (MEMBERS OF COTTON SPINNERS' FEDERATION)

Paid-up Capital end of June, 1937

	Million Yen
Japan Spinning (Mitsui)*	66.5
Toyo Spinning (Sumitomo)	65.2
Kanegafuchi Spinning (Mitsui)	49.5
Fuji Gas Spinning (Mitsubishi)	37.4
Toyo Menka (Mitsui)	8.3
	226.9

The capital of these firms represents 44 per cent. of the total of all members of the Federation, but their importance in the export trade is considerably greater.

* Details of this Osaka amalgamation of firms interested in textiles (and banking) are not yet available.

TABLE IX

JAPANESE SUGAR MANUFACTURE 1937

	Percentage of total Output
Manufacturing Group—	
Mitsui	25.7
Mitsubishi	19.0
Fujiyama (connected with Mitsui?)	44.2
Bank of Taiwan	5.6
	94.5

TABLE X

JAPANESE FLOUR MANUFACTURE 1937

	Barrels
Manufacturing Group—	
Mitsubishi	31,500
Mitsui	20,800
	52,300
Estimated total Japanese capacity	60,000

TABLE XI

JAPANESE RAW SILK EXPORTS 1936

	Percentage of total Raw Silk exports handled
Export Houses—	
Mitsui Bussan	25.2
Mitsubishi Shoji	13.7
	38.9

water power, and to further agricultural development. Last but not least, they planned to settle a million Japanese families (i.e. five million people) in Manchuria during the next twenty years.

The clash between the Hsingking and Dairen ideologies reached a deadlock in 1935. The army remained dissatisfied with the S.M.R., but could not realise its objectives without money from capitalists in Japan, who were far from being convinced of the practicability of their plans. A series of decisive events, however, modified the whole position. In February, 1936, came the revolt of the younger officers; in 1937, attention was focused on economic developments in North China; and, finally, in July, 1937, came the war in China.

The army has now brought in the meteoric Aikawa to take over the Showa Steel Company, and many other industrial interests of the S.M.R. The latter, meanwhile, has its hands full with its newly acquired Chinese railways, which it plans to run on a continental basis, with the Manchurian and Korean lines.

Japanese plans for the economic exploitation of Chinese territories have found expression in the formation of three semi-Governmental companies. These are:—

(1) The new China Federal Reserve Bank. Half of the bank's capital of 50 million yuan (or yen) is being provided by the Yokohama Specie Bank, the Industrial Bank of Japan, and the Bank of Chosen (Korea) on behalf of the Provisional Peking Administration. The other half is being provided by various Chinese banks.

(2) The North China Development Company, with a capital of 350 million yen, half of which will be contributed by the Japanese Government (partly in kind).

(3) The Central China Development Company, with a capital of 100 million yen, some 50 millions of which will be provided by the Japanese Government.

TABLE XII

ESTIMATED CAPACITY FOR PRODUCING AMMONIUM SULPHATE IN JAPAN, KOREA AND MANCHURIA

Producing Groups—	Thousand metric tons
Japan nitrogen	645
Sumitomo	400
Mitsui	379
Mori	270
S.M.R. and/or Nissan*	300
	1,994

(89 per cent. of the total productive capacity.)

* No figures are available showing the extent to which the S.M.R. still retains control over production.

TABLE XIII

ESTIMATED CAPACITIES OF JAPANESE GROUPS PRODUCING SODA BY ELECTROLYTIC PROCESSES

Producing Groups—	Percentage of total capacity
Japan soda	12.7
Japan nitrogen	14.7
Mori	13.4
Fukuzawa	13.4
Mitsui	12.0
Nissan	6.0
	72.2

TABLE XIV

SHIPS OWNED BY JAPANESE SHIPPING COMPANIES

Owning Groups	Lines	Gross Tonnage over 1,000 tons	Group Total
Largely Mitsubishi	N.Y.K.	635,283	829,330
	Kinkai Yusen	153,706	
	Mitsubishi Shoji	40,341	
	O.S.K.	532,590	
Partly Sumitomo	Kokusai Kisen	151,066	807,145
	Kita Nippon Kisen	61,816	
	Harada Kisen	32,889	
	Settsu Shosen	28,784	
Mitsui	Mitsui Bussan	160,320	196,246
	Kyoritsu Kisen	35,926	
Asano	Toyo Kisen	63,556	85,235
	Hinode Kisen	14,440	
	Asano Bussan	7,239	
Yamashita	Yamashita Kisen	92,326	115,305
	Tamai Shosen	22,979	
		2,033,261	

(49 per cent. of Japanese total of 4,156,619 gross tons)

Among ships over 5,000 tons, the predominance of vessels belonging to N.Y.K., O.S.K., and Mitsui is much greater.

Both development companies may issue debentures to an amount equal to five times their paid-up capital. Their enterprises will engage in transport, communications, and the production of electric power, minerals, marine products, salt and other commodities.

THE FUTURE

Japanese economic leaders are now at the crossroads of nationalism and internationalism. They have steadily been building up the self-sufficiency of the Japanese Empire under tariff protection. They remain dependent, however, upon foreign countries for imports of raw materials and the latest machinery, and if they are to bring about a rapid reconstruction in China they will require foreign capital.

Meanwhile, Japan's economic development is still largely controlled by the Big Four, who play a leading part even in the semi-Governmental concerns. Their reputation among the people has become more favourable with the realisation that their efforts are indispensable if the war is to be brought to a successful conclusion. Probably their greatest living representative is now Minister of Finance and Commerce. The new concerns have supplemented rather than replaced the old family businesses. All groups, including the military, the Government, the capitalists, and the small traders and farmers, are at present working in unison, but on any sign of collapse old-standing jealousies would probably break out again. The greatest risk, from the point of view of Japan's economy, would be a war which dragged on indefinitely, and offered little opportunity for investment yielding a positive return. A peace which hampered Japan's newly expanded industries would be disastrous to them; a victory would show whether those industries could be as effective in building up Chinese life as in destroying it.

Overseas Correspondence

From Our Special Correspondents

United States

Striking Export Surplus

NEW YORK, June 7. — Last October the Federal Reserve index of industrial production (adjusted) fell to 102, nine points below the preceding month and 19 points below the record high level of December, 1936. A trade recession was clearly in progress. The same month saw a continued fall in imports of merchandise and a further rise in exports. For the first time for several years, the surplus of exports exceeded \$100 millions. During the first three quarters of 1937, imports had exceeded exports by a net amount of \$51 millions.

From that turning point, the United States has proceeded to pile up one of the largest "favourable" merchandise balances on record for a comparable period of time. Every month has shown a surplus of exports amounting to \$100 millions or more, except November, when the surplus was \$92 millions. The total export surplus during the seven months including April, 1938 (for which figures are now available), was \$747 millions.

The total surplus for these seven months is larger than for any complete calendar year since 1921, except 1924, 1928, 1929 and 1930, which showed export surpluses of \$981 millions, \$1,037 millions, \$842 millions and \$782 millions, respectively. The average monthly surplus during the last seven months for which figures are available exceeds the average monthly surplus in any of those years. Prior to the World War there was no year when the export surplus equalled this seven months' total.

This extraordinary surplus is not the result of any extreme rise in exports. During the last quarter of 1937 exports averaged just over \$300 millions a month, and during the first four months this year about \$275 millions. Imports fell steadily to the end of 1937, but the decline seems to have ceased during the first four months of this year.

Domestic Character of the Slump

These trade figures indicate the essentially domestic character of the business slump here. Imports fell persistently last year, while exports rose in October and remained steady during the rest of the year. During the first third of 1938 both exports and imports have remained steady with a large surplus of exports. This suggests that conditions in other countries are tending to sustain, rather than depress, business and prices here. Apparently, the dollar figures for trade represent fairly well the volume of goods, since the average price is reported to be substantially unchanged compared with a year ago. The Department of Commerce stated in its April report that: "The unit value (price) index of total exports and of total imports was at least 7 per cent. lower in this past April than in April, 1937."

The figures for April and the first four months of this year and last year are as follows:—

	Millions of dollars		Four months ended April	
	1937	1938	1937	1938
Merchandise:—				
Exports	269	274	981	1,102
Imports	287	160	1,112	667
Excess of Exports	...	115	...	435
Excess of Imports	18	...	131	...
Gold:—				
Exports	N	N	N	5
Imports	216	71	612	140
Excess of Imports	216	71	612	134
Silver:—				
Exports	2	0.2	7	1
Imports	3	16	25	74
Excess of Imports	1	16	18	73

N = Negligible.

Imports of gold and silver have covered a substantial portion of the favourable trade balance, but not all. Net imports of the two metals during the first four months of 1938 are reported at \$204 millions compared with the export surplus of \$435 millions. For the whole seven months gold

and silver imports (net) amounted to \$375 millions of the \$747 millions merchandise balance.

It would appear, therefore, that foreign balances in this country are being utilised to pay for goods. The figures compiled by the Treasury Department showed, during the fourth quarter of 1937, a reduction in foreign short-term funds held here, and the trade figures suggest that a continuation of this trend will be shown when the report covering the early months of this year is made. Movements of security prices do not suggest any important operations with foreign funds.

The Treasury and the Money Market

The Treasury has announced further steps in its programme to try to fill the triple rôle which it now plays as a result of the last depression. As a fiscal agency, the Treasury is preparing for the first substantial borrowing of new money for more than a year, in readiness for the spending programme. As an integral factor in the central banking mechanism, it is preparing to complete the programme to increase banks' excess reserves to new high levels, announced in the President's message on April 14th. As the chief agency through which monetary influence on business is now exerted, it is preparing to provide funds for expenditure and at the same time to attempt to maintain a stable bond market.

On June 15th, holders of \$618 millions of notes maturing then and holders of \$596 millions of notes maturing on September 15th will receive in exchange new 1½ per cent. five-year notes or 2½ per cent. 20-25 year bonds, at the holders' option. By anticipating the September quarter-date maturity, that date will be left free from maturities and open for an issue to raise new money for the spending programme. By the same operation, a large amount of floating debt is funded, while, at the same time, a long-term issue is put upon the gilt-edged market, which has recently been so buoyant because of rising excess reserves as to appear to need restraint.

From June 16th to June 18th the Treasury will repay \$250 millions of maturing bills in cash. And between June 22nd and July 20th another \$250 millions of maturing bills will be retired by refinancing only \$100 millions of the \$150 millions maturing weekly. By these operations, in addition to whatever excess of expenditure occurs during the period, the Treasury will be able substantially to reduce its present large cash balance. This balance was increased by the proceeds of desterilisation, which do not increase bank cash until disbursed by the Treasury. Repayment of these bills, therefore, will both increase bank cash and further reduce floating debt. From July 27th the Treasury will begin to borrow new money on bills again, and the reduction in the volume of available short-term investments, as well as the increase in bank cash, will tend to support the gilt-edged market.

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The net result of these steps, together with those of recent months, is to exert unprecedented upward pressure on the long-term gilt-edged market and to "squeeze" the short-term market. From August, 1937, to May 31st the total outstanding Treasury bills were reduced by \$1,100 millions to \$1,553 millions, and by July 20th they will have been cut by another \$500 millions. Since the Federal Reserve Banks held \$715 millions of these bills on June 1st the market has only a small supply.

During recent months (up to May 31st) the volume of outstanding Treasury notes was reduced by nearly \$500 millions, and will fall still further as a result of the June 15th operations. Meanwhile, bank loans have been rapidly liquidated, and commercial paper and bankers' acceptances are declining. As a result, the market rate on Treasury bills, which averaged 0.45 per cent. in 1937, has recently gone to 0.025 per cent., and the rate on three-five year Treasury notes, which averaged 1.40 per cent. in 1937, is now 0.72 per cent. Last September the Treasury offered 2 per cent. five-year notes; it now offers $1\frac{1}{4}$ per cent. five-year notes, and the market has bid them to a substantial premium. The short-term money rate has essentially vanished so far as the Treasury is concerned, and money for several years' term has but little value. During coming weeks still more pressure will be felt.

France

More Decrees

PARIS, June 16.—The parliamentary session will probably end on the eve of the visit of the British Sovereigns, which figures more and more as the great event of the year in Paris. Meanwhile, fifty new decree-laws have been promulgated. The personnel of the fighting forces is to be augmented. Financial enactments provide for restrictions on the alienation of real estate; control of private insurance business; the prevention of fiscal fraud; fiscal relief; and the protection of savings. The country is to be newly sub-divided into economic regions. A tax will be imposed upon imports of cotton to encourage production in North Africa; and the subsidised steamship lines are to be reorganised.

Further decrees will be issued before, or soon after, the close of the parliamentary session, and these will be more important. They will be mainly concerned with the Wheat Office, and the development of electricity supply and distribution. The Minister for Air has announced that the introduction of the 45-hour week into aircraft factories has led to an appreciable improvement in the rate of building. Altogether, the Government's programme is making good progress.

Financial Difficulties

Claims for concessions to civil servants for agricultural insurance and pensions for aged workers, representing a total fresh expenditure of 8,000 million francs, were supported before the Chamber chiefly by the Communists, but also by the Socialists. M. Daladier rejected the claims, arguing that such measures would bring the exchange rate down to 220 or 230 francs to the £. He had promised that the rate of 179 would not be exceeded. Moreover, he said, to accept such proposals at this juncture would demonstrate an improvidence which would alienate every friend or ally.

M. Daladier's firm stand is a new thing in France, and the favourable impression it made was enhanced by its following hard upon a compulsory evacuation of the employees of the Mint, who had begun a stay-in strike because of a dispute over wages. The defence of the franc and the augmentation of the Army at a time of great international anxiety have strengthened the Prime Minister's position, as was proved in

Committee when the votes of the Socialists themselves were cast in support of his firm policy.

The moment is certainly not favourable for lavish expenditure. The Treasury still needs 30,000 million francs to cover the period up to the end of 1938, of which 15,000 millions have already been borrowed; 5,000 millions by the recent National Defence Loan and 10,000 millions by the issue of short-term bonds. The remaining 15,000 millions will be sought in the market in the course of the next six months and, in the main, during the autumn. Meanwhile, the statistics of production are far from encouraging. What will they be like in October? No confident answer can yet be given to this question.

Declining Imports

Foreign trade in May showed (compared with April) an increase in the value of exports but a decline in their volume. Imports also declined in volume, while their value remained practically unchanged.

	(francs '000 omitted)		
	May, 1937	April, 1938	May, 1938
Imports:—			
Foodstuffs	761,478	994,759	1,101,383
Raw materials	1,856,827	2,270,855	2,131,335
Manufactured goods	452,168	611,788	644,959
Totals	3,070,473	3,877,402	3,877,677
Exports:—			
Foodstuffs	255,096	365,343	330,438
Raw materials	621,301	710,107	714,717
Manufactured goods	884,488	1,288,310	1,279,280
Totals	1,760,885	2,363,760	2,324,435
Import surplus	1,309,588	1,513,642	1,553,242

Trade during the first five months of 1938 showed an average monthly import surplus of 1,558 million francs, or 1,228 millions if trade with the Colonies is excluded. In value, exports increased more rapidly than imports, a movement which is largely explained by the decline in imports caused, in the main, by the rise of foreign prices in francs and by the declining activity of French industries.

The Statistique Générale has just published its monthly figures showing industrial production:—

	1928=100			
	April, 1937	February, 1938	March, 1938	April, 1938
General index	97	85	84	...
Mines	91	92	96	95
Chemical industries	104	102	96	...
Paper	199	163	157	142
Textiles	89	82	81	81
Leather	73	69	69	...
Iron and steel	85	79	73	69
Engineering	92	86	83	...
Automobile	82	89	88	67
Building	66	58	59	59
Gas and electricity	129	132	133	...
Miscellaneous	107	104	109	...
Old general index (1913=100)	105	96	95	93

Wholesale prices in May registered a rise equivalent to the latest depreciation of the franc. The rise in the prices of imported products was accompanied by an equivalent increase in the prices of certain domestic foodstuffs, due to social charges or unfavourable weather conditions. Meat prices, however, fell, probably because of hasty selling as a result of the prolonged drought and the pressure exerted by public authorities on certain prices, such as the price of milk. Because of these exceptional circumstances, retail prices are following the wholesale prices very slowly, but a new and serious rise may occur in the future.

	PRICES.				
	Apr., 1937	Feb., 1938	Mar., 1938	Apr., 1938	June 11 1938
Wholesale prices (1914=100):—					
General index	537	613	617	619	645
Domestic products	559	656	654	662	685
Imported products	497	538	552	543	574
Foodstuffs	526	624	613	623	653
Industrial products	547	605	622	617	640

	Apr., 1937	Feb., 1938	Mar., 1938	Apr., 1938	June 11 1938
Retail prices (1914=100)	580	692	690	691	698
Lighting and heating (1930=100)	94.8	116.0	116.4	117.4	117.8

A seasonal fall in unemployment is perceptible. The number of unemployed was 375,719 on June 4th, against 380,826 in the preceding week. But the number of unemployed was 340,062 a year ago, when the monthly increase was 35,657.

Germany

Austrian Loans Discussions

BERLIN, June 15.—Exporters were perturbed last week by fear of complications arising out of the Austrian loans discussions. Except for a few privileged persons, they could obtain no information. It is a rule to prevent the circulation of international news which may be considered derogatory to the Reich Government, unless such news can be exploited as a demonstration of foreign ill-will. In accordance with this policy the difficulties which arose over the loans during the Leith-Ross negotiations were not reported; indeed, although the public had been fully informed about the successful course of the trade negotiations with Italy, the fact that there was any delegation about the loans at all was kept generally secret. The news of trouble over Austrian debts reached the public obliquely in the form of news about the British Chambers of Commerce letter to Sir John Simon, which was described as "malicious."

Commercial circles naturally fear the setting-up of a Clearing; and, if the Reich Government forces Great Britain to do that, it will belie its own recent policy, which has been to substitute direct payment for Clearing agreements. Any refusal to acknowledge the validity of the international loans, as distinct from a mere default on transfer, would place the Reich Government in a dilemma. A substantial part of these loans is held by Austrians. Under Reich currency law (extended to Austria), the Austrian holdings, being in foreign currency, are compulsorily deliverable against compensation in marks. On home political and other grounds, there could be no question of repudiating Austrian holdings of international loans. It is therefore hard to see how the loans could be repudiated as a whole.

Relevant to the transfer problem is the fact that, through the expropriation of Austrian foreign currency holdings and foreign securities, the Reich comes into possession of a very large sum in foreign exchange, in addition to the Austrian National Bank reserves, already taken by the Reichsbank. In banking circles different estimates of the expropriated windfall are current. Even the lowest estimate exceeds the outstanding capital of the three Austrian international loans.

Cereal crops are reported to have recovered substantially from the April setback. Although stocks were more than sufficient for the brief remaining part of the farming year, imports of wheat, barley and oats continued in May. Wheat imports in the first five months reached nearly half a million tons, valued at Rm. 66.5 millions. The condition of sugar beet is described as satisfactory; but the condition of nearly all vegetables is much worse than twelve months ago; and fruit prospects are very unsatisfactory.

Increased Employment

Five Reich laws and ordinances concerning mining have been extended to Austria, and their effect is to increase the State's authority in prospecting and exploitation. The number of employed persons in May (excluding Austria) reached 19,850,000, an increase in the month of 450,000, largely due to the number of children leaving school, but in part to the increasing entry into gainful occupations of married women, pensioners and workers formerly independent. The number of unemployed persons fell by 84,000 to 338,000, of whom only 37,000 were fully qualified for work. The number of unemployed in Austria, which is still separately returned, dropped by 65,000, but the total, 351,000, remains higher than in the Reich.

The building and allied industries are extraordinarily active. Housing has suffered a setback. The number of dwellings under construction at the beginning of the year was only 150,000, against 175,000 a year earlier. Various new factors are making for a housing shortage, which is often local. In Berlin flats and villas are being taken over, not only by Government and party administrations, but also by provincial business concerns whom the ever-expanding State central control compels to be represented in the capital. There has always been a shortage of small dwellings; to-day the larger houses also are fully occupied.

Movements of population due to the Four Year Plan have caused a housing shortage in many other districts, the unsatisfactory makeshift remedy for which is "barracking." According to the "Economic Building Group," some 72.6 per cent. of building orders in 1937 were for public constructions, 22.3 per cent. for industrial purposes, 4 per cent. for private dwellings (including orders from settlement asso-

ciations) and 1.1 per cent. for trade communications, banks, insurance institutions and agriculture. Since the capacity of the building industry is already fully utilised, it would seem that the decline in the absolute number of new dwellings can be arrested only by slackening the pace of public construction. Present indications, however, are that this pace will increase rapidly.

The recent decision to prolong the International Steel Cartel has been well received. Major-General von Hanneken, the head of the Iron Production Group under the Minister of Economics, stated that the undertakings of the Reich Ore and Iron Works (Hermann Goering) would be transferred to private industry as far and as soon as possible. The State had assumed the initiative with these undertakings only because they involved risks that industry could not take. Exports of machinery in April reached the high level (for post-depression times) of 38,600 tons. Exports of internal-combustion motors has increased to about 30 per cent. above the level of 1936.

Coal prospects are discussed pessimistically. In April it proved necessary to reduce output to 14,500 thousand tons, against 15,720 thousand tons in April, 1937, owing to the failure of increased home consumption to make good the loss of export trade. Home consumption of coal in the first four months of the year was 52,800 thousand tons, against 48,880 thousand tons in 1937; and exports were 11,020 thousand tons, against 12,520 thousand tons. Since 1932 home consumption and (with the exception of one year) exports had previously both risen continuously. The marked increase in German exports from 18 million tons in 1932 to nearly 39 million tons in 1937 was in part due to the activity of British industry, and the view is now expressed that any further decline in British trade would reduce German exports still more.

Distribution of Textile Exports

The *Frankfurter Zeitung* publishes some instructive figures about German exports of textile yarns, cloth, knitted goods and clothing. The value of these exports last year rose to Rm. 541 millions, against Rm. 510 millions in 1936 and Rm. 435 millions in 1935. But there have been great changes in the distribution of this trade. Since 1934 there have been heavy declines in exports to the Netherlands (then the chief customer), Switzerland and the United States, and smaller declines in exports to Belgium, France and Italy. Among North European countries, there have been substantial increases in exports to Great Britain, Denmark and Finland, and smaller increases in exports to other countries.

In 1937, for instance, Great Britain, with Rm. 69,700,000 against Rm. 51,200,000 in 1934, was Germany's chief customer for textiles. The percentage increases in textile exports to Central and South-East European countries (including Turkey), however, were much greater. Some of these countries, and in particular Yugoslavia, Roumania and Greece, show five to sevenfold increases. In 1934 only one out of eight countries in this group took textiles to the value of more than Rm. 5 millions; in 1937 five took over Rm. 10 millions; and of these three took over Rm. 20 millions.

In textile trade with Latin-America the tendency was similar, the percentage increases being in many cases even greater, though the absolute values were small. To Chile, for example, exports increased elevenfold. The growing trade association with South-East Europe and South America is illustrated by these figures. In Asia the most noteworthy change was the rise in exports of this class of goods to Persia from Rm. 300,000 to Rm. 7,500,000; in Africa there was an increase from Rm. 400,000 to Rm. 7,400,000 to British West Africa; and all other Asiatic and African countries show increases, great or small.

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Jugoslavia

No Marked Recession

BELGRADE, June 11.—At the end of April business in Yugoslavia was still making headway, although at a slightly slower rate, under the continued stimulus of 1937 conditions. The index of mining output in April reached 132.3, against 111.7 in April, 1937, and that of foundries was 181.7, against 124.2 a year ago. During the first four months of 1938 mining activity was about 20 per cent. and foundry activity nearly 30 per cent. above the level in the corresponding months of 1937. Truck loadings during the same period were 527,000, compared with 465,000 a year ago. The employment index in January stood at 109.9, against 105.5; it was lower than in August, 1937, when it was 127.4, with 721,000 workers in employment; but employment in January is normally lower than in any other month. Building is showing signs of great activity, well above the level of recent years. The Budgetary year 1937-38 finished with a net surplus of 1,373.5 million dinars; receipts were 11,804.8 millions and expenditure 10,431.7 millions.

On the other hand, the impact of the trade recession abroad is beginning to be felt. True, the total value of trade declined during the first four months of 1938 by only 4.8 per cent. (from 3,472 million dinars to 3,313 millions), but this was due chiefly to heavy imports made to diminish the debts on clearing accounts. Thus, the import surplus through clearings in the first four months of 1938 amounts to 153 million dinars, against an export surplus through clearings of 109 millions in the same months of 1937. Trade during the period January to April was as follows:—

	January to April 1937		January to April 1938	
	Tons	Mill. dinars	Tons	Mill. dinars
Exports	1,341,000	1,903.3	1,227,000	1,569.5
Imports	307,000	1,568.7	410,000	1,743.8
Surplus of Imports (—) or Exports (+)	...	+334.6	...	—174.3

One interesting feature is the fact that Great Britain figures at the top of the list of Yugoslavia's customers. Exports to Great Britain in April were valued at 117 million dinars, those to Germany, which was second, at 78.6 millions. During the first quarter of the year exports to Great Britain were valued at 163.7 millions and imports from Great Britain at 146 million dinars.

It is too early to speculate whether this increase in trade between Great Britain and Yugoslavia will become a permanent feature. It is possible, however, that Yugoslavia may make efforts to achieve this. Hitherto, between 33 and 37 per cent. of total Yugoslav exports have gone to Germany and Austria. The inclusion of Austria in Germany may mean that Yugoslav exports will be tied too much to one country, and be consequently too vulnerable.

This possibility is serious, because no less than 76.67 per cent. of Yugoslavia's exports and 69.05 per cent. of her imports already pass through clearings, clearing arrangements being in existence with 11 countries, against 13 last year. It is with this new trade situation in view that commercial agreements are either signed, under discussion or about to be negotiated, with Turkey, Germany, France, Hungary, Switzerland, Czechoslovakia, Greece and Poland.

Difficult Days Ahead

There are other signs of diminishing activity. River traffic, which is dependent to a considerable extent on foreign trade, has declined. The fall in the exports of so important a commodity as timber is bound to have adverse repercussions. Harvest prospects for the autumn, both of grain and fruit, although not so bad as at first was feared after the rains and floods, are only moderate.

It is significant, too, that the minimum interest rate has already hardened from 7 to 7.5 per cent. (the maximum rate fixed by law is 10 per cent.), in spite of an increase in savings from 10,715 million dinars to 11,628 millions since April last year. The index of prices has hardly receded this spring from the high-water level of 80, where it has remained since October; it still stands at 79.3, against 72.3 a year ago, and the autumn seems likely to be difficult for the working class and people with fixed and limited incomes.

It is in the autumn that Yugoslavia will be faced with the problem of how far its internal economy, in the present semi-autarkic era, can resist an international recession. The Gov-

ernment obviously has this in view: the Minister of Finance has ordered that credits should be kept strictly within limits during the forthcoming budgetary year; and the authorities are laying great store by the issue of the first part of the large internal loan of 4,000 million dinars to be spent on public works and defence. At present, the internal debt stands at 6,193,296,000 dinars (April 1st), against 5,625,921,000 dinars on April 1, 1937, in spite of redemptions to the amount of 117.790 millions. This increase is due to the issue of 685 millions of new bonds to raise funds for agrarian reform, public works and the settlement of the agrarian debt.

Palestine

Economic Depression

JERUSALEM, May 23.—Various data published by the Government of Palestine throw some light on the economic depression from which the country is suffering. Postal revenue, despite the widespread reduction in commercial activity, continues to expand. The gross revenue of the Post Office rose from £409,172 in 1935 to £450,456 in 1936 and £507,586 in 1937. The increase was probably due mainly to the substitution of a charge per telephone call for a flat rate. Under the flat rate system, the use of the telephone was so extensive as to exceed (in the number of calls per installation) the use made of telephones in any other country. Telephone operators in Palestine, working at high pressure, could only attend to three-quarters of the number of subscribers allotted to each operator in England. Now that, in the greater part of the country, every call has to be paid for, the number of calls per installation has fallen, while at the same time the revenue has risen.

On the other hand, there has been an appreciable fall in the amount of new capital put into public companies. The net total of new capital in 1935 was £4,978,578, in 1936 (the year of the revolt) £1,869,839, and in 1937 £3,822,559. The sum invested in public companies last February was £112,600, compared with £723,843 in February, 1937, which was, however, an exceptional month.

This does not mean that there is no money available in Palestine. Actually there was over £16 millions lying on deposit in the banks in January. This sum had fallen by about £787,000 in the course of the year, but this sum, as well as further capital brought into the country in the course of the year, was not all invested. A considerable part of it must have been consumed.

The same tendency is seen in agriculture. Net additional holdings of about 1,100 acres were acquired by Jews in the first two months of the present year at a cost of £38,000, compared with the acquisition of 15,000 acres in the whole of 1937 at a cost of £393,000. New building, which averaged 65,221 square metres per month in 1933, 88,672 in 1934, and 101,192 in 1935, fell to 61,507 in 1936, 48,115 in 1937, and 34,200 square metres per month in the first two months of this year.

Trade and Transport Decline

Foreign trade is also falling. The value of imports into Palestine in the first two months of this year amounted to £2,337,081, compared with £2,796,354 in 1937 and £2,458,651 in 1936. The principal reduction was in food, but the value of raw material imports fell from £291,926 in the first two months of 1937 to £243,758. Exports of local produce in the two months were valued at £1,587,988, compared with £1,796,729 in 1937 and £1,409,683 in 1936. Only in imports of wholly or mainly manufactured articles, valued at £112,031, was there any increase in January and February; and this increase was more than covered by the rise in the value of Dead Sea chemicals exported. These chemical exports in January-February, 1938, exceeded in value the whole of the exports of manufactured articles in the first two months of 1937.

The railways showed a very great reduction in business in the first two months of this year compared with the same period of 1937. Gross revenue was £104,523, compared with £170,775; passenger revenue £30,220, compared with £49,266; goods revenue £69,161, compared with £112,064; the number of passengers 205,935, compared with 376,525; and the tonnage of goods carried 191,527, compared with 278,033. Even in 1937, if debt charges are taken into account, there was a loss on the railways. This year it would seem that the loss will be greater.

The road transport companies are not benefiting at the expense of the railways. In January, 1937, 5,592,000 passengers were carried on the roads, and the gross earnings derived from them was £47,000; in January, 1938, the number of passengers was 4,968,000 and earnings were £42,299. At the same time, the expenditure of these companies rose from £37,788 to £40,337. In the first two months of 1937, 45,981 tons of goods were transported by road, bringing in £12,618 at a cost of £10,405; and in the same period of 1938, 39,246 tons brought in £12,415 at a cost of £10,848.

Two other indicators to the economic situation can be given. The currency in circulation in January, 1936, was £6,298,135; it had fallen to £4,789,134 in January, 1938, and there was only a slight rise in February. Protested bills, which numbered 7,264 in 1935, rose to 10,111 in 1936, then fell to 7,987 in 1937 and rose again during the first two months of this year to the equivalent of an average of 8,634 per annum.

Canada

Trade Negotiations

OTTAWA, June 3.—Ministers are still optimistic about the triangular trade negotiations now in progress at Washington. Apparently no real hitch has developed; the tariff concessions which the United States Government is ready to make to Canadian products like fish, cattle, dairy products, base metals and other commodities are regarded as quite satisfactory, but difficulties have arisen, apparently, in arranging the compensatory concessions which the United States desires. "Bound" preferences in the Canadian tariff are involved and the acquiescence of the Governments of other Dominions will have to be secured to sanction any curtailment of their privileges.

Meanwhile, at the instigation of the Roosevelt Administration, the terms of a new draft treaty, about the projected St. Lawrence Waterway and allied problems, have been published. It mainly follows the lines of the original agreement, which (after it had been signed by both Governments) was rejected by the United States Senate. There are, in addition, quite important modifications of the earlier proposals, some designed to meet American objections and others to placate the Government of Ontario.

Ontario and the St. Lawrence

Ontario's main objection has been that it simply could not afford to spend the money required for its share of the power development planned for the international section of the waterway; and the new agreement proposes that the works on the Canadian side of this section can be postponed until 1949. The Ontario Government is also to be given permission to divert water from the Ogoki River and Long Lac in North-Western Ontario into the Great Lakes system, and to export surplus power to the United States after the agreement is ratified.

This move by the Roosevelt Administration is regarded here as a shrewdly timed intimation to the King Government that its vigorous sympathetic interest in the waterway project would facilitate the consummation of a new and enlarged trade agreement. Premier Hepburn of Ontario, however, declares that the concessions now offered cannot alter his fundamental opposition to the scheme and, on June 3rd, Mr Lapointe informed the House of Commons that there was no prospect of a treaty about the waterway being submitted to Parliament this session.

The King Government has surprised everybody by a sudden decision to buy out the private shareholders of the Bank of Canada, who now hold \$5 millions out of the bank's capital of \$10,100,000. The balance is already owned by the Government and the bank will become a completely State-owned institution. The price paid is to be the average price ruling for 1938, or between \$58 and \$59 for each \$50 share. This move is regarded as purely political, to enable the Liberals of Saskatchewan to answer the charge made by Premier Aberhart that the monetary policy of Canada is controlled by selfish and private financial interests.

Railway Merger Discussed

At the special Railway Committee of the Senate on May 24th Sir Edward Beatty, President of the Canadian Pacific Railway, submitted his proposals for the "unification" of Canada's two railway systems. The plan is very similar to the one put before the Duff Commission on

Transportation in 1931 and rejected as impracticable. The basis of the scheme is that the two systems should be brought under a common management, but that each should continue to keep its own securities, which would remain in their present ownership. No question would thus be involved of the value of the respective properties or a fresh structure of capitalisation.

Sir Edward disavowed any wish for a Government guarantee of the securities of the C.P.R., and proposed that each group should continue after unification to receive the net earnings which "past experience" indicated that their company would have received as an independent institution. Then the additional net earnings which unification would produce should be shared between them on an equitable basis. He admitted that his plan contemplated the abandonment of over 5,000 miles of railway line now unprofitable, with the Canadian National Railway making the larger sacrifice, and estimated the annual saving from unification (based on a normal traffic year) at \$75,300,000.

He was strongly of the opinion that the C.P.R. could easily survive as an independent organisation, and declared that he advocated unification in the national interest, in order to secure relief for the Federal Treasury from the ruinous drain of annual deficits.

Protests from communities, threatened with the loss of their railway services, are being freely heard, and on June 3rd Mr Howe, the Minister of Transport, agreed that it would be quite impossible to close down 5,000 miles of railway. Furthermore, Senator Dandurand, the Government's leader in the Senate, asserts that phrases like "past experience" are too obscure and vague. Sir Edward has been asked to set out explicitly what assets the C.P.R. proposes to contribute to the merger, exactly what proportion of the profits of the unified system he thinks that the C.P.R. is entitled to receive, and what securities it would be ready to bring into a common pool, when financial operations for refunding or making new issues became necessary.

Business Hopes

In most parts of the prairie country the young wheat crop is making good growth, with subsoil moisture conditions much better than they have been in any recent year at this time. But rain is reported to be needed badly in northern Alberta, and from other districts there are reports of serious attacks of wireworms and a recurrence of the grasshopper plague is threatened. In Eastern Canada crop conditions remain favourable.

Business conditions in recent weeks have shown remarkable stability despite some adverse factors. The general economic index of the Bureau continues to move slightly week by week:—

Week Ended	Carloadings	Wholesale Prices	Bank Clearings	General Index
May 29, 1937	81.78	85.1	97.1	109.0
May 14, 1938	75.23	80.8	85.6	107.6
May 21, 1938	75.15	80.3	79.7	108.0
May 28, 1938	73.18	80.3	78.2	106.3

In some directions business shows a tendency to expand; and, if uncertainties about the Budget, the new trade agreement with the United States and the fate of the Western grain crop were removed, activity might easily substantially increase during the second half of the year. The earnings of both railways continue to be very unsatisfactory. In the first four months of 1938 the net earnings of the C.P.R. totalled only \$1,747,501, compared with \$5,490,823 in the same months of 1937; and the C.N.R. showed a net deficit of \$4,430,786, compared with net earnings of \$4,566,511 in the same period last year.

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Letters to the Editor

The Long Term Budget Problem

TO THE EDITOR OF THE ECONOMIST

SIR.—The analysis of the "Long Term Budget Problem" published in your current issue (June 11th, page 591) is most interesting and instructive, and provides a timely warning of the direction in which our financial policy is carrying us to-day. Nevertheless, I venture to think that if we turn our attention to the economic aspect, on which, of course, as always, the financial basis ultimately rests, we may perhaps draw a little more comfort.

To begin with the existing situation, a considerable part of our national expenditure is not really outlay but transference. The payment of pensions, for instance, out of the taxation of all classes does not reduce but redistribute the national income. Even the national debt, in so far as it is owned internally, does not diminish the economic income of the country as a whole, however much it may present a problem to the Chancellor of the Exchequer.

To-day we are building roads at the expense of the taxpayer where our grandfathers were building railways on money borrowed from investors. To that extent we are more financially provident. If one day water and electricity were to be laid on free to our houses and our taxes raised to foot the bill, the Budget would be considerably swollen, but it would not be a step towards national bankruptcy.

Turning to the future, it is, of course, necessary to make certain assumptions. In common with the authors of your Survey, I will assume that Europe refrains from the criminal folly of another great war and that armaments do not progressively increase. To assume otherwise would be to enshrine madness and to render any intelligent prophecy meaningless.

Granted peace at home and at any rate stability of defence expenditure, I find your contributors far too pessimistic. Their limited estimate of a 1 per cent. per annum increase in production would not be accepted by engineers and captains of industry. The productive capacity of 1970 is far more likely to be at least double that of to-day. That is, of course, provided it is not checked by out-of-date distributive and financial machinery.

What precise form the new machinery ought to take is the supreme question which the ablest brains will have to determine. But I think there will be wide agreement that it will involve some measure of socialised planning in place of the system in vogue to-day, with its intermittent working and wasteful scrapping of plant, man-power, and often even of the actual finished product.

Of course, this does not in any way imply acceptance of the principles of the totalitarian State, which are equally destructive of many of the most precious things of human individuality.

Yours, etc.,

F. W. PETHICK-LAWRENCE.

House of Commons.

Unemployment and Agriculture

TO THE EDITOR OF THE ECONOMIST

SIR.—The stoppage of emigration and the fall in exports of cotton and coal produced the vital necessity of providing employment for the resultant surplus labour. The British Government's policy of a constant low rate of interest somewhat mitigated the dangers of growing unemployment, but besides leading to some fundamental changes in the banking structure, this policy diverted the country's capital into houses and surface improvements, and swelled municipal indebtedness.

A country's employment problem cannot in the long run be founded on the maintenance of a low rate of interest, heroically defended in face of a growth in the monumental National Debt and punitive taxation. It is therefore imperative to provide an alternative outlet for the surplus labour. Short of a land policy, not to supply the country's total demand for agricultural produce but to maintain the

surplus labour, any solution of the unemployment problem is not possible.

Economic welfare postulates elasticity and the century-old movement from the land to the towns needs revision. A reversal of this drift, under Government supervision and support, would greatly mitigate the unemployment problem.

I am, Sir,

Your obedient servant,

Lodz, Poland.

S. HERSZBERG.

The American Deadlock

TO THE EDITOR OF THE ECONOMIST

SIR.—In your recent article on the "American Deadlock," you pointed out that many of the President's actions had had the effect of discouraging ordinary business enterprise, and that they had been a frankly deflationary force. Although there are periods when popular sentiment is aroused for the reform of abuses which inevitably develop from time to time in a democratic, capitalistic economy, nevertheless Americans are supposed to be very materialistic, and there seems to be little question that the majority of people are currently more interested in recovery rather than in reform.

Accordingly, is there any wonder that sentiment in Congress, which is supposed to represent the people, is becoming, especially under renewed conditions of depression, more and more hostile to a President whose actions and policies have been a deflationary force, and have discouraged business enterprise and resulted in a lack of confidence, which bids fair to neutralise the inflationary monetary policies now being pursued by the monetary authorities? America yearns for peace, but a decided change of attitude on the part of the President would seem to be a necessary condition precedent.

Yours very truly,

FRANCIS H. CUMMINGS.

Boston, U.S.A.

POINTS FROM LETTERS

Mars and the Stock Exchange.—It seems to me quite one-sided to draw conclusions concerning the evolution of securities prices in a future war only from British experience. Taking only a cursory glance at the development of securities prices in those countries where wholesale inflation was the consequence of the war, one does not gain a very reassuring prospect for the fate of capital in the next war. Investors in these countries lost nearly all their capital when it was placed in Government stocks, while investing in shares proved to be only less catastrophic. Monetary depreciation will probably be an inevitable issue of a future war, and the course of Stock Exchange prices will be influenced, not only by price inflation, but also by monetary depreciation. Great Britain's national debt at the outbreak of the war in 1914 was only one-tenth of what it is to-day. Investors would do well not to rely too trustfully on the fairly favourable aspect shown by the statistics in your article.—*Julius Bär, Zurich.*

American Deadlock.—You certainly took a running broad jump and landed far out to sea when you said on April 16th (page 131): "Above all, the business community can be criticised for deliberately working itself up into such a lather of hatred of the President, that its fury is choking the whole industrial and financial machine. . . . Both sides are now in the mood in which each protagonist delights to obstruct the efforts of the other." Does a man standing in front of the firing-squad develop a lather of hatred and choke with fury? Does the same man delight in catching the bullets with his hands, and thereby obstruct the efforts of the firing-squad? The remainder of the article makes just about as much sense as the New Deal allegations that there are nasty "kipitallists" sitting in their sky-scraper offices, selling all the securities they have, and throwing billions out of the window, merely because they are purple with rage at Mr Roosevelt.—*Cary W. Bok, Philadelphia, Pennsylvania.*

Books and Publications

Colonial Problems

It is satisfactory that the new Secretary of State for the Colonies has pledged himself to the issue of an annual statement on the affairs of the dependent Empire. The first such report,* signed by Lord Harlech, almost on the eve of his resignation, is certainly an experiment that deserves repeating. Within a compass that should not tax the digestive capacity of any legislator, it reviews the developments of the past year with a genuine effort to reach down to the roots of trouble.

Two-thirds of the survey discusses, for the whole dependent Empire, "matters of general interest," ranging from defence to the preservation of wild life, but concerning for the most part economic and social affairs. The remaining third of the statement treats each main colony or group of colonies in turn, singling out the chief events of the year, or the chief unsolved problems as they have arisen.

On the economic side, a brief report cannot deal very elaborately or very profoundly with the achievements or difficulties of so many and such different territories. The account is nevertheless most valuable, because it is both compact and up to date, qualities not shared by the vast and highly statistical "Economic Survey of the Colonial Empire" (the 1936 edition of which has not yet been published).

The statement at least renders the service of indicating what matters are uppermost in the Colonial Office's mind. In this respect it is on the whole reassuring. The vital problems of public health and nutrition, of industrial relations and wages, are given due prominence. "It is clear," the late Secretary of State writes,

"that labour organisation in some colonies is behind the standards reached in industrial countries, and that where large bodies of wage-labour are employed by mining companies or on plantations it is incumbent on government to ensure, in the interests of both capital and labour, that machinery is in existence for the constitutional settlement of disputes regarding rates of wages and conditions of labour. The increasing importance assumed by labour questions of all kinds will render it necessary for many colonial legislatures to review their existing enactments in order to bring their labour codes up to the levels now held to be consonant with modern conditions and outlook."

The urgency of this question is amply proved by the fact that important progress towards better labour relations in Jamaica came too late to prevent violent disorder.

On the subject of nutrition, the statement points out that the problem of malnutrition in the colonies, disclosed by an inquiry begun nearly two years ago, is not only one of improving money-incomes, but also one of making a greater variety of nutritious foodstuffs known and available. As the statement declares in an earlier passage,

"the resources of the colonial dependencies are predominantly agricultural and on the development of agricultural industry along efficient and soundly conceived lines their prosperity is dependent."

The major economic difficulty of many colonies to-day is their dependence on a volatile world market for a few primary commodities. The statement emphasises the grave troubles that have been brought about by the recent fall in prices, and particularly by the decline in American demand.

A good deal of space is devoted to the operation of the various international restriction schemes for tropical products. Two important aspects, however, are virtually ignored: the effect of restriction schemes on world trade as a whole; and the apportionment of the advantages and penalties of restrictions between the overseas shareholders and the people of the colonies themselves. Nor is there a just recognition of the need, when external prices are low, for keeping the prices of what the native buys as low as possible. There is no hint of any relaxation of the highly restrictive

* "The Colonial Empire in 1937-38." Statement to accompany the Estimates for Colonial and Middle Eastern Services, 1938. H.M. Stationery Office. 179 pages. 2s.

tariffs and quotas on textiles, which were in fact reinforced during the past year.

It is idle to overlook the international reactions of colonial economics; for, whether we like it or not, they will be pressed upon our attention more and more insistently by other countries. The world-wide controversy about the future of colonies is not, on the whole, rational, but that is no reason for failing to inform ourselves of the rational arguments one way or the other. Chatham House has brought out a small volume† on Germany's colonial claims which contains all the essential facts for an understanding of the controversy. The various arguments and counter-arguments are set forth in the shape of quotations from the protagonists, without any attempt to judge between them. Perhaps the most striking point that emerges is Herr Hitler's complete *volte-face* since he wrote "Mein Kampf." Whether his conversion is sincere or merely strategic remains a mystery.

† "Germany's Claim to Colonies." Oxford University Press (for the Royal Institute of International Affairs). 76 pages. 2s. net.

Shorter Notices

"Milk Investigation Scheme." Costs of Milk Production in England and Wales. Interim Report No. 2, 1935-36. Agricultural Economics Research Institute, Oxford. 58 pages. 1s. 6d.

The most striking feature of this report, as of the earlier one issued last year, is the very wide variation in costs shown by the 600 farms included in the survey. The costs (excluding rent, management and interest) of 91 per cent. of the farms selling milk wholesale on contract ranged between 6d. and 1s. per gallon. When analysed by districts, under the Milk Marketing Board's classification, costs per gallon ranged from 7.8d. in the West Midlands to 9.3d. in the north-west and 10.3d. in the south-east, a spread of 2.5d. per gallon. Owing to the necessity of feeding large rations of concentrates in winter, summer feeding costs were between half and two-thirds of those in winter; and, on the average of the year, the cost of foods was roughly half of the total costs of milk production. The fall in the price of feeding stuffs in 1935-36 was responsible for a small decline in the total cost per gallon in the year, compared with the costs recorded in the previous report. The next and third report, covering the year 1936-37, will probably show a much larger rise in costs, due to the sharp increase in the price of all feeding stuffs during the last twelve months.

"Oil and Petroleum Year Book." Compiled by Walter E. Skinner, 15 Dowgate Hill, Cannon Street, London, E.C. 4. 536 pages. 10s. net.

Oil is world-important nowadays, and the thirtieth annual issue of this most reliable book of reference is more valuable than ever. It gives up-to-date details of 774 companies and their officials, and includes full technical, geographical and financial information about each one, in addition to summary statements of the statistical position and recent development of the oil industry as a whole.

Books Received

Middlesex Sessions Records. New Series. Vol. III. 1615-1616. Edited by W. Le Hardy. (London) Middlesex Standing Joint Committee. Guildhall, Westminster, S.W.1. 423 pages. 10s. 6d. net.

Why Britain Prospers. By W. Teeling. (London) John Gifford, Ltd. 288 pages. 10s. 6d. net.

Italy's Foreign and Colonial Policy, 1914-1937. By Maxwell H. H. Macartney and P. Cremona. (London) H. Milford. 353 pages. 12s. 6d. net.

INSURANCE SHARES AS AN INVESTMENT, 1938 EDITION

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THE MOST CONCISE GUIDE TO INSURANCE SHARES
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THE BUSINESS WORLD

An Investment Horoscope—I

Equity Shares in Depression

THE British Government's decision, last month, to grant *de jure* recognition to the recession in British industry seemed belated to many investors; for on the Stock Exchange, depression, *forte et dure*, has been an established fact for well over a year. Ordinary share values have fallen since the end of 1936 by 30 per cent., according to the relatively solid Actuaries' Index, by 35 per cent. according to the somewhat more sensitive *Financial News* index, and by 26 per cent. according to the scholarly "London and Cambridge" Index. During the Stock Exchange year which ended on March 24th last, the market value of all the securities quoted in the Official List (excluding "British Funds, etc.") showed an average depreciation of nearly 20 per cent., while the number of bargains recorded fell by 22 per cent. and the number of items cleared by the Settlement Department declined by nearly 30 per cent.

The fall in values has varied in its intensity between different markets, but has extended from one end of the "House" to the other—from gilt-edged stocks to gold

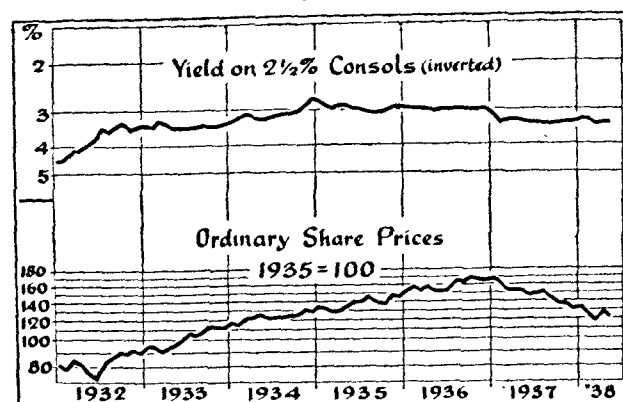
mining shares. It has been accompanied, during the last few months, by so marked a falling off in business that the receipts of some Stock Exchange firms have barely covered their fixed charges. All classes of investors, from the smallest individual to the Prudential, have been affected. Many investment trusts whose portfolios showed an excess of market over book values at the end of 1936 now have a net depreciation.

What are the causes of the present Stock Exchange depression? Are prices near the bottom? What is likely to be the course of Stock Exchange values in the immediate and in the more distant future?

On a cursory glance at the first of the accompanying charts, the fall in the index of ordinary share prices appears to have been continuous since the bull market, which began in 1933, reached its peak at the end of 1936. Actually, in

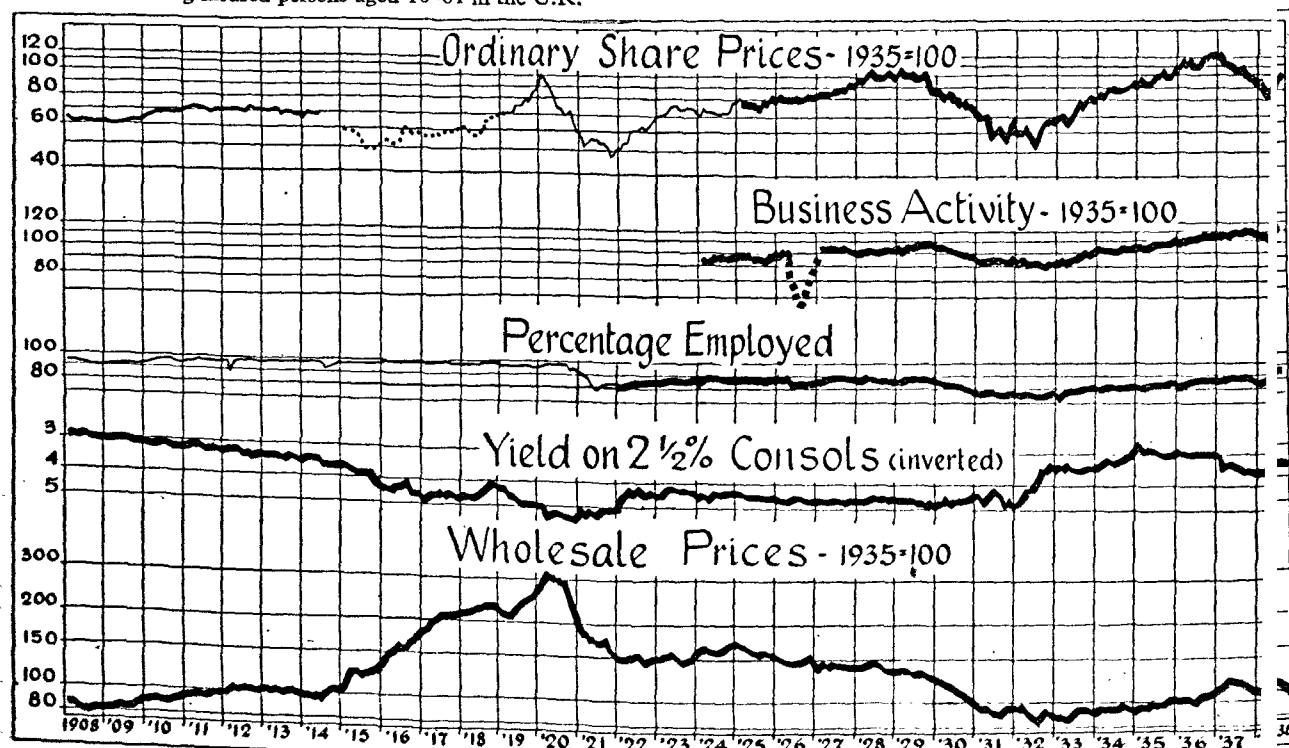
the intervening period, there have been at least four distinct phases in the general market decline. The first ended with the spring of last year, after the Chancellor's decision to abandon N.D.C. in its original and objectionable form. During this, the real climacteric phase, security values

SHARE PRICES AND YIELD ON 2½% CONSOLS 1932-38



SHARE PRICES AND THEIR BACKGROUND, 1908-38

In the chart given below a number of different series have been linked together on a common base. In the case of ordinary shares, we have used the various indices published by the London and Cambridge Economic Service for the periods from 1908 to 1914, 1919 to 1924 and 1925 to date. For the years 1915 to 1918 we have used the market values of 38 commercial industrial shares published in the *Bankers' Magazine*. The indices of business activity and wholesale prices are those of *The Economist*. The employment percentages have been obtained by subtracting from 100 the percentages unemployed among members of trade unions for the period up to 1921 and thereafter among insured persons aged 16-64 in the U.K.



honoured precedent by turning downwards several months before the pace of industry showed any signs of slackening—*The Economist's* business activity index, for example, did not begin to recede until the autumn. In contradistinction to events in 1929, however, security prices fell against a background of rising commodity prices; for it was only in the spring of last year that the incipient boom in raw material quotations was checked and reversed. Both in 1920 and in 1929, the immediate signal for the collapse of share quotations was the advent of dearer money, typified by the raising of the Bank of England's discount rate. In 1937, the first depression investors had experienced under a "managed" currency, bank rate had lost its value as a portent. But it is significant that the turn in security prices as a whole coincided with a fall of 11½ per cent. in the price of 2½ per cent. Consols—i.e. with a rise in the "pure" long-term rate of interest—during the first two months of last year.

The evidence, in fact, lends support to the view that the present depression began by discounting a trade recession of the cyclical kind, in much the same way, allowing for a changed monetary background, as at the outset of many cyclical movements in the past. In the summer months of 1937 there was a typical "secondary" recovery. In the autumn, however, during the second phase of recession, the accentuation of the gradient of the decline in prices was unmistakably associated with the rapid deterioration of the European political situation. For a couple of months, at about the turn of the year, prices were stable, before the beginning of the third phase of decline, which lasted from the beginning of February to the end of March, 1938. By this time, increasing evidence of the arrival of domestic industrial recession was accumulating. Nevertheless, a temporary recovery in April (before and after a Budget which contrived to combine extensive borrowing with an impression of draconian orthodoxy) carried industrial share prices up by over 10 per cent. In the fourth and current phase, which is still in progress, this recovery has been negated, though prices, as a whole, have suffered little net depreciation since the end of March.

A fair summary, therefore, of the slump in share values, so far, may be to say that in its earlier stages trade factors and political factors pulled share prices down separately, and in its later stages they pulled together. How far are they likely to continue to exert their present force? So far, the steepness of the downward gradient suggests that the adjustment of Stock Exchange values in advance of industrial depression has gone faster and further than in earlier recessions—possibly because investors and operators have much better economic statistics to-day than ever before and can the more readily size up the general situation. But how much of this apparently increased readiness to discount unfavourable industrial developments (despite a considerable propaganda to the opposite effect from the Government, industrial leaders and sections of the Press) has really been due to the accentuation of the downswing of share values by the abnormal factor of political insecurity? The answer is crucial in any appraisal of Stock Exchange possibilities during the next few months. For the European position has already deteriorated so rapidly that security prices may be said to have discounted almost every contingency short of war itself. But industrial depression is only a few months old. If the immediate course of prices is likely to be governed more by cyclical than by political factors, everything depends on whether the setback in industry is to be sharp and short—the V-shaped depression beloved by American commentators—or severe and prolonged, like the depression of 1930-33.

One way of approaching this problem is to put the indices of share prices and the rate of interest, given in our first chart, against a background of the main factors which, directly or indirectly, determine market values; namely, national income and prosperity (shown indirectly by employment percentages and by *The Economist's* business activity index), and the level of wholesale prices. In the chart on the opposite page the comparison has been taken back for the last thirty years, except in the case of *The Economist's* business activity index which is available only

since 1924. Paucity of data has necessitated, in some instances, the linking together of diverse series of figures to give a continuous curve. The chart is valid, consequently, only for broad comparisons of the extent and timing of fluctuations in the different curves during relatively short periods, and not for drawing precise conclusions from the behaviour of the same curve in widely separated periods.

Within these limits, the chart yields valuable information for the investor. Broadly, it shows that relatively small variations of the order of 10 to 15 per cent. in employment tend to be accompanied by wider fluctuations of 20 to 30 per cent. in business activity and by sweeping changes, of the order of 50 or 60 per cent. in industrial share prices. Since the war, these cyclical upswings and downswings have been far wider than in the immediate pre-war years. Actually, 1908-09 saw the bottom of a "little depression" of the type which the market was discussing at the end of last year, and 1913 would probably, but for the war, have gone down to history as the peak year of a more or less normal trade cycle. During the greater part of the war itself, the curve of ordinary share prices showed somewhat remarkable stability, but from 1918 onwards its course has been strikingly unstable. The fall in industrial share values between 1928 and 1932 was as great as in the post-war slump of 1920-21, though it was somewhat more prolonged. The latest decline has so far resulted in roughly half the depreciation registered in the last two market cycles.

If one were arguing merely on the basis of "chart-reading" and post-war experience of the trade cycle, one would be tempted to infer that the downward movement in ordinary share prices might well endure for at least another twelve to eighteen months, and that it might produce a further depression in values of anything from 10 to 20 per cent. That conclusion might draw support from the fact that ordinary cyclical influences had been operating, in the last twelve months, against a background of rapidly falling wholesale prices and, possibly, slightly rising interest rates. An eventual upturn in the ordinary share curve on this argument might be expected to precede the eventual recovery in employment and business activity by at least six months, and to carry average industrial share values, perhaps, something like 40 or 50 per cent. above their present level. It would be unlikely to come about, however, until late 1940 or early 1941.

Post-war analogies based on the trade cycle, in short, hold out little prospect of a speedy recovery in share prices, though they suggest that in a few years' time prices may well be much higher than they are now. For holders to whom intermediate fluctuations are of secondary concern, there may be comfort in this generalisation; but to other investors it will hardly make pleasant reading. There are, however, other factors in the present situation which are non-cyclical, but which may affect both the short- and the long-term prospect. These considerations will be discussed more fully in a second article.

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New Defence Loan

THE recent firmness of the gilt-edged markets had encouraged expectations of an early issue of the second tranche of the National Defence Loan. Last Tuesday the loan was announced, in the form of a 3 per cent. issue of £80 millions at 98, repayable at par on July 15, 1958, or, at the option of the Treasury, on or after July 15, 1954, by drawings or otherwise, at three months' notice. The sum payable on application is 10 per cent., with further calls of 48 per cent. on July 1st and 40 per cent. on August 12th. The July call is timed to coincide with heavy Government interest payments on the existing National Debt, and should not cause undue disturbance to the money market. The loan is being issued through the Bank of England, and, for the small investor's sake, through the Post Office. Lists opened on Wednesday and dealings began on Thursday, up to $\frac{1}{2}$ premium.

The new loan provides several important points of contrast with last year's issue. These we summarise in the following table:—

	1937 Loan	1938 Loan
Date of issue	April 28th	June 16th
Amount	£100 millions	£80 millions
Nominal rate of interest	2½%	3%
Issue price	99½	98
Dates of repayment	1944-48	1954-58

This year the Government are appealing for £20 millions less than a year ago, possibly because they already have in hand part of last year's loan, together with the 1937-38 Budget surplus. The issue price is much the same, but the nominal rate of interest is $\frac{1}{2}$ per cent. higher. On the other hand, while last year's loan ranked as "short to medium," this one can best be described as "medium to long." Last year's loan appealed mainly to bankers, though (as we pointed out at the time) it was a little long for the discount market. This year's loan is less appropriate for the banks, but its yield, by comparison with that on outstanding gilt-edged securities, should render it attractive to the general body of investors. The length to which the Treasury has gone in this direction may be inferred from a comparison of the redemption yield on other Government securities, based on the price of June 13th (before the terms of the new loan were known to the market):—

Loan	Price June 13, 1938	Redemption Yield (%)
2½% Funding, 1956-61	91	3 1 6
2½% Funding, 1952-57	97	2 19 6
3% Conversion, 1948-53	103	2 15 3(a)
3% Funding, 1959-69	99	3 1 6

3% Defence Loan, 1954-58 98* 3 2 8
* Issue price. (a) On basis of redemption in 1948.

On this basis the new offer has escaped the fate of its predecessor, which had to be taken up and held by the departments for a considerable period. On the other hand, the fact that the first Defence Loan now stands at above par suggests that it has reached the end of its initial troubles.

The background for the new issue differs significantly from that at the end of April, 1937. Markets were then reeling under the shock of the 1937-38 Budget, with its first version of National Defence Contribution. To-day, the gilt-edged market is standing firm, while other markets have been suffering from recession, from the troubles of the United States and from the political uncertainties of Europe and the Far East. Gilt-edged prices, indeed, are fractionally higher than they were a year ago, whereas equities generally have fallen heavily, as we show in a subsequent article. New savings coming forward for investment, which are largely deterred from entering the equity market, are tending to take refuge in gilt-edged securities. To this extent the new loan is well timed.

On the other hand, there seems little likelihood of any early rise in the long-term rate of interest. Why, then, has the loan appeared so soon, and on terms so much more attractive than those of last year's issue? The simplest

(and, perhaps, for that reason, the most correct) answer may be that the Treasury thought the present opportunity to be the most favourable it is likely to get, and wished to leave no "overhang" to affect the future gilt-edged market. It may be, again, that trade recession threatens some present or future depletion of certain departmental funds. The Unemployment Insurance Fund, for example, is beginning to feel the effect of heavier unemployment, and an intensification or prolongation of the recession may in time affect Savings Bank deposits. Such developments would make it harder for the Government to follow their normal technique of letting the departments take up part of a new loan with the intention of holding it until it can be resold to the public. There is no definite evidence that the departments would have any difficulty in doing so to-day, but they might have difficulty in six months' time. Hence the Government may have decided to time this new loan so as to ensure, beyond all doubt, that the department would have finally disposed of any portion of it by the autumn.

Whatever the motives of the Government, there is no doubt that their financial programme is well ahead of re-armament for a considerable time to come. On March 31st last they had in hand £35 millions, representing the unspent portion of last year's Defence Loan, and also the 1937-38 Budget surplus of £29 millions. The new loan will yield about £78 millions in cash. This makes a total sum of £142 millions. Sir John Simon, in his Budget speech last April, gave the amount of defence expenditure in 1938-39 to be financed out of borrowing as £90 millions, plus the amounts required to cover supplementary estimates presented during the present financial year. These totals are, of course, unknown, but the extension and acceleration of the re-armament programme means that they will be considerable. Thus something ought to be left on March 31, 1939, out of the available sum of £142 millions, but it may not be very considerable. The impression in the market is that the third Defence Loan will not appear for at least a year. This view, of course, is subject to the important reservation that the Government is its own judge of the advisability, at any given moment, of borrowing in anticipation of its future needs.

The reactions of the new loan on the money market deserve careful consideration. Initially there will be a reduction in the floating debt, amounting to £80 millions by the time all the calls have been paid up. This ignores, of course, the seasonal expansion in the floating debt, and other extraneous factors which affect its size. If part of the loan has been taken up "inside," then the reduction in the floating debt will be confined to "tap" Treasury bills held by the departments, which will merely receive Defence Loan instead. On the other hand, as the loan is taken up by the investor, either direct or by repurchase from the departments, the tender issue of Treasury bills will contract. If the banks take up part of the loan (or buy other securities), then deposits will not be reduced, for the banks will hold more securities and fewer bills. If, as is more likely, investors take up the loan, then the reduction in the volume of tender Treasury bills will be offset by a contraction in deposits at the joint-stock banks.

There is, consequently, a disposition to regard the immediate reaction of the loan as deflationary. This reasoning, however, ignores the fact that sooner or later the proceeds of the loan, as well as the £64 millions already in hand, will be spent. As this happens, both the floating debt and tender issues of Treasury bills will once more expand. By the time the whole £142 millions has been spent, the floating debt and volume of tender Treasuries will, in the absence of other influences, not only have returned to last week's level, but will have risen by £64 millions more, for the £64 millions described as being in hand has, pending its expenditure, been used to reduce the floating debt. In the long run, therefore, there will be no deflation at all.

So far as the gilt-edged market is concerned, a new loan always acts as a sedative. This, again, is a short-run view. If

there is no revival in trade and no recovery in equities, new savings will continue to gravitate to the gilt-edged market. The gilt-edged market has long ago recovered from the issue of last year's Defence Loan. On the other hand, if equities recover, or, alternatively, if the recession begins to deplete public and private savings, the recovery in gilt-edged securities may be arrested or delayed.

More generally, the new Loan represents a further draft on the nation's savings, to be spent in ways which can hardly be described as productive investment. At a time

when both trade and the civilian demand for savings may be receded, this special re-armament demand may perhaps be regarded as having an equalising influence, in so far as it mitigates the trade recession. On the other hand, war material yields no direct or tangible income, to set against the interest and amortisation cost of the defence borrowing. But the Treasury's present task is merely to meet the bill; and from that viewpoint the moment of issue seems well chosen. And if the terms are slightly generous, that, in present circumstances, may be a fault on the right side.

Finance and Banking

Austrian Debt Moves.—At the end of last week, meetings were held in London of the Committee of Guarantor States of Austrian Loans. These meetings were attended by representatives of England, France, Belgium, Czechoslovakia, Denmark, Holland, Sweden and Switzerland, but Italy and Spain were not represented. It was decided to address a united protest to Germany, and while the Governments reserved their right to take appropriate measures, they hoped that the German Government would reconsider their previous decision that they were not liable for Austria's external debts. On Tuesday, this week, Sir John Simon stated in the House of Commons that in view of the unsatisfactory position of these loans, it had been arranged that the British Government would terminate the present Anglo-German Payments Agreement on June 30th next without notice. This left the British Government free to take any necessary action as from that date. This Agreement, concluded in 1934, replaced the previous abortive arrangement for financing German imports of British goods by "sondermarks," and provided that 55 per cent. of the foreign exchange received in payment for German exports to the United Kingdom should be earmarked for the payment for British exports to Germany, the remaining 45 per cent. being used to meet such charges as the service of the Dawes and Young loans, and also being placed at the free disposal of the Reichsbank.

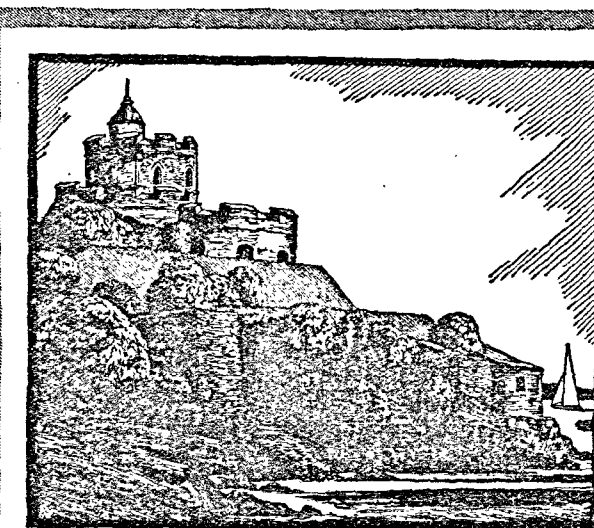
The following table gives an idea of the way the Agreement has worked in practice. The calculations are based on the British trade returns alone, and so are not quite in accordance with the terms of the Agreement:—

	Per cent. of Imports from Germany			
	1935	1936	1937	1938*
Exports to Germany	62.8	57.5	59.7	63.2
Re-exports to Germany ...	24.6	20.6	20.2	20.2
Total exports to Germany	87.4	78.1	79.9	83.4

* First quarter.

Imports of German goods in 1937 were £36.2 millions, and the surplus over total exports to Germany was £7.3 millions. The table shows that Germany has used part of her free exchange to import from England in excess of the 55 per cent. minimum stipulated in the Agreement. It is sincerely to be hoped that it will not be necessary to terminate an Agreement which on the whole has worked so well. The onus, however, rests entirely upon Germany, and the speech of Herr Walter Funk, Reich Minister of Economics, at Bremen on Thursday (to which we refer in a discussion of the wider aspects of the question on page 646) seems hardly a hopeful portent. Meanwhile, the Association of British Chambers of Commerce has addressed a further letter to the Chancellor of the Exchequer, declaring that if the Government deemed a system of licences for exports of British semi-manufactures and raw products to Germany to be essential in order to make an exchange clearing effective, the Association would support that policy. A measure of sacrifice by British traders might be indispensable if resistance to international breaches of good faith were to be made effective.

A New Dollar Scare.—Whatever President Roosevelt whispers in Washington reverberates around the world. In early April last year, at a time when he was still on the deflationary tack, he hinted that the dollar price of gold was too high. This almost casual utterance, which happened to coincide with abnormal offerings of Russian gold, precipitated the notorious gold scare of 1937, which helped to start world trade and prices on their recent downward path. Alarmed by the American recession, last autumn President Roosevelt went about on the reflationary tack, and in pursuance of his new course announced last Easter a fresh pump-priming programme, which included the desterilisation of the Treasury's gold and a reduction in member banks' minimum reserves. This at once aroused the thought that the next change in the dollar price of gold would be upwards. During May the political vicissitudes on the Continent increased the general desire to hoard gold, and so the psychological stage was set for a new flight into gold from currencies in general and more specifically from the dollar.



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This week the rush into gold has begun. A new demand for gold has sprung up not only from the Continent, but also from India and the United States itself. To cope with this rush, the authorities in London have, as our Bullion Market Note shows, been selling gold in large quantities, but only at a price embodying a substantial premium, which on Wednesday and Thursday was 1s. 0½d. per ounce. Nevertheless, the premium is lower than during the previous dollar scare of last November, which suggests that the authorities are seeking to prevent the development of an atmosphere of panic. Also on Thursday morning there were signs that the rush was subsiding. There are two morals from this episode. The first is that, rightly or wrongly, some people have become obsessed with the idea that the American recession, with its attendant political considerations, will sooner or later force the President into a fresh devaluation, in which other currencies will have to participate through their need of maintaining equilibrium with the dollar. The second is that hot money, despite all its wanderings, will in the last resort always seek refuge in gold.

Belgium Borrows Abroad.—The exigencies of the Belgian Treasury position and the heavy calls in prospect for expenditure on the extraordinary budget have caused the Belgian Government to seek credits abroad. A credit of 35,000,000 guilders has been arranged with a group of Dutch banks, and negotiations are still proceeding for a credit of 25,000,000 Swiss francs in Switzerland. The Dutch credit is in the form of three months' bills, renewable at the option of the borrower for three successive periods of three months. The bills have been discounted at a price corresponding to an annual interest rate of just over 4 per cent. These seem unnecessarily harsh terms, seeing that the guilder bills have been

offered in London on a 2½ per cent. discount basis and all available supplies have been quickly exhausted at this rate. For the London discounter who covers the guilder exchange risk on the bills, the "swap" affords an additional return of ¾ per cent. The fact that it was deemed necessary to go abroad at all shows the legacy of stringency left by the recent attack on the belga. The severely orthodox means taken to repel it were successful, but for the time being they have paralysed the domestic money and capital markets.

Midland Bank Changes.—The directors of the Midland Bank have announced, with regret, the resignation, owing to ill-health, of Mr Frederick Hyde, their managing director, Mr Hyde, who remains a member of the board, has been an outstanding banker ever since Sir Edward Holden, in 1909, appointed him one of the general managers of the Midland Bank. Mr Hyde played an important part in the amalgamation of that era, which established the Midland Bank in its present position among the Big Five. On Sir Edward Holden's death in 1919 Mr Hyde became a joint managing director, and for the past nine years has been sole managing director. His evidence before the Macmillan Committee, in which he described the functions of the modern joint-stock bank, remains one of the outstanding contributions to the theory of banking. In consequence of Mr Hyde's retirement, Mr Astbury has been appointed chief general manager, with a seat on the board. Mr Astbury became an assistant general manager in 1920, and a joint general manager in 1924. Mr Lederer, who became a joint general manager in 1929, now becomes assistant chief general manager. Mr Sadd, who was assistant general manager from 1933 until 1936, and joint assistant chief general manager since that date, has been appointed deputy assistant chief general manager.

MONEY MARKET NOTES

Foreign Exchanges

The London market has been disturbed in several directions by the gold rush. It was begun partly by those who had made profits out of the Daladier devaluation, and who have since tried unsuccessfully to make further profits by attacking first the belga and then the Saigon piastre. They have now turned to gold and the dollar, but the whole movement has rapidly gathered a much

wider compass than mere speculation. As a result, the New York rate rose from \$4.94½ last week to \$4.98½ on Wednesday. It came back that evening to \$4.96½, on denials that the devaluation of the dollar was contemplated, but on Thursday eased again to \$4.97½. Some \$50 millions may have changed hands this week, and many people have been able to cover their autumn requirements. One month's and two months' dollars were bid owing to commercial needs, but longer positions were offered. Belgas have improved against

sterling from bel. 29.28 to bel. 29.20½, and so appreciated considerably against dollars. For the moment the belga has come to be regarded as a gold currency rather than a "dollar" currency. Swiss francs were also bought against sales of dollars, this week's sterling rate fluctuating between Frs. 21.64 and Frs. 21.66½. There was comparatively little movement in French francs. The spot rate was held at Frs. 178½, but the French Control had to take up a few francs. Forward francs were inclined to be offered.

ACTUARIES

Any public body, company, society or person requiring the permanent whole-time services of a qualified Actuary or of an actuarial student is invited to apply to the Chairman of either of the undermentioned Boards who will be pleased to supply the names of such members of the Institute of Actuaries or of the Faculty of Actuaries in Scotland as may be interested in the appointment and qualified to undertake the duties involved.

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The Money Market

MONEY remains abundant. The banks are now buying bills very sparingly. They have been taking mixed June and August Treasury bills at ½ per cent., and August or September Treasuries at ⅞ per cent., but are not buying July bills. There is an impression in the market that the banks have already obtained all their July maturities from sources outside the market. Bill brokers are now paying ¾ per cent. for both Treasury bills and three months' bank bills.

	June 17, 1937	June 9, 1938	June 16, 1938
Bank Rate	2	2	2
London Deposit Rate	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½	1½-5/8	5/8
Discount Rates:			
Treasury bills	2½	1½-9/16	9/16-5/8
Three months' bank bills	11/16-5/8	19/32-5/8	5/8

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

An interesting position will develop at the end of the half-year. Maturities of Treasury bills on June 27th to 30th will supply the market with funds for June 30th, the day on which the banks call for balance-sheet purposes. On July 1st there will be the whole of that week's new Treasury bills to be paid for, amounting perhaps to £50 millions, and also the Defence Loan call of about £40 millions in cash. Against this there will be dividend disbursements of about £11 millions, while the market will also have the funds released by the banks, representing largely the proceeds of that week's Treasury bill maturities. No

shortage of funds is anticipated, but there will obviously be a heavy turnover.

The Bank Return

THE Whitsun notes have now been paid in again by the public, and so the note circulation is reduced by £5.0 millions. The Reserve is also strengthened by the same amount.

	June 16, 1937	June 1, 1938	June 8, 1938	June 15, 1938
Issue Dept.:	321.3	326.4	326.4	326.6
Gold	479.8	484.9	490.7	485.7
Notes in circulation	42.4	42.3	36.5	41.5
Banking Dept.:	10.0	24.9	11.7	11.6
Reserve	102.3	102.8	111.1	109.1
Public Depts.	37.1	35.5	35.4	43.2
Bankers' Depts.	101.3	109.7	111.4	114.4
Other Depts.	3.7	8.9	7.9	5.7
Govt. Secs.	13.9	20.0	20.2	20.1
Discounts & Advances	28.3	25.9	23.0	25.3
Other Secs.				
Proportion				

In the banking department there is little change in the Bank's earning assets. There is, however, an unusual increase of £7.8 millions in other deposits. A possible explanation of this lies in the fact that June 15th was the day on which the application money in respect of the new Defence Loan was paid in. Allotment letters, however, were only posted that evening, and pending their dispatch the application money had to be held in suspense as any applicant was free to withdraw. On these arguments, this money ranked among "other deposits" and not "public deposits." Bankers' deposits have fallen since last week by £2 millions, as the return of the Whitsun currency has been more than offset by the amount subscribed to the Defence Loan.

The Bullion Market

THIS week's sudden demand for gold is discussed in a Financial Note, but the table below gives some idea of the magnitude of the demand. By Thursday, however, there were signs that the rush was subsiding, for about one-quarter of the £1,194,000 dealt in at the fixing on that morning consisted of re-sales by private holders. It is true that the price rose to 140s. 10½d. after the fixing, but that only reflects the normal practice of the authorities who usually add on a halfpenny when selling after the fixing.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Dis-count	Amt. dealt in	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
June 10	140 7	2 pm	1,149	19	181½
" 11	140 7	6½ pm	617	19	181½
" 13	140 6½	7 pm	741	18½	18½
" 14	140 8	8 pm	1,624	18½	18½
" 15	140 9	12 pm	1,783	18½	18½
" 16	140 10	12 pm	1,194	18½	18½

* Above or below American shipping price.
The New York price of silver remained at 43 cents per ounce -999 fine during the week.

Silver has eased with the weaker tendency of the dollar. Only a moderate amount was on offer, but demand was very limited. Wednesday's temporary rise in the cash price was due to bears buying in spot and re-selling forward, and it is noticeable that the spread between the two prices widened by ½d. The following day it narrowed again. It is reported that further Spanish silver has reached France.

Investment

Second Defence Loan.—At a moment when rumours of a second instalment of defence borrowing had temporarily subsided, the terms of the new loan became known to an unexpectant public on Monday evening. The loan (whose general relation to public credit and finance is discussed in an article on page 666) has enjoyed a conspicuous success. It was clear from the terms that the authorities had decided to re-orientate their tactics. Even for so large an issue as £80 millions, a 3 per cent. stock at 98, redeemable 1954-58, made obvious concessions to the investor, judged by the prevailing prices for such stocks as 2½ and 3 per cent. Funding, and 3 per cent. Conversion. The impact effect, therefore, was an appreciable adjustment of these issues to the new borrowing basis. The authorities, having now decided to woo the investor, have indeed been well repaid. The first instalment of defence borrowing, issued in April last year, took the form of £100 millions of 2½ per cent. stock, 1944-48, at 99½. These terms were significantly above the market, and a substantial proportion of the stock remained in the hands of the public departments for many months. The new tactics have presented the investor with an opportunity which could be judged on its merits, rather than Treasury dictate. It may be argued, indeed, that the authorities have carried kindness to extremes, for it is many years since the "stag" has been attracted to participate in a gilt-edged issue. During Wednesday—the lists remained open all day, in accordance with the prospectus—it became apparent that "stag" interest was significant. Allotments, handled with customary expedition by the Bank of England, disclosed that small applicants received the full amount, while larger applicants for over £5,000 were allotted 66 per cent. of their requirements. Dealings

began on Thursday at ¾-¾ premium, and the quotation improved by mid-morning to ¾ bid, closing at 1½-½ premium.

Gilt-Edged Reactions.—The market, plainly, has not yet had full opportunity to adjust prices to the new terms. In the following table we show the impact of the loan on the course of quotations of comparable securities:

	Fri., June 10	Mon., June 13	Tues., June 14	Wed., June 15	Thurs., June 16	Yield to redemption
					Price	
3% National Defence Loan 1954-58	...	...	...	98*	153½ pm.	£ s. d. 3 2 1
2½% Funding 1952-57	97	97	95½	95½	95½	3 0 8
3% Funding 1959-69	99	99	97½	97½	97½	3 3 0
3% Conversion 1948-53	103	103	101½	101½	101½	2 17 5

* Issue price. (a) Allowing for redemption in 1948.



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How far the success of the new loan has been due to the activities of the "stags" or to the helping hand of the public departments is a matter for conjecture. An excess of indiscriminate "staggering," however, would have suggested the likelihood of a small opening discount rather than a premium. Meanwhile, if the market continues to appreciate the new-found generosity of the authorities by maintaining a significant premium on the scrip—the 48 per cent. call due on July 1st may provide a test for any wavering holders—a further measure of recovery may be enjoyed by the stocks which, as shown above, were most severely hit at first. Whether such improvement will cancel out this week's falls is more difficult to assess. For stocks, like Funding 3 per cent.—which after the impact of the new issue was offering an almost identical yield to redemption, despite its eleven years' longer life—should rightly rank below the new Defence Loan. Investors who search for deeper meaning in the timing of the latest offer will probably reach no more recondite conclusions than that the money will doubtless be needed some time this year, and that relative political quiet presents opportunities to the Treasury no less than to industry.

Tale of Two Debtors.—The psychologist might find profit in analysing the differences between Latin and Teutonic methods of default; the bondholder, unfortunately, is robbed even of this consolation. Seven months have elapsed since Brazil decreed the suspension of service on her foreign debt, pending the negotiation of a new agreement, based on Brazilian ideas of the republic's ability to pay. In a *communiqué* issued this week the Council of Foreign Bondholders states that the Brazilian Government has been continually urged to take definite steps to resume debt payments. It would appear that the Brazilian authorities are willing to contemplate making some payment sometime, but they are distinctly reluctant to put forward definite terms as a basis for negotiation. In a letter addressed to *The Financial News* last week, the Brazilian Ambassador emphasised that no amelioration in economic conditions had occurred since last November, and drew the inference that the opportunity of successful debt conversations had still to present itself. His Government, however, apparently hope that, within a short time, their programme of economic reconstruction will raise Brazilian foreign trade to a level sufficient to allow them to carry out regularly all their external financial obligations. Undoubtedly, the assurance of recognition of liability is better than nothing to the bondholder. But the latter may well ask whether the goodwill which Brazil is apparently anxious to preserve might not have been fostered more readily by avoiding unilateral default and by making some small token payment during the period of economic strain. The Aranha plan of 1934 was itself arbitrary in character, and total default is rendered no more digestible by amiable, but non-specific, statements of future intentions. Philosophical investors may note that the bondholders' associations with which the Council has made co-operative representations to Brazil include that of Germany. The latter appear to be playing a Protean rôle, holding that it is more blessed to receive from Brazil than to give from the Ostmark. This week's developments in the Austrian debt negotiations are related on page 667. City opinion does

not welcome clearing arrangements for their own sake; but an increasing body of opinion is prepared to contemplate the invocation of the existing powers to establish an Anglo-German clearing office should the need arise.

Cheerless Wall Street.—To the New York Stock Exchange, which is becoming habituated to a daily share turnover well below the half-million mark, the words of Sir Josiah Stamp, as he left New York this week, have contributed one of the few cheerful notes in the last few days. Sir Josiah advanced the opinion that the United States is now touching the bottom of the recession and that business would probably improve soon. Such forecasts, however, have brought but little balm to a market dulled by the passage of the Wages and Hours Bill, depressed by the plight of the railroads, and enjoying no stimulus from the rumours of a further devaluation of the dollar which have been rife in other world centres. The compromise Wages and Hours Bill has been approved by the House and the Senate, and now awaits the President's signature. Wall Street has no reason to love the Labour code in its new form. It may, ultimately, involve constitutional testing at the hands of the Supreme Court, or it may be administered with a sufficient degree of discretion to avoid bitter public controversy. But clearly, the market cannot read the measure as a bull point for common stocks. Nor does it see any immediate solution of the now desperate straits of the railroads. Recent expectations that special financial relief might be forthcoming from the Reconstruction Finance Corporation have evaporated. The facilities of the R.F.C. are strictly reserved for solvent companies, a requirement with which few of the railroads could comply to-day. The principal alternative, reduction of wage rates, scarcely holds out the prospect of an adequate or peaceful solution of the railways' problem. It is reported that American railway labour, which regards itself as threatened with the possibility of a 15 per cent. pay cut, holds the view that less rigorous loan conditions should be made conditional on the maintenance of present wage rates. Since the hope of such relief legislation has now been abandoned, however, controversy on wage questions may well spread during coming months. The unsupported weakness in railroad stocks has driven many quotations this week to new low levels. Nor does Wall Street see its salvation in "pump-priming." It is no longer convinced of the efficacy of these measures, nor does it find inflationary implications (which alone have been capable of stirring the market in recent weeks) in the renewed rumours of a further devaluation of the dollar, whose effects on the London bullion market are discussed on page 667. And, crowning all its uncertainties, the market is utterly unable to foresee the next move of a President whose policies in recent months have become more and more unpredictable. Industrially and politically, Wall Street lacks a rallying cry.

Company Notes

Stanton Ironworks Profits.—The Stanton Ironworks results for the year to March last accord in every way with the excellent investment history of the company. A total distribution of 10 per cent. on the ordinary shares has now become so axiomatic that more than ordinary importance attaches to the directors' decision to distribute a capital bonus of 20 per cent. Profits after taxation (which required a substantially increased sum) increased from £460,282 to £498,884—a figure which represents a comfortable record for the past decade. After again charging £100,000 for general depreciation (depreciation on the Bilsthorpe Colliery plant and wagons is already deducted before profits are struck), and providing for debenture interest and preference dividend, the amount earned for the ordinary shares is increased from £276,809 to £317,830, and covers the ordinary dividend with the generous margin of 14.3 per cent. The company's recent profits are given on the following page.

	Years to March 31st		
	1936	1937	1938
Profits, after taxation	427,266	460,282	498,884
General depreciation.....	100,000*	100,000	100,000
Directors' fees.....	4,600	4,600	4,600
Debt interest	40,379	37,602	34,683
Preference dividend	41,954	41,271	41,771
Ordinary shares :—			
Earned.....	240,333	276,809	317,830
Paid	155,279	155,279	156,029
Earned %	17.2	20.4	24.3
Paid %	10	10	10½
Reserves	...	...	160,000†
Carried forward	360,763	482,293	484,094

* Includes £50,000 for contingencies. † £40,000 Contingency reserve for staff provident fund, £120,000 general reserve. ‡ And capital bonus of 20 per cent.

It is clear that the directors will have no difficulty in maintaining the present rate of dividend on the increased capital, judging by its profits record. Much of the company's recent progress has been won through increased efficiency, which may have provided a permanent addition to profit-earning capacity. Capital and general reserves, together with the balance of profits carried forward, amount to £1,604,094, of which the scrip bonus requires no more than £316,559. The board has also taken recent steps to anticipate the redemption of the 4½ per cent. Treasury guaranteed debenture stock, which is finally repayable, through sinking fund operations, by 1945. A voluntary conversion offer is to be made under which holders may exchange into a longer dated unguaranteed stock at par, together with a cash bonus of £2½ per cent. Despite the lack of T.F.A. guarantee on the new stock, the cash bonus affords compensation for loss of interest, when allowance is made for the risk of redemption. While the company's recent prosperity has been based on large-scale building and road construction schemes, which may be affected by recession, it has proved its ability to maintain satisfactory earnings in good years and bad.

John Brown Profits.—Trading profits of John Brown for the year to March last are distinctly satisfactory. The total, including gross dividends and interest from subsidiary interests, has increased from £715,995 to £817,544, of which the tax-collector takes toll to the extent of £141,243, compared with £86,541 in 1936-37. The ordinary dividend, increased from 15 per cent. to 17½ per cent. tax free, as recently announced, is covered by net earnings of 22.2 per cent., and after allocating £100,000 (against £50,000) to reserve, the balance carried forward is slightly increased to £163,392. Our analysis of profits is given below :—

	Years ended March 31		
	1936	1937	1938
Profit.....	585,635	715,995	817,544
Depreciation	40,596	41,753	49,787
Taxation	49,736	86,541	141,243
Fees.....	4,881	6,832	5,867
Deb., etc., interest	89,858	91,876	93,674
Preference divs.	49,010	49,010	49,010
Ordinary shares (tax free) :—			
Earned.....	351,554	439,983	477,963
Paid	195,809	323,084	376,931
Earned %	29.9	20.4	22.2
Paid %	16½	15*	17½
To reserve	100,000	50,000	100,000
Carry forward	95,462	162,361	163,392

* And 6½ per cent. capital bonus.

These results appear the more satisfactory in the light of the dividend policy pursued by the directors of Thos. Firth and John Brown. The latter's distribution for 1937 may have provided as much as two-fifths of the increase in trading profits shown by John Brown. But the profits distributed by this subsidiary amounted to no more than 55 per cent. of the sum actually available. The directors' report also underlines the current importance of naval contracts. Mercantile tonnage now building includes the

"Queen Elizabeth" and a refrigerated cargo vessel, but the company is also at work on a battleship, a submarine depot ship, a light cruiser and two destroyers. It has, in short, a valuable armament equity, which affords no little protection against the fall in mercantile shipbuilding. In a survey of armament share prospects published in *The Economist* of March 26th last, we computed the value of naval business to be carried out by John Brown during the current financial year at £2,846,000, compared with £1,958,000 last year. This fact suggests that profits and dividends should be affected only in limited degree by trade recession during the current year. And since the 10s. ordinary shares at 27s. 9d. yield £9 5s. on a gross basis, it is probable that the market has already discounted any setback which may be experienced by the mercantile shipbuilding and colliery sections of the undertaking.

Whitehead Iron and Steel Profits.—Since the depression, this company has recorded unbroken and substantial progress. The latest year's total profits are nine times those of 1931, and increased by one-third, compared with the results for 1936-37, from £383,190 to £518,218. Comparison of the rate of improvement disclosed in the full report and in the interim statement last November suggests that the scale of operations during most of the year was satisfactory. Greater technical efficiency, a conservative financial policy, and rising industrial demand have all played their part in the company's progress. While earnings on the share capital (and the company's capitalisation is very low-g geared) have approached 75 per cent., the rate of dividend has remained unchanged in the past three years at 35 per cent., though for 1937-38 it is payable on a capital increased by a 25 per cent. bonus a year ago and an issue for cash on bonus terms. The allocation of profits in recent years is shown in the following table :—

	Years ended March 31		
	1936	1937	1938
Profit.....	305,760	383,190	518,218
Depreciation	20,000	25,000	25,000
Taxation	23,000	43,500	87,200
Interest and expenses	10,912	12,406	8,143
Ordinary stock :—			
Earned.....	251,848	302,284	397,875
Paid	175,473	175,579	219,474
Earned %	55.0	68.7	74.2
Paid %	35	35*	35
General reserve	70,161	126,000	178,413†
Carry forward	23,473‡	24,448	24,436

* And 25 per cent. capital bonus, absorbing £125,413. † Including £60,000 provision for special depreciation and contingencies. ‡ After writing off £1,284 issue expenses.

Although the amount needed for N.D.C. is not separately disclosed, it presumably accounts for much of the £43,700 increase in taxation. It will be observed that the directors have made a special allocation from last year's profits of £60,000 for depreciation and contingencies. While the 1937-38 results are in every way satisfactory, they appear when the outlook for the current year is debatable. In the past, the company has proved its ability to obtain a full share of available business, and some of the benefits of its improved technical efficiency are still to come. The report refers, for instance, to the success of the new cold rolling

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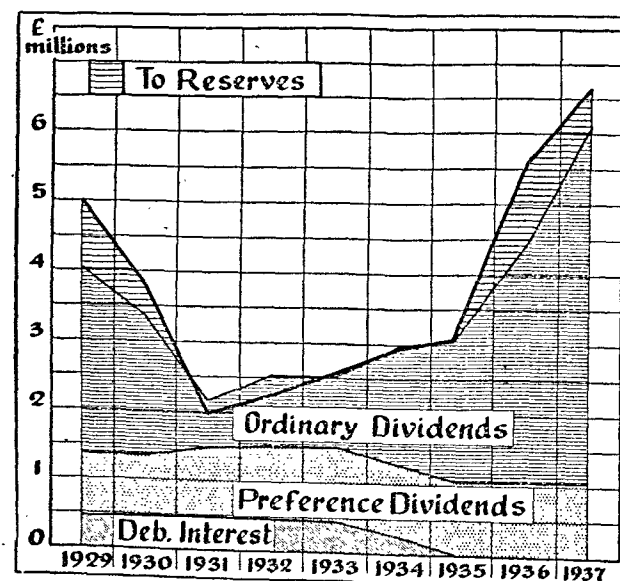
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plant, and the full scheme will probably be completed within a year. The present price situation, however, is double-edged. The concern which was expressed a year ago regarding the effect of rising tendency of prices on demand, has given way to the view that the official price maintenance policy may have to be revised sooner rather than later. Changes in stock values must always be interpreted with caution, but the sharp rise in the company's stocks, from £116,731 to £314,591 last year, may suggest either that demand had already slackened by the spring, or that abnormal purchases of materials in 1937, in anticipation of a shortage, proved excessive. For a re-rolling concern like Whitehead Iron, the question of supplies and profit margins is of the greatest importance. The current yield of £7 15s. per cent. on the £1 ordinary stock units at 95s. reflects the market's cautious attitude towards the company's immediate prospects.

Anglo-Iranian Oil Report.—The preliminary profits statement of this company was discussed at length in our issue of June 4th (page 549). The full accounts, issued this week, supplement the net profits already reported. Total income rose from £9,624,434 to £12,662,195, and the net profit figure of £7,455,094 was struck after charging royalty and taxation to the Iranian Government (£3,545,313, against £2,580,206), British taxation (£1,651,588, against £910,559) and directors' fees (£10,200). Total profits are disclosed after making a charge for depreciation, but this has been supplemented for many years by a provision for extra depreciation, which in 1937 reached the high level of £744,215. In the following chart, we show the course of distributable profits and their application during the past decade:—

ANGLO-IRANIAN PROFITS 1929-1937



Of the amounts distributed in ordinary dividends, nearly 56 per cent. is attributable to the British Government's holding and nearly 26 per cent. to Burmah Oil. The report discloses that last year's impressive increase in profits was due to a substantially increased through-put of crude oil at the Abadan refinery to meet growing demand, while prices were generally higher. The group's recent efforts to locate oil-bearing regions in this country have not so far proved successful, but additional territory has been proved in Iran.

NORANDA MINES, LIMITED DIVIDEND NOTICE

Notice is hereby given that an interim dividend of \$2.00 per share, payable in Canadian funds, has been declared by the Directors of NORANDA MINES, LIMITED, payable June 27th, 1938, to shareholders of record at the close of business June 10th, 1938.

By order of the Board.
Toronto, June 3rd, 1938.

J. R. BRADFIELD,
Secretary.

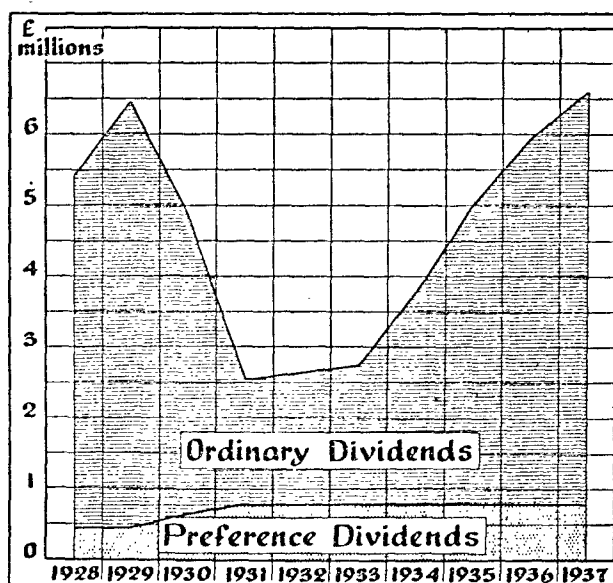
Anglo-Iranian ordinary stock yields £6 5s. 6d. at the present price of 83s. 9d. This yield is slightly lower than the gross return on "Shell" Transport ordinary.

"Shell" Transport Profits.—The oil share market has remained unresponsive to recent company reports, among which "Shell" Transport and Trading shows a substantial increase in net dividend and interest receipts from £6,034,499 to a record figure of £6,686,691 for the past decade. Neither the progressive nature of the report nor the increased cash distribution—the dividend rate is maintained at 20 per cent., tax free, but is payable for a full year on the increased capital—has moved the ordinary stock, which is practically unchanged at 83s. 9d. The 10½ per cent. increase shown by "Shell" profits is, however, less striking than the advance of some 22½ per cent. in dividends received by Royal Dutch (apart from exchange adjustments). In the following table and chart we analyse the course of disclosed profits in recent years. It is explicitly stated in the profit and loss accounts that dividend and interest receipts are shown net, and a conservative distribution policy by the constituent undertakings may be presumed:—

	Years ended December 31		
	1935	1936	1937
Dividends and interest received	5,067,195	6,034,499	6,686,691
Expenses	25,949	31,043	32,914
Directors' fees	20,000	20,000	20,000
Preference dividends	800,000	800,000	800,000
Ordinary stock (tax free)—			
Earned	4,221,246	5,183,456	5,833,777
Paid	4,221,238	5,427,306	5,789,126
Earned %	17.5	17.9†	20.2
Paid %	17½	20*	20
Carry forward	381,691	137,841	165,204‡

† On new ordinary capital of £28,945,633. * Of which 7½ per cent. interim on old capital of £24,121,361; in addition, 20 per cent. capital bonus. ‡ After writing off £17,288 new issue expenses.

"SHELL" TRANSPORT DISTRIBUTIONS 1928-1937



The chart shows amounts actually distributed for preference and ordinary dividends during the past decade, but these conform very closely to net disclosed profits.

The Royal Dutch "Shell" group's organisation is familiar to the investor, but there are two changes in the latest report. In the first place, the "Shell" company's interest in Anglo-Saxon Petroleum has been increased from £10 millions to £16 millions—a corresponding increase, in the familiar 60-40 ratio, was evident in the Royal Dutch holding, from £15 millions to £24 millions. Secondly, the balance sheet, whose largest asset item has hitherto

consisted of property and interests in sundry companies, now includes a subsidiary company—Shell Overseas Exploration—whose shares are entered at £600,000, apart from advances totalling £40,000. References to the group's fleet position show that, at the end of 1937, the group had 2,148,474 tons of loading capacity at its disposal, compared with 2,056,563 tons at the end of the previous year, while the fleet transported approximately 25,747,000 tons of cargo, an increase of 23½ per cent. over the 1936 total.

A large building programme is still in hand, and twenty-seven tankers, with a deadweight capacity of 282,000 tons, will be delivered during the current year. To the oil shareholder whose eyes are fastened on the American situation, the directors' reference to the past year's production and consumption figures may convey a hint of warning. Production in 1937 increased by 34 million tons, and consumption by only 19 million tons. Over the year as a whole there was a general improvement in prices, but in the current year the price trend may be less favourable. "Shell" Transport received increased distribution from most of its constituent companies last year, including the ill-fated Mexican Eagle—and the yield of £6 12s. per cent. gross on the ordinary stock suggests that the market is not disposed to assume a significant check to earnings during the current year.

Suez Canal Report.—Both the financial results and the traffic handled by the Suez Canal were exceptional last year. The net tonnage of ships passing through the canal, at 36,491,332 tons, surpassed even the 1929 peak, and was 12½ per cent. higher than in 1936. The tonnage of goods handled increased by no less than 27½ per cent., and the decline in the number of passengers was evidently of small financial importance. But for the devaluations of the franc, however, profits would have been lower in 1937 than in 1936. Dues were twice reduced (decisions which were estimated to diminish receipts by 5 per cent.), new charges based on the agreement with the Egyptian Government involved an 8 per cent. increase in expenses, and the net receipts would have shown a decline of 11 per cent. if expressed in Egyptian pounds. The fall in the franc transformed this situation. Adopting a conversion rate of Frs. 124.71 to the £ sterling, against Frs. 83.46, the company shows net profits of no less than Frs. 852.7 millions, compared with Frs. 627.9 millions for 1936. Gross traffic receipts were 43 per cent. higher at Frs. 1,355 millions, and a special profit of Frs. 45.3 millions net was realised on exchange transactions. The increase in net profit was achieved, however, despite increases of Frs. 50 millions in the cost of the debt service, and of nearly Frs. 100 millions (to Frs. 302.7 millions) in operating and management expenses. Operating expenses in terms of Egyptian currency were, incidentally, lower than in 1936. The balance of net profit was struck after allocating Frs. 45 millions, against Frs. 20 millions, to reserves, while the statutory reserve was increased by a direct transfer of Frs. 50 millions derived from the revaluation of balance sheet items, chiefly floating assets. Available balances are divisible in fixed proportions between shareholders, the Egyptian Government, founders' shares, directors and employees, the gross share accruing to capital shareholders being 71 per cent., or Frs. 605.1 millions in 1937. The gross dividends (including interest) declared for 1937 were Frs. 820 (against 600) per capital share, Frs. 756.36 (against 555.39) for each beneficiary certificate, and Frs. 852.23 (against 625.79) per founders' share. The relation of net dividends to total dividends varies according to the incidence of taxation, the net dividend on the bearer shares (which attract a higher rate of tax) being Frs. 521.62 per share. Compared with 1937, traffic in the opening months of 1938 has fallen, but the report mentions the possibility of a reduction in dues when conditions permit.

Baltimore and Ohio Railroad Position.—The outlook for American railroads is far from happy. Nor was 1937, in retrospect, one of the best years, for the growing disparity between costs and rates combined with falling

business activity to depress earnings. Even the Baltimore and Ohio Railroad was unable fully to cover interest and other fixed charges from last year's earnings; and a small deficit, of \$721,000 resulted, compared with a surplus of \$4,539,000 in 1936. This fall in net income was entirely due to higher operation expenses, which increased by \$5,259,000 to \$128,860,000. Gross railway revenue was, in fact, slightly higher in 1937 at \$169,436,000, against \$168,993,000, but although the railroad is predominantly a goods carrier, and obtained 87 per cent. of gross revenues from this traffic, passenger and miscellaneous traffic was actually responsible for the increase in gross takings, for freight receipts, at \$147,212,000, were slightly lower. Net railway operating income amounted to \$24,909,000 compared with \$30,185,000. Apart from increased wages, material and fuel cost more in 1937, and recoupment of these higher costs was hindered by the termination, from the end of 1936, of the emergency increases in charges previously authorised by the Inter-State Commerce Commission. It is estimated, in fact, that the continuance of these rates in 1937 would have increased revenue by \$7,000,000, and might thus have provided some surplus over fixed charges. The present level of business activity is seriously affecting railroads dependent on freight traffic, while the full burden of last summer's wage increase adds to the railroads' problem. By the end of April the gross operating income of Baltimore and Ohio amounted to \$40,555,000—some 30 per cent. below 1937—while accrued net operating income totalled no more than \$292,000, against \$9,489,000.

Earls Court Finance.—Between blue-print and finished structure, between prospectus estimate and eventual accounts, differences are often unavoidable. Debenture and shareholders in Earls Court, Limited, may consider that their company has been unfortunate, so far, in both respects. Structural difficulties have been experienced, and delays have arisen on which litigation is now in train. In November last year, the company found it necessary to increase its obligations by the issue of £300,000 5 per cent. debenture stock. This stock relegated the original second debenture to third place, in return for an increase in the latter's rate from 5½ per cent. to 6 per cent. At meetings held this week, the three classes of debenture holders consented to relegation in favour of a new first debenture, carrying interest at 4½ per cent., and redeemable in 1942. Some £125,000 of this stock is to be issued to the company's bankers, as collateral security for advances. The directors have explained that further capital expenditure of £65,000 is required, and that the balance of borrowing powers will be available to meet expenditure which arises before normal trading conditions begin. From the directors' estimates of profits, which are struck after full debenture service but before depreciation, it is evident that the equity shareholder's prospects lie some considerable way in the future, for the loan to the company's bankers is repayable by March 31, 1942, and it remains for future profits to provide the means. The prospectus of the company, issued in July, 1935, stated that the contract for the building provided for completion by the end of 1936. The subsequent delays have had an adverse effect upon lettings, and two re-arrangements of debenture finance have been involved. Investors will therefore hope that the difficulties inseparable from new enterprise, which in this case appear to have been unusually severe, will be rewarded, as the directors predict, by the development of a stable business affording ample security for the debenture stocks.

Further Rand Dividends.—This week's further batch of Kaffir distributions for the first half of the current year present singularly few features of interest. Perhaps the most noteworthy change consists of a further advance in the East Geduld dividend, which is raised to 5s. 6d., against 5s. for the second, and 4s. 9d. for the first, half of 1937. Following the expansion programme, the

quantity of ore treated has risen from 116,000 tons in January, 1937, to 146,000 tons in May, while monthly profits have risen from £142,760 to £175,735.

JUNE KAFFIR DIVIDENDS

	Total, 1936	June, 1937	Dec., 1937	Total, 1937	June, 1938
Union Corporation Group					
East Geduld (£1)	9/6	4/9	5/-	9/9	5/6
Geduld Proprietary (£1) ..	15/-	7/6	7/6	15/-	7/6
Gold Fields Group					
Luipaards Vlei (2/-)	1/-	-/6	-/6	1/-	-/6
Rietfontein Cons. (5/-) ..	...	...	-/10½	-/10½	-/7½
Robinson Deep "A" (1/-) ..	2/6	1/3	1/3	2/6	-/9
Robinson Deep "B" (7/6) ..	4/6	2/6	2/6	5/-	2/6
Simmer and Jack (2/6) ..	-/5½	-/4½	-/4½	-/9	-/5
Sub Nigel (10/-)	18/-	7/6	7/6	15/-	7/6
General Mining etc.					
Van Ryn Gold (10/-)	3/6	1/6†	1/6†	3/-†	1/3†
West Rand Cons. ord.	(10/-)	2/6	1/-	1/6	2/6
Do. deferred	136/10	56/8	85/-	141/8	56/8

† Subject to British income tax, less Dominion relief.

Rand Mines—Central Mining					
Rand Mines (5/-)	8/-	4/-	4/-	8/-	4/-
City Deep (£1)	2/-	1/-	1/-	2/-	1/-
Consol. Main Reef (£1) ..	6/3	2/9	2/6	5/3	2/6
Crown Mines (10/-)	19/-	9/6	9/6	19/-	9/6
Durban Deep (10/-) ..	2/3	1/3	1/3	2/6	1/3
East Rand Prop. (10/-) ..	3/6	1/9	1/9	3/6	1/9
Geldenhuis Deep (£1) ..	4/-	2/-	3/-†	5/-	2/-
Modder "B" (5/-)	2/9	1/3	1/3	2/6	1/3
Modder East (£1)	6/6	3/-	3/-	6/-	3/-
New Modder (10/-)	7/9	3/-	2/9	5/9	2/9
Nourse (£1)	5/-	2/-	2/-	4/-	2/-
Rose Deep (£1)	1/6	1/-	1/3	2/3	1/3

† Includes 6d. per share bonus from Eastern plant clean-up.

Anglo-American Group					
Brakpan (5/-)	2/10½	1/6	1/6	3/-	1/6
Daggafontein (5/-)	2/5½	1/3	1/2½	2/5½	1/3
New Era Consol. (5/-) ..	1/-	-/6	-/9	1/3	-/6
Springs (5/-)	2/7½	1/4½	1/3	2/7½	1/3
West Springs (£1)	2/-	1/3	1/3	2/6	1/3
New Kleinfontein	3/3	2/-	2/-	4/-	2/-
Nigel Gold	3/-	1/6	1/6	3/-	1/9
Rand Leases (10/-)	-/6	-/9	-/9	1/6	1/-
Wit. Deep	4/-	1/9	1/9	3/6	1/6

At the annual meeting, the chairman intimated that the increase in the capacity of the treatment plant might be regarded as completed, and that a larger proportion of the profits would in due course become available for distribution. On the basis of the latest rate the yield is 5 per cent. Thanks to the increase in the dividends upon its East Geduld Holding, Geduld Proprietary is able to maintain its rate at 7s. 6d. per share. The fourth liquidation dividend of the Modder Deep amounts to 6d. per share, compared with 9d. upon each of the three preceding occasions; but the recent report of the liquidators suggests that there may be many more payments to come.

* * *

No change is shown in the Rand Mines and Central Mining declarations, apart from Geldenhuis Deep. Even where a moderate cut might have followed a decline in profits—as in the case of the New Modder—the rate has been maintained. For the sixth half-year in succession Rand Mines is paying 4s. per share. Mild disappointment was aroused by two Gold Fields declarations. In view of the record profits, expectations had been entertained that Simmer and Jack's dividend might be increased to 6d. per share. The actual rate of 5d. shows an increase of only ½d. as compared with each of the preceding half-years. Similarly, the hope that Sub Nigel would find taxation less onerous has not been justified by events. The decline in the Rietfontein Consolidated dividend is due to the increase in capital to finance expanded operations, but London takes little interest in the shares. Robinson Deep has maintained the "B" share dividend, some decline in profits being offset largely by reduction in the fixed amount payable on the preferential issue, for which this year's requirements

amount to £37,500, compared with £50,000. The small cut in Van Ryn Gold dividend reflects the treatment of lower-grade ore. In order to extend its short remaining life, this mine is crushing ore carrying no more than 2½ dwts. per ton. In the Anglo-American group, the only change compared with the declarations of a year ago is a small reduction in the Springs dividend. Daggafontein pays slightly more than for the previous half-year. As usual, no interim declaration is made by Anglo-American Corporation and Anglo-American Investment. As generally hoped, Rand Leases, in the Anglo-Transvaal Consolidated group, makes a small increase in its distribution, and shareholders are looking forward to higher achievements in the future. Nigel Gold is also paying a slightly increased dividend.

* * *

Zinc Corporation Profits.—Last year, Zinc Corporation had the advantage of much higher prices both for current output and for stock on hand, while some intermediate products became realisable at a profit. The price factor explains a jump of over £500,000 in gross revenue. Costs, which had already shown a sharp advance in 1936, were further increased by bonus payments to employees, by increased cost of stores and by increased freights. Average costs were accordingly raised to 30s. 4d., against 28s. 3d. per ton in 1936. After provision for taxation and other changes, which also increased substantially, the residual profit advanced by no more than £158,500 to £527,910. Of this sum, £95,000 has been set aside for shaft-sinking and special development. The available surplus, however, was sufficient to cover record dividend rates of 82½ per cent. on the participating preference and ordinary shares. The financial results of the past three years are analysed below in sterling:—

	1935	1936	1937
Gross value of output	£1,042,940	£1,207,690	£1,741,820
Gross mining profit	292,910	354,910	587,240
Interest, dividends, etc.	90,580	78,520	89,030
Proportion of taxes, office expenses, etc.	59,490	64,000	114,360
Net profit	324,000	369,440	527,910
Fixed 20% Pref. dividends ...	49,140	49,140	49,140
Participating dividends	202,230	269,650	382,000
Mine development and plant...	50,000	50,000	95,000
Carried forward	54,710	55,360	57,120

Capital expenditure, for which provision was effected in 1936, amounted to the high figure of £321,900. Towards this cost, £100,000 was received from New Broken Hill Consolidated on joint development and equipment account. During the first five months of the current year the prices of lead and zinc were approximately 35 per cent. lower than in 1937. In these circumstances, the directors have properly adopted a conservative valuation of stocks on hand. No significance, of course, would attach to yield calculations based on last year's distributions, whose repetition cannot be expected. The investor may, however, note that current prices of 47s. 6d. for the ordinary and £5 10s. for the preference shares compare with peak levels of £7 5s. and £9 15s. respectively reached in the commodity boom just over a year ago.

* * *

The Week's Company Profits.—Our usual analysis of profit and loss accounts appearing on page 698 contains the results of 79 companies, excluding new concerns and those for which comparable figures are not available. The latest net profits of these companies amount to £20,342,000, and show an increase of 12 per cent. over the previous year, when they earned £18,220,000. The total profits of 1,348 companies analysed this year amount to £202,483,000, showing an increase of 13 per cent., compared with profits of £179,740,000 earned in the previous year. This week's results again include a number of tea companies, but with this exception, the reports cover a wide range of industry. We discuss the results on page 677 under the heading "Shorter Comments."

Company Meetings of the Week.—In this issue reports of company meetings begin on page 685. Discussing the year's operations of *Antofagasta (Chili) and Bolivia Railway*, Mr A. W. Bolden pointed out that the sterling receipts would have been much greater but for the further fall in the Bolivian exchange. Members of *Lisbon Electric Tramways* were informed by Mr Frederick W. Kerr that the improved services had entailed an increase of 7½ per cent. in car mileage during 1937. At the *Callender's Cable and Construction* meeting, Sir J. Fortescue Flannery disclosed that a record tonnage of copper had been handled at the Erith works during 1937, and that the sale of ship-wiring cables had been nearly 30 per cent. higher than in 1936. Sir T. O. Callender also reported that the company was still obtaining very satisfactory orders for home trade. At a meeting held to consider the scheme of arrangement of *Brush Electrical Engineering*, Sir Ronald W. Matthews emphasised the need for new capital, in view of the reports of independent consultants on the necessity for new equipment and plant organisation. At the *Welwyn Garden City* meeting, Sir Theodore G. Chambers cited figures of electricity consumption and of population to illustrate the town's growth as a business centre. Mr James White explained to *Millars' Timber and Trading* shareholders that trading profit last year was £30,651 more than in 1936, but that an increase

in depreciation and taxation reduced this improvement to £18,551. At the *Venezuelan Oil Concessions* meeting, Lord Bearsted explained the need for increasing the exploration and general reserve to £500,000. The company was participating to the extent of one-third in all the initial costs of new oil concessions taken up by the Venezuelan Oil Development Company, and had its own exploration programme to finance. Captain H. B. Jamieson, at the *East Rand Consolidated* meeting, summarised the technical position of companies still in the development stage in which the company has important holdings. The chairman of the *Suez Canal Company* disclosed that the board has under consideration a fresh reduction in transit dues. Lord Trent, at the *Boots Pure Drug* meeting, emphasised the solid foundation and careful financial policy of the business. Mr A. Chester Beatty satisfied expectations of *Selection Trust* shareholders by referring to the Orange Free State options, but emphasised that this development indicated no more than the possible existence of a speculative mining opportunity. The chairman of *Wm. Cory and Son* pointed out that the oil section of the business had a record year. Oil prices, however, had recently eased. Sir George W. Albu appealed, at the *General Mining* meeting for reconsideration of South African taxation on the mining industry. At the *General Ceylon Rubber and Tea Estates* meeting, the chairman discussed the effects of rubber and tea restriction.

THE STOCK EXCHANGES

London

SETTLING DAYS	ACCOUNT
TICKET	JUNE 23
JUNE 21	JUNE 23

THE centre of the Stock Exchange stage has been occupied by the National Defence Loan this week. Prevailing gilt-edged prices have been adjusted to its favourable terms, and already a considerable volume of switching has been reported. In other sections, the market story shows little heightening of interest, with the exception of renewed activity in the gold share markets, to the accompaniment of rumours of an imminent devaluation of the dollar, which are believed by few but publicised by many.

After a dull opening—so dull, in fact, that rumours of Government finance had completely subsided—the *gilt-edged market* busied itself with the necessary adjustment of quotations to fit the new loan terms. The extent of the falls in such comparable securities as 2½ and 3 per cent. Funding and 3 per cent. conversion is shown in the table on page 669. Buyers checked the fall on Tuesday, but switching among the redeemable stocks, and preparation for applications for the new loan led to further adjustments in mid-week. As reported on page 699, the National Defence Loan opened at ¼-½ premium, and improved during Thursday to ½-¾ premium. Corporation issues of similar date shared in the downward adjustment.

In the *foreign bond market* Austrian loans provided a sharp recovery on Wednesday, following Sir John Simon's statement, but lost half their gains on the following day, when the Reich Minister of Economics proclaimed the German case in extreme terms. Chinese issues remained persistently weak, and Brazilian stocks reacted on revised opinions regarding the possibility of a satisfactory debt offer.

Home rail stocks opened steadily, but fears regarding the traffic returns brought in moderate selling. The actual

figures, although not regarded unfavourably, had little decisive effect upon the ordinary stocks, and further losses were recorded among the preference issues. Argentine rail stocks staged a sharp reaction this week, when the nationalisation reports were seen in their proper setting, and left little justification for the speculative advances recorded last week.

Industrial shares were again uninspired and irregular, and a low rate of turnover persisted. Iron and steel shares remained quiet, and generally indifferent to company news. Neither John Brown nor Whitehead Iron and Steel responded to the latest results, and news of the extension of the steel cartel agreement until the end of 1940 also produced no effect. Richard Thomas issues were weak. Coal shares turned dull after a fairly satisfactory start. General Electric, on the increased dividend, were a firm feature, but other electrical equipment issues remained irregular, while motor shares continued uninteresting. The trend in aircraft shares was on the whole upward, Phillips and Powis at first responding well to news of a large Government order but later reacting on profit-taking. Imperial Airways were a shade better on Sir John Reith's appointment. Textile issues were neglected, while store shares were uncertain except for a good advance in Marks and Spencer. Breweries tended to decline, and business in tobacco shares was on a smaller scale than ever. Movements in miscellaneous shares were irregular, and mainly of small dimensions, one of the few firmer shares being Murex. Shipping issues became firmer after a hesitant start to the week.

response to the firmer prices of the commodity at the end of last week, and conditions continued idle. The undertone, however, was satisfactory, and there were a few symptoms of public buying. *Tea shares* began in active fashion, both prices and the volume of business improving, but by midweek they were once more neglected.

Dividend-paying *Kaffirs* were again the firm feature in an otherwise uninteresting mining market. Monday was a quieter day than for some time, but new batches of dividend announcements and renewed Paris support (mostly on dollar devaluation rumours) revived firmer interest. Though comparatively neglected, developing mines responded in midweek to the general improvement, but Thursday's gains were not entirely held. Rhodesian coppers were dull, with prices inclined to sag except on Wednesday. Base metals generally were neglected.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
June 10	5,975	6,770	80.8	128.4
June 13	5,550	7,605	80.9	128.3
June 14	5,445	7,050	80.9	128.1
June 15	5,565	7,335	81.0	128.1
June 16	5,525	7,560	81.2	128.2
1938 High...	...	...	97.2	131.0
Low ...	...	...	79.4	126.9
			Jan. 12	Feb. 4
			Mar. 16	Mar. 17

* Approx. total recorded in S.E. List. † 1928 = 100.

ACTUARIES' INVESTMENT INDEX

The Actuaries' index of 151 industrial ordinary share prices had recovered slightly by Tuesday last (June 14th) to 63.4, compared with 63.2 a week ago and 66.5 a month ago. The average yield has therefore fallen back below 6 per cent., standing at 5.99, against 6.03 and 5.62 per cent. respectively. A selection of the separate indices follows on page 676.

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937		Prices, Year 1938		Name of Security	Price, June 15, 1938	Yield, June 15, 1938
High	Low	High	Low			
84 1/2	73 1/2	79 1/4	71	British Funds		
113	105 1/2	111 1/4	107	Consols 2 1/2%	74 1/2	4 1/2
101 1/2	94 3/4	100 1/4	96	Do. 4% (alt. 1937)	111 1/2	3 1/2
103 1/2	93 1/2	103 1/4	99	Conv. 2 1/2% 1944-49	99 1/2	2 1/2
106 1/2	95 1/2	106 1/4	98 1/2	Do. 3% 1948-53	101 1/4	2 1/2
108 1/2	99 1/2	108 1/4	104 1/2	Do. 3 1/2% after 1961	102 1/4	2 1/2
117 1/2	105 1/2	112 1/4	104 1/2	Do. 4% 1940-44	104 1/2	2 1/2
117 1/2	105 1/2	112 1/4	104 1/2	Do. 5% 1944-64	114	2 1/2
92 1/2	89 1/2	91 3/4	87 1/2	Fund. 2 1/2% 1956-61	90	2 1/2
96 1/2	89 1/2	91 3/4	87 1/2	Fund. 2 1/2% 1952-57	95 1/2	2 1/2
101 1/2	92 1/2	99 1/2	95 1/2	Fund. 3% 1959-69	97 1/2	2 1/2
116 1/2	109 1/2	114 1/4	112 1/4	Fund. 4% 1960-90	113 1/4	2 1/2
109 1/2	101 1/2	107 1/4	103 1/2	Nat. D. 2 1/2% 1944-48	100 1/4	2 1/2
105 1/2	99 1/2	103 1/4	99 1/2	Victory Bonds 4%	111 1/2	3 1/2
105 1/2	99 1/2	103 1/4	99 1/2	War L. 3 1/2% at 1952	101 1/2	3 1/2
105 1/2	99 1/2	103 1/4	99 1/2	Local Loans 3%	107 1/2	3 1/2
102 1/2	99 1/2	102 1/4	99 1/2	Austria 5% 1935-53	102 1/2	3 1/2
102 1/2	99 1/2	102 1/4	99 1/2	India 2 1/2% 1945-75	102 1/2	3 1/2
84 1/2	74 1/2	81 1/4	75	Do. 3 1/2%	92 1/2	3 1/2
98 1/2	87 1/2	94 1/4	88 1/2	Do. 4% 1958-68	115 1/2	3 1/2
119 1/2	112 1/4	117 1/4	114 1/4	Dom. & Col. Govts.		
109 1/2	105 1/2	108 1/4	104 1/4	Aust. 5% 1945-75	105	4 3/4
109 1/2	105 1/2	108 1/4	104 1/4	Canada 5% 1940-60	103	3 6/8
118 1/2	114 1/2	115 1/2	113	Nigeria 5% 1950-60	115	3 9/8
110 1/2	104 1/4	108 1/2	101 1/4	N. Zealand 5% 1946	102 1/2	4 13/16
107 1/2	103 1/4	107 1/2	102 1/2	Queens. 5% 1940-60	104	3 7/8
114 1/2	110 1/2	112 1/2	109 1/4	S. Africa 5% 1945-75	110 1/2	3 7/8
103 1/2	93 1/2	96 1/2	89	Foreign Governments		
105 1/2	97 1/2	102 1/4	94	Arg. 4 1/2% 1937	91	4 18/9
91 1/2	84 1/2	89 1/4	82 1/2	Austria 7% 1937	35	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Do. 4 1/2% 1934-59	57 1/2	9 2 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Belg. 4% red. by 1970	98	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Bulgaria 7 1/2%	33 1/2	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	China 5% 1912	44 1/2	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Do. 5% (1913)	58	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Czechoslovakia 8%	74	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Denmark 3 1/2%	92 1/2	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Egypt Unified 4 1/2%	102 1/2	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	French 4% (British)	102 1/2	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Ger. 5% Dawes Ln.	46	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Do. 5 1/2% Young Ln.	35 1/2	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Greece 6% 1926	34 1/2	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Hungary 7 1/2%	25	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Japan 5 1/2% 1936-65	52	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Do. 6% (24 red. 1959)	54	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Norwegian 4% 1911	117 1/2	3 8/8
102 1/2	95 1/2	99 1/2	92 1/2	Peru 7 1/2% 1922	45	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Poland 5% 1922	67	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Roum. 4% 1922	111 1/2	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	U.K. & Arg. C. 3%	81	4 1/2
102 1/2	95 1/2	99 1/2	92 1/2	Corporation Stocks		
118 1/2	111 1/2	115 1/4	110 1/2	Birmingham 5% 1946-56	112 1/2	3 5/8
118 1/2	111 1/2	115 1/4	110 1/2	Bristol 5% 1948-58	114 1/2	3 5/8
101 1/2	93 1/2	97 1/2	94	Liverpool 3% 1954-64	95	3 5/8
104 1/2	100 1/2	105 1/2	101 1/2	Midx. 3 1/2% 1957-62	104	3 5/8
114 1/2	110 1/2	112 1/2	109 1/4	Public Boards		
119 1/2	112 1/2	115 1/4	110 1/2	C. Elec. 5% 1950-70	114	4 1/2
129 1/2	125 1/2	132 1/4	128 1/4	Lon. Pass. Transport	116	3 14/8
122 1/2	116 1/2	121 1/4	116 1/2	5% "A" 1985-2023	125 1/2	3 14/8
84 1/2	73 1/2	79 1/4	71	5% "B" 1965-2023	116 1/2	3 17/8
91 1/2	85 1/2	91 1/4	87 1/2	5% "C" 1956 or after	74	3 17/8
118 1/2	114 1/2	115 1/4	110 1/2	Met. W.B. "B" 3%	89 1/2	3 7/8
65 1/2	46 1/2	51 1/4	46 1/2	P. of Lon. 5% 50-70	116	3 7/8
45 1/2	24 1/2	31 1/4	24 1/2	G.W. Ord.	46 1/4	8 13/8
89 1/2	43 1/2	51 1/4	43 1/2	L. & N.E.R. Def.	24 1/2	Nil
27 1/2	13 1/2	17 1/4	13 1/2	Do. 5% Pref. Ord.	43 1/2	Nil
68 1/2	42 1/2	51 1/4	42 1/2	Do. 4% 2nd Pf.	14	12 10/8
30 1/2	15 1/2	19 1/4	15 1/2	Do. 4% 1st Pf.	43 1/2	9 6/8
70 1/2	44 1/2	51 1/4	44 1/2	L.M.S. Ord.	16	12 10/8
82 1/2	62 1/2	71 1/4	62 1/2	4% Pf. 1923	45	12 10/8
21 1/2	16 1/2	19 1/4	16 1/2	4% Pf.	63	12 10/8
115 1/2	105 1/2	112 1/4	105 1/2	Southern Def.	17	12 10/8
14 1/2	7 1/2	11 1/4	7 1/2	Do. 5% Pf. Ord.	65	12 10/8
17 1/2	10 1/2	13 1/4	10 1/2	Do. 5% Pf.	106 1/2	12 10/8
17 1/2	10 1/2	13 1/4	10 1/2	Dom. & Foreign Ry.		
17 1/2	10 1/2	13 1/4	10 1/2	Antofagasta Ord.	91 1/2	Nil
17 1/2	10 1/2	13 1/4	10 1/2	B.A. & Pac. Ord.	5	Nil
17 1/2	10 1/2	13 1/4	10 1/2	B.A. & Gt. Sthn. Ord.	12	Nil
17 1/2	10 1/2	13 1/4	10 1/2	B.A. & W. Sthn. Ord.	8	Nil
17 1/2	10 1/2	13 1/4	10 1/2	C. Arg. Ord.	8 1/2	Nil
17 1/2	10 1/2	13 1/4	10 1/2	Can. Pac. Com. 2 1/2%	51 1/2	Nil
17 1/2	10 1/2	13 1/4	10 1/2	Costa Rica Ord.	26 1/2	7 10/8
17 1/2	10 1/2	13 1/4	10 1/2	Nitrate Ry. 10%	37 1/2	5 6/8
17 1/2	10 1/2	13 1/4	10 1/2	San Paulo Ord.	39	2 10/8
17 1/2	10 1/2	13 1/4	10 1/2	Tal. Ry. Ord. 4 1/2%	15 1/2	6 13/8
17 1/2	10 1/2	13 1/4	10 1/2	Banks and Discount		
17 1/2	10 1/2	13 1/4	10 1/2	Alexanders L2, L1 pd.	60 1/2	4 1/2
17 1/2	10 1/2	13 1/4	10 1/2	Bk. of N. Zealand L1	35 1/2	4 11/8
17 1/2	10 1/2	13 1/4	10 1/2	Bk. of England L1	34 1/2	4 11/8
17 1/2	10 1/2	13 1/4	10 1/2	Bk. of S. Africa L1	72 1/2	4 11/8
17 1/2	10 1/2	13 1/4	10 1/2	Bk. of Aust. L1	42 1/2	4 11/8
17 1/2	10 1/2	13 1/4	10 1/2	Bk. of Mont. \$1000	44 1/2	4 11/8
17 1/2	10 1/2	13 1/4	10 1/2	Bk. of N.S.W. L200	25	4 11/8
17 1/2	10 1/2	13 1/4	10 1/2	Brit. Overseas A L5	35 1/2	Nil
17 1/2	10 1/2	13 1/4	10 1/2	Chit. of India L5	11 1/2	4 6/8

(a) Interim dividend. (b) Final dividend. (c) Dividends for full year. (d) Paid in £N.Z. (e) Allowing for exchange. (f) Flat yield. (g) Yield on 3 1/2% basis. (h) Based on payment of 2 1/2%. (i) To redemption at par, in year shown. (j) Yield on 15 1/8% basis. (k) Yield worked on a 5 1/2% basis. (l) Yield worked on a 4% basis. (m) Yield worked on a 40% basis. (n) Yield worked on a 14% basis. (o) Yield worked on a 45% basis. (p) 1% paid free of income tax.

Prices, Year 1938					Last two Dividends		Name of Security	Price, June 15, 1938	Change since June 15, 1938	Yield June 15, 1938	Prices, Year 1938					Last two Dividends		Name of Security	Price, June 15, 1938	Change since June 15, 1938	Yield June 15, 1938		
High	Low	(a) %	(b) %	(c) %	High	Low					(a) %	(b) %	(c) %	High	Low	(a) %	(b) %					(c) %	
25 1/3	20 9/16	Nil	Nil	Nil	21 1/3	...	Nil	25 1/9	17 1/2	10 c	+12 1/2	25 1/9	+6d	5 0 0	0 1/2	25 1/9	+6d	5 0 0	0 1/2	25 1/9	+6d	5 0 0	0 1/2
46 1/2	38 1/2	1 c	Nil	Nil	44 1/2	...	Nil	55 1/2	45 1/2	5 c	+12 1/2	55 1/2	+5 0 0	5 0 0	0 1/2	55 1/2	+5 0 0	5 0 0	0 1/2	55 1/2	+5 0 0	5 0 0	0 1/2
27 1/2	20 1/2	6 c	3 a	Nil	21 9/16	+9d	8 5 0	6 1/2	3 1/2	20 b	Nil	6 1/2	...	20 b	Nil	6 1/2	...	20 b	Nil	6 1/2	...	20 b	Nil
26 1/2	19 1/2	10 c	10 c	10 c	20 9/16	3d	4 16 0	20 6/16	11 3/8	8 c	22 1/2	...	22 1/2	...	8 c	22 1/2	...	8 c	22 1/2	...	8 c	22 1/2	...
29 1/2	21 1/2	10 c	10 c	10 c	23 1/2	+7 1/2d	7 8 0	90 7/12	68 5/8	5 a	20 b	...	20 b	...	5 a	20 b	...	5 a	20 b	...	5 a	20 b	...
36 1/2	33 1/2	10 1/2	12 1/2	12 1/2	33 9/16	...	7 19 0	76 6/8	60 7/12	5 a	13 1/2 b	...	13 1/2 b	...	5 a	13 1/2 b	...	5 a	13 1/2 b	...	5 a	13 1/2 b	...
50 1/2	40 7/16	12 1/2	15 c	15 c	47 1/2	...	6 6 4	30 1/2	19 10/12	27 1/2 b	15 a	...	15 a	...	6 6 4	30 1/2	...	6 6 4	30 1/2	...	6 6 4	30 1/2	...
5 9	2 9	Nil	Nil	Nil	3 1/2	...	Nil	27 1/2	21 1/2	8 c	9 c	...	9 c	...	Nil	3 1/2	...	Nil	3 1/2	...	Nil	3 1/2	...
5 9	2 10/12	Nil	Nil	Nil	3 4/12	-11 1/2d	Nil	33 1/2	27 1/2	8 c	9 c	...	9 c	...	Nil	3 4/12	...	Nil	3 4/12	...	Nil	3 4/12	...
5 4 1/2	2 4 1/2	Nil	Nil	Nil	2 9/12	...	Nil	7 3/4	6 1/2	17 1/2 a	+17 1/2	...	17 1/2 a	...	Nil	2 9/12	...	Nil	2 9/12	...	Nil	2 9/12	...
7 1/4	4 1/4	Nil	Nil	Nil	4 4 1/2	...	Nil	55 1/8	33 3/8	8 1/2	8 1/2	...	8 1/2	...	Nil	4 4 1/2	...	Nil	4 4 1/2	...	Nil	4 4 1/2	...
4 3/4	3 2/6	10 c	10 c	10 c	36 1/2	-3d	5 11 0	12 9/16	9 4 1/2	8 b	5 a	...	5 a	...	Nil	3 2/6	...	Nil	3 2/6	...	Nil	3 2/6	...
48 1/2	33 1/2	3 1/2 a	3 1/2 a	3 1/2 a	44 1/2	-3d	6 3 0	37 1/2	32 6/8	21 a	9 1/2 b	...	9 1/2 b	...	Nil	48 1/2	...	Nil	48 1/2	...	Nil	48 1/2	...
39 1/2	36 1/2	3 1/2 a	3 1/2 a	3 1/2 a	28 1/2	-7 1/2d	7 2 3	60 7/8	43 9/16	22 1/2 a	20 c	...	20 c	...	Nil	39 1/2	...	Nil	39 1/2	...	Nil	39 1/2	...
6 9	3 4 1/2	Nil	Nil	Nil	4 1/2	...	Nil	51 1/2	5	8 1/2 a	14 1/2 b	...	14 1/2 b	...	Nil	6 9	...	Nil	6 9	...	Nil	6 9	...
33 9/16	25 1/2	3 a	5 1/2 b	5 1/2 b	27 6	...	6 4 0	60 7/12	42 1/2	15 a	27 1/2 b	...	27 1/2 b	...	Nil	33 9/16	...	Nil	33 9/16	...	Nil	33 9/16	...
49 4 1/2	36 3/8	+12 1/2 c	+12 1/2 c	+12 1/2 c	38 1/2	+6d	6 11 9 1/2	41 1/2	3 3/8	12 1/2 b	9 1/2 b	...	9 1/2 b	...	Nil	49 4 1/2	...	Nil	49 4 1/2	...	Nil	49 4 1/2	...
18 9/16	7 1/2	6 c	Nil	Nil	7 1/2	...	16 0 0	37 1/2	32 6/8	21 a	9 1/2 b	...	9 1/2 b	...	Nil	18 9/16	...	Nil	18 9/16	...	Nil	18 9/16	...
45 3/8	34 9/16	10 c	10 c	10 c	35 1/2	+6d	5 12 6	40 6/8	26 3/8	32 1/2 b	12 1/2 a	...	12 1/2 a	...	Nil	45 3/8	...	Nil	45 3/8	...	Nil	45 3/8	...
95 6/8	77 9/16	5 a	15 b	15 b	82 1/2	...	4 17 0	58 9/16	42 1/2	31 a	11 1/2 b	...	11 1/2 b	...	Nil	95 6/8	...	Nil	95 6/8	...	Nil	95 6/8	...
89 1/2	78 9/16	5 a	15 b	15 b	83 9/16	+1/3	4 15 6	51 1/2	4 7/8	22 1/2 c	22 1/2 c	...	22 1/2 c	...	Nil	89 1/2	...	Nil	89 1/2	...	Nil	89 1/2	...
39 1/2	24 1/2	6 1/2 b	6 a	6 a	25 1/2	-2x	2 10 0	14 1/2	11 1/2	15 a	8 1/2 b	...	8 1/2 b	...	Nil	39 1/2	...	Nil	39 1/2	...	Nil	39 1/2	...
77 3/8	64 1/2	17 1/2 c	15 c	15 c	72 1/2	+3 1/2	5 16 6	60 5/8	51 1/2	22 1/2 b	12 1/2 b	...	12 1/2 b	...	Nil	77 3/8	...	Nil	77 3/8	...	Nil	77 3/8	...
20 1/2	16 1/2	5 a	20 b	20 b	12 6	...	5 0 0	25 7/12	21 1/2	Nil	Nil	...	Nil	...	Nil	20 1/2	...	Nil	20 1/2	...	Nil	20 1/2	...
41 3/4	34 1/2	5 a	7 1/2 c	7 1/2 c	37 1/2	...	6 14 0	83 1/2	70 1/2	14 b	4 1/2 a	...	4 1/2 a	...	Nil	41 3/4	...	Nil	41 3/4	...	Nil	41 3/4	...
30 6/8	22 9/16	7 1/2 c	7 1/2 c	7 1/2 c	23 9/16	...	6 6 4	46 9/16	36 5/8	5 a	5 1/2 a	...	5 1/2 a	...	Nil	30 6/8	...	Nil	30 6/8	...	Nil	30 6/8	...
\$1 3	87 3/8	Nil	\$1 c	\$1 c	\$10 1/4	...	9 15 0	68 4 1/2	52 1/2	60 1/2	11 3/8	...	11 3/8	...	Nil	\$1 3	...	Nil	\$1 3	...	Nil	\$1 3	...
08 1/2	62 6/8	6 a	9 b	9 b	63 9/16	...	4 14 0	89 4 1/2	74 1/2	16 1/2	10 a	...	10 a	...	Nil	08 1/2	...	Nil	08 1/2	...	Nil	08 1/2	...
29 3/4	23 3/4	2 a	5 b	5 b	28 3/4	...	4 19 0	87 7/8	70 1/2	16 1/2 b	33 a	...	33 a	...	Nil	29 3/4	...	Nil	29 3/4	...	Nil	29 3/4	...
34 3/8	33 1/2	3 1/2 a	4 b	4 b	31 3/8	-6d	4 8 6	57 4 1/2	46 3/8	7 1/2 b	5 a	...	5 a	...	Nil	34 3/8	...	Nil	34 3/8	...	Nil	34 3/8	...
44 1/2	43 1/2	5 a	5 a	5 a	35 6/8	...	4 10 0	27 1/2	18 4 1/2	15 b	7 1/2 a	...	7 1/2 a	...	Nil	44 1/2	...	Nil	44 1/2	...	Nil	44 1/2	...
51 1/2	45 3/8	7 1/2 c	5 b	5 b	48 1/2	-6d	4 14 0	39 3/4	34 6/8	6 c	3 a	...	3 a	...	Nil	51 1/2	...	Nil	51 1/2	...	Nil	51 1/2	...
38 6/8	34 1/4	4 a	5 b	5 b	38 1/2	...	4 14 0	39 3/4	32 1/2	3 a	7 b	...	7 b	...	Nil	38 6/8	...	Nil	38 6/8	...	Nil	38 6/8	...
35 1/2	31 1/2	2 1/2 a	5 b	5 b	33 1/2	...	4 11 0	70 1/2	60 6/8	15 a	4 1/2 b	...	4 1/2 b	...	Nil	35 1/2	...	Nil	35 1/2	...	Nil	35 1/2	...
32 4 1/2	28 9/16	3 a	4 b	4 b	30 1/2	...	4 13 4	70 7/12	52 6/8	95 c	95 c	...	95 c	...	Nil	32 4 1/2	...	Nil	32 4 1/2	...	Nil	32 4 1/2	...
50 3/8	43 3/8	3 a	6 b	6 b	50 1/2	...	4 16 0	12 10 1/2	8 3/4	9 1/2 c	Nil	...	Nil	...	Nil	50 3/8	...	Nil	50 3/8	...	Nil	50 3/8	...
33 3/8	21 3/4	2 1/2 a	5 1/2 b	5 1/2 b	32 1/2	...	4 8 0	3 1/2	1 6 1/2	Nil	4 a	...	4 a	...	Nil	33 3/8	...	Nil	33 3/8	...	Nil	33 3/8	...
48 9/16	44 6/8	4 a	6 b	6 b	46 3/8	...	4 6 6	81 3/8	62 3/8	32 1/2 c	61 a	...	61 a	...	Nil	48 9/16	...	Nil	48 9/16	...	Nil	48 9/16	...
37 9/16	34 1/2	2 1/2 a	5 1/2 b	5 1/2 b	36 1/2	...	4 8 3	167 1/2	14 3/4	95 c	95 c	...	95 c	...	Nil	37 9/16	...	Nil	37 9/16	...	Nil	37 9/16	...
40 8/8	37 6/8	3 a	5 b	5 b	40 6/8	...	3 19 0	135 1/2	6	30 a	20 c	...	20 c	...	Nil	40 8/8	...	Nil	40 8/8	...	Nil	40 8/8	...
25 1/2	21 1/2	5 1/2 a	5 1/2 b	5 1/2 b	22 9/16	...	5 0 6	48 3/4	30 10 1/2	11 1/2	25 a	...	25 a	...	Nil	25 1/2	...	Nil	25 1/2	...	Nil	25 1/2	...
138 1/2	117 1/4	4 a	6 b	6 b	118 1/2	...	8 8 9	127 1/2	9 1/2	37 1/2	25 a	...	25 a	...	Nil	138 1/2	...	Nil	138 1/2	...	Nil	138 1/2	...
22 9/16	21 1/2	2 1/2 a	2 1/2 a	2 1/2 a	23 1/2	...	4 12 0	197 1/2	12 1/2	Nil	Nil	...	Nil	...	Nil	22 9/16	...	Nil	22 9/16	...	Nil	22 9/16	...
109 3/4	101 1/4	2 1/2 a	3 b	3 b	105 1/2	...	5 4 3	217 1/2	13 7/12	80 c	10 a	...	10 a	...	Nil	109 3/4	...	Nil	109 3/4	...	Nil	109 3/4	...
51 3/8	36 3/8	15 c	12 1/2 c	12 1/2 c	37 6/8	...	6 13 3	11 1/2	9 1/2	75 c	75 c	...	75 c	...	Nil	51 3/8	...	Nil	51 3/8	...	Nil	51 3/8	...
32 4 1/2	31 1/2	+7 1/2 c	12 1/2 c	12 1/2 c	23 1/2	+7 1/2d	10 16 0	92 3/8	51 10 1/2	20 c	20 c	...	20 c	...	Nil	32 4 1/2	...	Nil	32 4 1/2	...	Nil	32 4 1/2	...
23 1/2	18 3/8	50 c	50 c	50 c	19 9/16	+3d	Nil	19 1/2	5 1/2	Nil	Nil	...	Nil	...	Nil	23 1/2	...	Nil	23 1/2	...	Nil	23 1/2	...
22 9/16	18 1/2	83 1/2 b	33 1/2 a	33 1/2 a	18 9/16	...	6 6 0	19 1/2	5 1/2	Nil	Nil	...	Nil	...	Nil	22 9/16	...	Nil	22 9/16	...	Nil	22 9/16	...
23 1/2	16 3/8	6 c	5 c	5 c	16 10 1/2	...	5 18 9/16	11 1/2	9 1/2	75 c	75 c	...	75 c	...	Nil	23 1/2	...	Nil	23 1/2	...	Nil	23 1/2	...
57 1/2	48 1/2	12 1/2 b	2 1/2 a	2 1/2 a	75 1/2	-2 1/2	6 12 6	48 3/4	30 10 1/2	11 1/2	25 a	...	25 a	...	Nil	57 1/2	...	Nil	57 1/2	...	Nil	57 1/2	...
33 3/8	24 9/16	20 c	25 c	25 c	36 1/2	+3d	8 10 6	11 1/2	9 1/2	75 c	75 c	...	75 c	...	Nil	33 3/8	...	Nil	33 3/8	...	Nil	33 3/8	...
61 3/8	38 1/2	20 b	6 c	6 c	39 4 1/2	...	12 14 0	11 1/2	9 1/2	75 c	75 c	...	75 c	...	Nil	61 3/8	...	Nil	61 3/8	...	Nil	61 3/8	...
96 10 1/2	81 3/8	6 a	16 1/2 b	16 1/2 b	95 1/2	+2 1/2	4 14 6	11 1/2	9 1/2	75 c	75 c	...	75 c	...	Nil	96 10 1/2	...	Nil	96 10 1/2	...	Nil	96 10 1/2	...
16 7/12	9 9/16	25 c	40 c	40 c	11 3/8	+6d	8 17 9 1/8	19 1/2	5 1/2	Nil	Nil	...	Nil	...	Nil	16 7/12	...	Nil	16 7/12	...	Nil	16 7/12	...
7 3/8	3 7/8	5 a	15 b	15 b	7 3/8	...	5 0 0	11 1/2	9 1/2	75 c	75 c	...	75 c	...	Nil	7 3/8	...	Nil	7 3/8	...	Nil	7 3/8	...
24 6/8	17 7/12	Nil	Nil	Nil	24 6/8	...	3 15 0	11 1/2	9 1/2	75 c	75 c	...	75 c	...	Nil	24 6/8	...	Nil	24 6/8	...	Nil	24 6/8	...
24 6/8	15 6/8	Nil	Nil	Nil	21 1/2	...	3 16 0	11 1/2	9 1/2	75 c	75 c	...	75 c	...	Nil	24 6/8	...	Nil	24 6/8	...	Nil	24 6/8	...
22 1/2	16 9/16	4 1/2 c	2 1/2 a	2 1/2 a	17 1/2	...	5 10 0	11 1/2	9 1/2	75 c	75 c	...	75 c	...	Nil	22 1/2	...	Nil	22 1/2	...	Nil	22 1/2	...
23 1/2	13 6/8	Nil	Nil	Nil	15 1/2	-6d	Nil	11 1/2	9 1/2	75 c	75 c	...	75 c	...	Nil	23 1/2	...	Nil	23 1/2				

Industry and Trade

Increase in Milk Prices.—It was announced last Monday that the retail price of milk will be increased next month from 6d. to 7d. a quart, and that the whole of the increase will accrue to the farmers. The wholesale liquid price will thus be raised from 13d. to 17d. per gallon. The Milk Marketing Board claimed an increase in the wholesale price for both June and July, on the grounds that the late spring frosts and the long drought had seriously raised production costs. The arbitrator, Sir Stephen Demetriadi, stated in his award that, as the Milk Marketing Board and Central Milk Distributive Committee had not been able to agree upon a date in June from which any increase should operate, he had confined the increase to the month of July. That the farmer had a good case for temporarily higher prices is undeniable, but it is equally undeniable that the retail price of milk is already higher than it should be in the interests of the nation's health.

Prolongation of Steel Cartel.—At a meeting of the Joint Co-ordinating Committee of the European Steel Cartel at the end of last month a renewal of certain compoitors, and consequently of the Cartel, was held up by dissensions within the Belgian industry. At a further meeting of the Co-ordinating Committee in Paris last Tuesday it was reported that the difficulties of the Belgian producers had been overcome. It was possible, therefore, to renew all the compoitors until the end of 1940. The prolongation of the Entente Internationale D'Acier and of the latter's agreement with the British industry follows automatically. Moreover, the progress of the negotiations between the Cartel and the American steel exporting companies suggests that an effective agreement will be confirmed in the near future. Such an agreement would naturally strengthen the international control of exports and prices. In spite of the recent decline in demand, it was decided at Tuesday's meeting to stabilise prices at existing levels in the hope that the removal of uncertainty would bring about a revival of consumers' purchases.

The Herring Industry.—The third annual report of the Herring Industry Board, covering the financial year ended last March, emphasises once again the difficulties that beset a declining industry. The policy of self-sufficiency pursued in Germany and Russia has almost closed the two largest export markets for British herrings, and, in spite of large reductions in the fleet and personnel, there are still more vessels and more men in the industry than it is able to support. The Board estimates that there is scope for the profitable employment of about 300 steam drifters, less than half of the existing number; they suggest, however, that an increased number of motor drifters could find employment by alternating between herring and white fish. The difficulties of the industry have been increased by internal dissensions and by acute rivalry between the local centres, which has seriously impeded the Board's attempts to co-ordinate and reorganise the activities of the different sections of the industry. The proposals of the Government, embodied in the new Herring Industry Bill now before Parliament, include the reconstruction of the Board, which is to consist entirely of independent members; the six

nominees of the trade, who provided the major part of the Board under the present Act, are to form an advisory council. The Government are also preparing to augment the grants available under the 1935 Act, by providing finance to assist in the purchase of new motor drifters. In these circumstances, it is to be hoped that the admittedly difficult reorganisation of the industry will be able to proceed with a greater measure of co-operation than has been shown in the past.

Overseas Trade in May.—The returns for May show a further decline in overseas trade. The value of imports last month was 9.3 per cent. smaller than in May, 1937, although there were two more working days in May, 1938; British exports fell by 10.7 per cent., and the excess of imports over all exports declined by 8.9 per cent., owing to the greater absolute fall in imports. Compared with the previous month, which also had fewer working days, the value of imports and British exports showed

(£ thousands)					
	1936	1937	1938	Change between 1937 and 1938	Per cent.
May					
Total imports	69,136	83,131	75,394	- 7,737	- 9.3
British exports	36,396	42,732	38,165	- 4,567	- 10.7
Re-exports	5,635	7,393	7,177	- 216	- 2.9
Total exports	42,031	50,125	45,342	- 4,783	- 9.5
Excess of imports over exports	27,105	33,006	30,052	- 2,954	- 8.9
Transshipments under bond ...	1,908	2,864	2,563	- 301	- 11.7
Five Months ended May					
Total imports	335,451	395,245	393,427	- 1,818	- 0.4
British exports	175,852	206,858	196,307	- 10,551	- 5.1
Re-exports	27,392	33,411	27,933	- 5,478	- 16.3
Total exports	203,244	240,269	224,239	- 16,230	- 6.8
Excess of imports over exports	132,207	154,976	169,188	+ 14,212	+ 9.2
Transshipments under bond ...	10,621	15,380	13,457	- 1,923	- 12.5

small increases of 2.3 and 2.4 per cent., respectively. A comparison of the aggregate returns for the first five months of the current year with those for the corresponding months of 1937 shows that the value of British exports was 5.1 per cent. smaller, while that of imports was only slightly lower. *The Economist's* index of the volume of raw material imports in May was 16½ per cent. lower than a year ago, while the index of the volume of exports of manufactures showed a fall of no less than 22 per cent. Present indications do not portend an early reversal of the downward trend.

Overseas Trade by Commodities.—Quantitative changes in imports and exports of important commodities since May, 1936, are revealed in the accompanying tables:—

RETAINED IMPORTS—MONTH OF MAY				
Items and Measure	1936	1937	1938	
Wheat	'000 cwt.	8,912	7,501	8,387
Beef and mutton	'000 cwt.	1,158	886	1,116
Mutton and lamb	'000 cwt.	738	766	559
Sugar (unrefined)	'000 cwt.	3,396	4,320	3,308
Iron ore and scrap	'000 tons	632	642	25
Raw cotton	'000 cwt.	1,093	1,257	705
Sheep's and lambs' wool	'000 cwt.	831	601	636
Flax, hemp and jute	tons	25,549	28,251	19,427
Crude petroleum	'000 galls.	47,007	48,783	62,896
Hides, wet and dry	'000 cwt.	155	142	110
Wood pulp	'000 tons	188	161	114
Rubber	'000 tons	119	190	329
Unwrought copper	tons	20,416	34,100	36,193
Pig lead	tons	32,706	28,242	33,844
Tin: Ore and concentrates	tons	4,324	4,466	6,561
Blocks, ingots, slabs and bars	tons	798	1,858	243
Iron and steel manufactures	'000 tons	117	98	56
Machinery	tons	9,534	12,605	9,855

The continuing depression in the textile trades has brought a further fall in imports of their raw materials—cotton, flax, hemp and jute. Imports of raw metals,

on the other hand, remained at a higher level than in May last year, though there has been some decline from the imports in April, 1938. Imports of petroleum, wheat, beef and veal were also larger than either a year or a month ago, but imports of mutton and lamb show a fall.

BRITISH EXPORTS—MONTH OF MAY				
Item and Measure	1936	1937	1938	
Coal	'000 tons	3,162	3,216	3,323
Iron and steel scrap	tons	7,375	19,323	4,389
Pig-iron and ferro-alloys	tons	9,238	15,769	5,606
Railway materials	tons	20,242	18,293	13,618
Total, iron and steel manufactures...	tons	204,090	228,312	167,522
Textile machinery	tons	4,183	4,259	5,991
Total machinery	tons	32,685	34,594	37,238
Cotton yarns	'000 lb.	12,397	14,136	8,449
Cotton piece goods	sq. yds.	145,798	161,601	109,880
Wool tops	'000 lb.	4,431	3,999	2,304
Worsted yarns	'000 lb.	2,430	2,209	1,697
Woolen tissues	'000 sq. yds.	5,297	5,397	3,457
Worsted tissues	'000 sq. yds.	2,782	2,872	1,956
Linen piece-goods	'000 sq. yds.	6,892	6,506	3,825
Leather boots and shoes	doz. pairs	27,311	29,529	37,164
Leather	cwt.	23,113	27,993	15,812
Paper and cardboard	cwt.	326,073	349,014	288,441
Locomotives and parts	tons	2,737	930	1,992
Motor vehicles and chassis	No.	7,243	8,284	9,074

With a few exceptions, exports continued to fall, those of textiles being the most affected. Exports of machinery, of motor vehicles and locomotives, and of boots and shoes, however, were higher in May than in April or in May of last year.

South African Manganese.—The application for the introduction of the shares of the Associated Manganese Mines of South Africa on the London Stock Exchange has focussed attention on the South African manganese industry. Some of the world's largest deposits of manganese ore were discovered in the Cape Province of South Africa shortly after the war, and following the amalgamation of the chief mining interests at the end of 1935, the Dominion's output was rapidly increased. In 1936, South Africa's manganese ore output was 281,866 tons; in 1937 production reached 695,778 tons, and in the first four months of this year it totalled 286,554 tons, against 194,949 tons in corresponding period of last year. In 1937 the Dominion was already the third largest manganese producing country in the world; if the expansion of the industry continues, South Africa will oust India from second place within a year or two. As the South African deposits are extensive, the industry in that country has a promising future. Its rise to international prominence has caused a change on the world market. South African manganese already dominates the German market (in the first four months of this year the Dominion supplied 127,849 metric tons out of Germany's total imports of 171,411 metric tons) and is gaining ground rapidly in other leading consuming countries. Moreover, as a result of the rapid development of the industry in South Africa, the British Empire is now the world's principal source of manganese ore, a position formerly held by the U.S.S.R.

Supplies of Antimony.—Antimony prices have fallen sharply during the past few months. The London quotation for Chinese regulus, which was well above £80 per ton last autumn, is now quoted at £55 10s. per ton. Antimony, used mainly as an alloying element (particularly with lead) is an indispensable armament metal, and large quantities are required for the production of shrapnel and other bullets, storage batteries for tanks, aeroplanes, etc. Moreover, supplies of the metal are endangered by the Far Eastern war. China supplies normally 70 per cent. of the world output, and more than 95 per cent. of the Chinese output comes from the Province of Hunan, which is within the range of Japanese bombers. Indeed, Chinese exports have already fallen. In the first quarter of 1938, Chinese exports of crude, oxide and refuse antimony amounted to 5,725 quintals, compared with 9,745 quintals in the first quarter of last year; while exports of regulus amounted to only 13,845 quintals, compared with 49,308 quintals. This decline in Chinese exports is particularly serious, as the only other

important producing country, Mexico, is at present suffering from internal difficulties. A revival in demand may easily result in a sudden jump in prices.

Iron and Steel Production in May.—The output of pig iron declined from 661,000 tons in April to 633,900 tons in May, the lowest level since February, 1937. Production of steel ingots and castings in May, at 957,000 tons, was 18,400 tons higher than in April, but, with the exception of that month, was the lowest output recorded since August, 1936. Imports of iron and steel showed a further decline last month, but exports remained almost unchanged.

PRODUCTION AND TRADE IN IRON AND STEEL (In thousands of tons)				
Period	Production		Foreign Trade	
	Pig Iron	Steel Ingots and Castings	Total Imports	British Exports
1913—Monthly Average	855.0	638.6	185.9	414.1
1929	803.0	632.4	235.2	364.9
1932	297.8	438.5	132.7	157.4
1936	643.5	982.1	123.6	183.8
1937	708.0	1,080.3	170.0	214.7
April	680.7	1,080.4	88.5	239.5
May	696.3	1,047.3	98.1	228.3
June	699.3	1,106.4	174.8	235.4
July	729.3	1,059.2	202.3	232.2
August	714.0	987.7	213.4	201.4
September	726.7	1,163.0	226.2	193.6
October	769.6	1,133.6	220.5	206.9
November	762.3	1,178.3	272.5	198.0
December	783.8	1,103.8	288.3	196.8
1938—January	761.1	1,081.4	308.7	191.2
February	693.3	1,057.6	230.4	156.7
March	714.6	1,115.8	276.8	176.1
April	661.0	938.6	61.5	168.3
May	633.9	957.0	55.7	167.5

As a result of the contraction of domestic output and imports, *The Economist's* index of apparent iron and steel consumption (1935 = 100), adjusted for seasonal variations, fell from 123½ in April to 104½ in May; a year ago the index stood at 130. This index, however, does not take into account changes in stocks. Despite the recent reduction, the output of the industry remains substantial.

THE BALTIMORE AND OHIO RAILROAD CO.

SUMMARY OF ANNUAL REPORT FOR THE YEAR 1937

The report of the Company's operations for the year 1937 is being distributed to the stockholders. It shows that total Railway Operating Revenues for the year were \$169,436,436. This was an increase over the previous year of \$443,735, notwithstanding the termination on December 31, 1936, of the emergency increase in freight rates and charges authorised by the Interstate Commerce Commission on March 26, 1935. Had these emergency charges been continued during 1937, freight revenues of the Company would have been about \$7,000,000 more than they were for the year. Despite this loss in revenue, and the increase in costs of operation, due to higher prices of material and fuel, and increases in wages during the latter part of the year, the Net Income available for fixed charges was \$31,463,336, or but \$720,695 less than the total fixed interest and other charges of \$32,184,031 accruing during the year.

The total taxes accrued in 1937 aggregated \$11,216,077, an increase over 1936 of \$720,208.

Freight revenue for 1937 was \$147,212,330 or \$604,588 less than for 1936, this decrease being caused largely by the almost unprecedented decline in business activity during the last half of 1937. Passenger revenue for 1937 was \$11,918,602, an increase over 1936 of \$735,660, or 6.58%.

CONDENSED STATEMENT OF OPERATING RESULTS

	Comparison with 1936	
	1937	Increase Decrease
Railway Operating Revenues:		
From Freight	\$ 147,212,330	\$ 604,588
From Passenger	11,918,602	735,660
From All Other Sources	10,305,504	312,683
Total	169,436,436	443,735
Railway Operating Expenses	128,859,516	5,259,183
Net Railway Operating Revenue	40,576,920	4,815,428
Deduct: Other Operating Charges:		
Railway Tax Accruals	10,918,554	696,233
Equipment and Joint Facility Rents	4,749,741	234,981
Net Railway Operating Income	24,908,625	5,276,680
Add: Other Income from Investments and Other Sources	6,554,711	691,983
Income Available for Fixed Charges	31,463,336	5,968,663
Deduct: Fixed Interest and Other Charges	32,184,031	708,993
Income for Year (Deficit)	720,695	(Decrease) 5,259,670

BALANCE SHEET

The balance sheet at December 31, 1937, indicated total property (less accrued depreciation) and other investments of \$1,087,040,474, and current assets of \$29,987,154 (which include \$12,325 for materials and supplies, an increase of \$3,390,386 over 1936), as against current liabilities of \$29,034,104. The total of interest-bearing debt and leased lines obligations outstanding was \$680,862,793 (an increase of \$2,198,151 compared with preceding year). The outstanding capital stock was \$315,158,455, and corporate surplus \$75,839,767.

The Company renews and records its high appreciation of the loyal support and efficient co-operation of all the officers and employees, and solicits the interest of employees and security holders in securing business for the Company.

DANIEL WILLARD, President.



BRITISH WHOLESALE PRICES

CEREALS AND MEAT				SUGAR (per cwt.)—cont.			
GRAIN, etc.—				Crushed			
Wheat—				Granulated			
No. 2, N. Man. 496 lb.				Home Grown.....			
Eng. Gaz. av., per cwt.				TEA* (Auction Average) (per lb.)—			
Liv. July, per cental				N. India			
Flour, per 280 lb.				S. India			
Straights, d/d London				Ceylon			
Manitoba, ex store				Java			
Barley, Eng. Gaz. av.				Sumatra			
Oats				Africa			
Maize, La Plata, landed, 480 lb.				Total			
Rice, No. 2 Burma, per cwt.				TOBACCO (per lb.)—			
MEAT—				Virginia stemmed and un-			
Beef, per 8 lb.—				stemmed, common to fine			
English long sides.....				Rhodesian stemmed and un-			
Argentine chilled hinds				stemmed			
Mutton, per 8 lb.—				Nyasaland stemmed and un-			
English wethers				stemmed			
N.Z. frozen wethers				East Indian { Stemmed			
Lamb, per 8 lb.—				{ Unstemmed.....			
N.Z. frozen				COTTON (per lb.)—			
Pork, English, per 8 lb.				Raw, Mid-American			
BACON (per cwt.)—				Sakellariadis, F.G.F.			
English				Giza, F.G.F.			
Danish				Yarns, 32's Twist			
Dutch				40's Twist (Egyptian)			
Irish				Cloth, 32 in. Printers, 116 yds.,			
HAMS (per cwt.)—				16x16, 32's & 50's			
Canadian				36 in. Shirts, 75 yds.,			
United States				38 in. ditto, 35 yds.,			
OTHER FOODS				39 in. ditto, 37½ yds.,			
BUTTER (per cwt.)—				16x15, 84 lb.			
Australian				FLAX (per ton)—			
New Zealand				Livonian ZK			
Danish				Pernau HD			
CHEESE (per cwt.)—				Slanetz Medium, 1st sort			
Canadian				HEMP (per ton)—			
New Zealand				Italian PG			
English Cheddars				Manilla, June-Aug. "J2"			
Dutch				JUTE (per ton)—			
COCOA (per cwt.)—				Native 1st mks., c.i.f. H.A.R.B.,			
Acra, L.L.				June-July			
Trinidad				Daisee 2/3 c.i.f. Dundee, June-			
Grenada				July			
COFFEE (per cwt.)—				SISAL (per ton)—			
Santos sup. c. & f.				African, June-Aug.			
Costa Rica, medium to good ..				SILK (per lb.)—			
Kenya, medium				Canton			
EGGS (per 120)—				Japan			
English (15-15½ lb.)				Italian, raw, fr. Milan			
Danish (15½ lb.)				WOOL (per lb.)—			
FRUIT—				English, Southdown, greasy ..			
Oranges, Jaffa				Lincoln hog, washed ..			
Brazilian				Queensland, scd. super combg.			
Lemons, Malaga				N.S.W. greasy, super combg.			
Sicilian				N.Z., greasy, half-bred 50-59 ..			
Apples, Amer. (var.)				Crossbred 40-44 ..			
" (var.)				Tops			
Grapes, Almeria				Merinos 70's average			
Grapefruit, Jaffa				Crossbred 48's			
LARD (per cwt.)—				46's			
Irish, finest bladders				MINERALS			
U.S.				COAL (per ton)—			
PEPPER, per lb.—				Welsh, best Admiralty			
Black Lampong (in Bond)				Durham, best gas, f.o.b. Tyne ..			
White Muntok (in Bond)				Sheffield, best house, at pits ..			
" (Duty paid)				IRON AND STEEL (per ton)—			
POTATOES (per cwt.)—				Pig Cleveland No. 3, d/d.			
King Edward				Bars, Middlesbrough			
SUGAR (per cwt.)—				Steel rails, heavy			
Centrifugals, 96%, prpt. shimp.				Tinplates			
c.i.f. U.K./Cont.				NON-FERROUS METALS (per ton)—			
Refined London				Copper—			
Yellow Crystals				Standard cash			
Cubes				Three months			

* Weeks ended June 2nd and 9th

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

COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)

District	Week ended		Jan.-May	
	May 28, 1938	June 4, 1938	1937	1938
Northumberland	302.1	256.0	5,831.8	5,896.5
Durham	672.2	643.4	13,412.3	14,276.4
Yorkshire	816.5	823.0	19,103.0	19,660.9
Lancs, Cheshire and N. Wales	347.8	338.5	7,450.3	7,587.9
Derby, Nottingham & Leicester	557.6	560.7	14,614.1	14,935.2
Staffs, Worcs, Salop & Warwick	386.3	382.1	8,567.2	8,799.1
South Wales & Monmouth	740.8	735.0	15,157.6	16,238.4
Other English districts*	107.5	104.5	2,221.3	2,413.5
Scotland	587.2	572.1	13,472.0	13,239.5
Total	4,518.0	4,415.3	99,829.6	103,047.4

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)

Variety	Week ended		Total Deliveries	
	June 3, 1938	June 10, 1938	Aug. 1, 1937	Aug. 1, 1938
American	23.4	11.4	1,058	1,082
Brazilian	3.7	1.7	328	248
Peruvian, etc.	2.1	0.8	126	102
Egyptian	5.8	1.7	364	303
Sudan Sakel	11.8	1.6	496	325
East Indian	2.7	1.4	190	150
Other countries	51.6	19.9	2,704	2,335

Metals

SALES ON LONDON METAL EXCHANGE

	Week ending		From Jan. 1 to June 15, 1938
	June 8, 1938	June 15, 1938	
Copper	5,500	5,275	201,075
Tin	1,785	1,750	38,025
Lead	3,250	3,800	151,000
Spelter	2,700	3,925	128,025

U.K. STOCKS

	June 4, 1938	June 11, 1938
Copper (Br. official w/houses):	Tons 6,664	Tons 6,319
Refined	26,585	26,937
Rough	5,764	5,847
Tin (London and Liverpool) ...	5,764	5,847

Foods

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

From—	Week ended		Season to	
	June 4, 1938	June 11, 1938	June 12, 1937	June 11, 1938
N. America	488	664	23,741	20,795
Argentina and Uruguay	178	136	19,476	7,377
Australia	254	546	11,930	14,352
Russia	20	60	11	5,126
Danube and dist.	51	36	9,409	6,142
India	45	39	1,265	1,278
Other Countries	...	...	2,030	1,278
Total	1,036	1,481	67,862	55,761
To—				
U.K.	244	312	15,853	13,760
" Orders "	244	484	18,024	12,327
France	41	1,407	801	...
Belgium	61	94	4,190	4,442
Holland	135	32	2,206	2,846
Italy	20	108	5,179	997
Greece	4	47	1,755	2,126
Austria, etc.	31	27	1,770	1,441
Scandinavia	31	39	1,946	1,832
Other European Countries	4	12	2,202	3,194
Ex-European Countries	254	285	13,330	10,995
Total	1,036	1,481	67,862	55,761

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL ('000 quarters)

From	Week ended		From Apr. 1 to	
	June 4, 1938	June 11, 1938	June 12, 1937	June 11, 1938
Argentina	332	269	9,179	1,155
Atlantic America	618	803	...	4,534
Danube Region	114	130	1,094	1,595
S. & E. Africa	4	2	185	29
Indo-China, etc.	33	30	43	217
Total	1,101	1,234	10,501	7,530

SALES OF BRITISH CEREALS

	Week ended		From Aug. 1 to	
	June 4, 1938	June 11, 1938	June 12, 1937	June 11, 1938
Wheat...cwt.	68,277	113,255	10,518,789	10,569,325
Barley...cwt.	3,413	1,622	10,320,712	10,289,431
Oats...cwt.	22,826	26,492	2,192,380	2,162,811

OTHER FOODS

INDUSTRIAL REPORTS

THERE is little change in the reports from industrial centres, some of which are still affected by the Whitsuntide holidays. In both the coal and iron and steel industries inquiry has shown a slight improvement, but new business still remains very small. Activity in heavy steel and engineering continues at a high level in most districts but in the lighter sections of the industry demand is falling off. The renewal of the Continental Steel Cartel is expected to have some effect upon forward buying. The textile trades show no signs of an early improvement in activity, though the cotton yarn market has been slightly more active. The jute industry is still suffering from uncertainty due to the Indian situation.

Coal

Newcastle-on-Tyne.—The market is quiet, with little new business, and certain collieries have to curtail production. There is no sign of immediate improvement in the Northumberland steam coal section, home trade is disappointing and there is little overseas inquiry. Durham local industrial trade is fairly steady, but foreign buyers take no interest in the market. Patent oven coke is dull in the absence of inquiry from abroad and from the home trade.

Glasgow.—Dull and inactive conditions continue in the Scottish coal market. The collieries have some contract business to provide a basis of operations, but new inquiry is not brisk, and short-time working is necessary to keep stocks within manageable volume. Round coal is most affected by prevailing conditions, but in general sized fuel is moving relatively well. In Fifeshire doubles and singles are readily available. There is little indication of an early improvement in export business, and in the home market the household demand is notably curtailed.

Cardiff.—Business in Cardiff continues quiet. Shipments in the foreign and coastwise trades dropped last week by over 50,000 tons compared with the previous week, due, however, to the Whitsuntide holidays, for the total of 297,900 tons was 58,300 tons more than in the Whit week of 1937. This week stocks have been slightly reduced. Exports in the five months ended May total about 8,200,000 tons, compared with 8,300,000 tons a year ago. Prices are nominally unchanged, and for the best large steam grades they are steady to firm. Discussions are impending between British exporters and French importers, but the French railways are unlikely to order any further South Wales steam coals until the autumn, and the quantity then may not exceed one-tenth of normal requirements owing to their heavy stocks and the pressure in favour of the consumption of French coals.

Iron and Steel

Sheffield.—There is no improvement in the market, and the general view is that substantial revival may be

delayed until the autumn. A few small lots of forge and foundry iron are disposed of for early delivery, but there is an absence of term contracts. Hematites continue in poor request with the exception of special qualities, which are moderately well taken up. There is little interest in finished iron.

Active consumption of heavy basic steel billets and acid qualities keeps demand reasonably good. Business in stainless steel sheets, wire rods and in strips, continues on a satisfactory basis.

There is a minimum of business in the market for iron and steel scrap. Most prices are fixed until the end of September, but where the control does not operate there is a readiness to shade prices, without, however, much effect on buyers.

Middlesbrough.—As consumption of the iron which was imported some time ago by local foundries is proceeding more slowly than anticipated, there is no inducement for buyers to come into the market. Current production of foundry, hematite and basic pig iron is in excess of requirements, and stocks are accumulating in makers' yards.

It is now announced that official minimum prices for heavy steel scrap are established until the end of September.

Semi-finished steel producers and sheet makers are seeking orders, but the heavy steel producers are running well up to capacity.

Coke producers are having difficulty in finding an outlet owing to the reduced requirements. No business is reported in foreign ore, whilst arrivals under current contracts are being reduced, imports into the Tees up to the middle of June being 75,000 tons, against 101,000 tons for the first fortnight of May.

Shipments of finished steel from the Tees are keeping up remarkably well.

Glasgow.—There is little change in the West of Scotland. Neither steel-makers nor makers of semis have had heavy bookings, but there is still a fair amount of work on hand at the various plants, and it is expected that the renewal of the Continental Steel Cartel and the stabilisation of prices will be followed by heavier buying for forward delivery. Structural engineers in Glasgow and district have all been fully employed for many months and are still finding new business plentiful. During the present week they have booked quite an important tonnage, including some export business. There is continued activity at practically all the engineering shops and manufacturing plants and a steady flow of new business.

Cardiff.—Production in the tinplate industry continues at a little over one-third of capacity. Shipments up to June 9th show a decrease of 40 per cent. for the year. It is reported that in its revised form the International Agreement concedes to the new Belgian tinplate works the Belgian inland trade, but does not allocate to it any export quota. Stocks of steel ingots are exceptionally heavy, and more furnaces have been temporarily stopped. Prices are

nominally unchanged. Figures for production, stocks and shipments are given below.

Tinplate Industry Statistics

	Week ended June 5, 1937	May 28, 1938	June 4, 1938
Production—per cent. of capacity	73.81	38.58	38.77
Shipments			
Tons	10,518	1,356	4,403
in vans	2,666	8,334	6,259
Stocks (warehouse and in vans)	192,133	115,744	

Textiles

Cotton (Manchester).—The Whitsuntide holidays have had the usual disturbing influence upon business. Large-scale curtailment of production in spinning and weaving continues, and it is many years since there were so many extra stoppages at Whitsuntide. Prices for American cotton have recovered over 4d. per lb. from the low point touched at the end of May, partly as a result of the less favourable weather reports from the American belt, heavy rains having been experienced in certain parts. There are very few indications of any increase in world consumption.

The yarn market has been more active. In the American section coarse counts have been sold on a freer scale than for some time. Ordinary weaving qualities in the Egyptian branch have been comparatively quiet, but some special contracts have been put through for the Continent. Although inquiry in piece-goods has been of fair extent, only a limited business has been done. Some leading buyers are convinced that lower values are improbable and there has been an inclination to keep well covered.

Jute (Dundee).—The jute trade is still quiet. Buyers appear to be afraid to operate with any degree of freedom in view of the uncertainty of the future. It is rumoured that there are prospects of an early settlement of the working hours' problem in India, but nothing definite is known. The owners of a very small percentage of the looms refuse to co-operate with the majority. One of the principal outside mills consented to sign the agreement under which it is proposed that mills should work 45 hours per week, except the smaller ones with less than 250 looms, which would be allowed to work 54 hours.

The price of raw jute has fallen since the last report, particularly that of the new crop, which is being sold at about 20s. discount on old crop rates for Daisee. Spinners remain uninterested in the fibre. The quantity of jute in view for Dundee this season is approximately 360,000 bales less than at this time last season. The Government is helping the trade by placing large orders for sandbags, and a total of 275 million bags is required for delivery at the rate of two million bags per week. Ordinary trade is quiet, but spinners and manufacturers are adhering to their prices.

COMPANY MEETINGS

SUEZ CANAL COMPANY

IMPORTANCE IN WORLD ECONOMY

CLOSER LINK WITH EGYPT

MARQUIS DE VOGÜÉ'S ADDRESS

SERVICES RENDERED TO SHIPPING

The annual general meeting of the Suez Canal Company was held, on Monday, the 13th instant, in Paris.

M. le Marquis de Vogüé (chairman of the board of directors) presided.

The Chairman said:—Ladies and Gentlemen,—The report you have just heard reflects the extraordinary confusion of economic conditions. The incessant variations of currencies, and the uncertainty affecting their inter-relations, weigh heavily on the general position; the task of those who have to manage an international undertaking like yours, and translate into figures the record of its activities, becomes each day more difficult.

These complications naturally strengthen the position of your board in the policy of considered wisdom which they have always followed, and which you have never failed to approve. You will again agree with them, I think, that the obligation to ensure in such conditions the satisfactory functioning of so important a service as the Suez Canal calls more than ever for prudence, as do the decisions of those who are responsible for it, decisions of which the effect, direct or indirect, may be felt far and wide and in the future. The comparatively important allocations which are submitted to you correspond to these preoccupations.

EFFICIENT WORKING OF THE CANAL

The report has given you all the necessary information on the present state of the Canal. Its width, its depth, the rectifying of curves, the precautions taken for the passing of ships, in a word, the technique of Canal navigation, meet the needs and the present tendencies of shipping, and guarantee the maximum security to transiting ships.

There remains, however, one difficult point: that is, the channel which gives access from the open sea to the port of Port Said. The 39 feet depths corresponding to the average depth of the Canal are found only at more than five miles from the shore, and tend to become still more distant. One can imagine the care exacted by a cutting 330 feet wide excavated for this distance in order to be constantly protected against sand brought by the storms which arise from time to time in this region, or from the silt continually deposited by the Nile. We have decided, in full agreement with the "Commission Consultative Internationale des Travaux," to try a more modern type of dredger which has proved its worth elsewhere and which would be intended to replace our present plant; the latter, in any case, will have to be renewed in the near future.

It does not take much reflection to understand the expenses to which our obligations put us, and to understand that the efficient functioning of the Canal comes before all other considerations.

EGYPTIAN DIRECTOR'S APPOINTMENT

To the respective rights of Egypt and of the company, and of the duties arising therefrom, the Agreement between the Egyptian Government and ourselves has given the character of a friendly collaboration. The appointment to the board of a first Egyptian director, and soon of a second, the admission of Egyptian employees on our administrative staff in Egypt, our important contribution to the expenses, both temporary and permanent, in which her new regime has involved Egypt, all these steps marked the beginning of a period of work in common which can but produce happy results. Thus your company sees itself becoming still more closely bound to the country of which the Suez Canal is one of the gems.

From this brief explanation you will see that the present position of your company can be considered satisfactory, and that the future is shaping favourably. You will also see a proof of the care your board devote, in the general interest, to the furtherance of the material and moral interests entrusted to them.

The meeting unanimously approved all the resolutions presented by the board.

ANNUAL REPORT

The following are extracts from the directors' report:—

In 1937, shipping through the Canal was more active than ever before, even during 1929, which had previously been the best year.

Consequently, the receipts for the year would have been much higher than those for 1936 if your company, continuing the policy it has always followed, had not, on two occasions, allowed the users of the Canal to benefit by these favourable circumstances; the reduction of 6d. in the transit dues on July 1, 1936, and that of 1s. on April 1, 1937, have had their effect on the receipts for 1937, one during the whole year and the other for nine months. As a result, these receipts, expressed in Egyptian pounds, are smaller by nearly 5 per cent. than those of 1936. As, on the other hand, the new charges undertaken by your company under the Agreement concluded with the Egyptian Government have increased expenses by about

8 per cent., the net profits for the year, expressed in Egyptian pounds, show a decrease of about 11 per cent. against 1936.

We propose that the gross revenue of the "Action de Capital" shall be fixed at 820 francs, an increase on last year of 36.6 per cent. The surplus available would permit the allocation of 15 million francs to the insurance and contingencies fund and the same amount to each of the two sinking funds, buildings and renewal of plant. We feel that the important rise in prices fully justifies these three allocations.

The results of the first months of the current year show a decrease of traffic of only about 5 per cent. in comparison with the corresponding period of 1937, which was exceptionally good.

In so far as it is possible to make a forecast based on this fact, on the present trend of trade and on the hope of a stability of the

exchange round about its present level, we contemplate taking a further step on the way constantly followed by your company, and giving the shipping community the benefit of a further reduction in dues before the end of the year.

The agreement arrived at with the Egyptian Government, of which we have kept you informed during the last two years, has been ratified by Parliament; for several months past it has been put into effect in a spirit of close and confident collaboration. The expenses for the year show, as we have already indicated, the charge of the annuity of £300,000 fixed in this agreement. Since January 1st last we have commenced engaging Egyptian staff on the agreed terms, and we have had the pleasure of seeing the first Egyptian director join your board.

INCREASE IN TRAFFIC

Traffic through the Canal in 1937 reached 6,635 transits, representing 36,491,000 tons net register. These figures exceed all previous ones. This result is due in part to the activity of the Italo-Abyssinian traffic, still very great, at least during the first half-year, but whatever the increase brought by this traffic, it was nevertheless smaller than that of the previous year, and, everything considered, it is to normal traffic that the 1937 increase of 12.7 per cent. over 1936 is in fact due.

The analysis of the net tonnage shows an important decrease of 924,000 tons in the transit of warships and troopships. On the other hand, all categories of merchant ships have increased.

The weight of goods through the Canal has reached 32,776,000 tons, thus showing the considerable increase of 7,220,000 tons, or 27.5 per cent. over that of 1936. European exports show proportionately less advance than European imports, as shown by the respective increases of transits in the two directions, i.e. 15 per cent. from North to South and 35 per cent. from South to North. If we examine the distribution of traffic by countries of origin or destination beyond Suez, we notice that they have all shared in the increase mentioned above. In particular, Australian traffic via Suez, which had greatly decreased in 1936, experienced an appreciable revival. The diversion of this traffic via the Cape of Good Hope was less important than in the previous year. If it is true that the reductions granted by the company are not unconnected with this return to the Suez route, it must also be attributed in part to the effect of favourable economic circumstances, and especially of a period of relatively high freights.

TREND OF WORLD TRADE

If the results of 1937 are particularly favourable, the year has been none the less marked by a reversal of economic tendencies, putting an end to a period of progress which has lasted for more than four years.

The economic slowing down first showed itself as customarily by a fall in raw material prices, which was felt already in March and April, 1937. Industrial production, affected in its turn between June and September, carried in its wake a reduction of world trade, which had reached its peak during the second quarter, and which declined progressively to a level which for the first quarter of 1938 was 10 per cent. lower than that of the second quarter of 1937. This falling off of world trade has had, as inevitable corollary, an appreciable reduction in freights and, since the first months of 1938, an increase of laid-up tonnage.

Trade via Suez has followed the evolution of world trade. For the first four months of 1938 the reduction of this traffic as compared with the corresponding months of 1937 has reached 10.8 per cent., and it is not possible at the moment to foresee, in the coming months, a reversal of this tendency to fall.

For the Suez Canal, 1938 has accordingly started under conditions less favourable than the preceding year, and it is therefore prudent policy to expect, for the figures of net tonnage through the Canal in 1938, a total result slightly below that of 1937.

The full report may be obtained upon application at the Company's Enquiry Office, 6 Bishopsgate, London, E.C.2.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to:—

The Reporting Manager,

THE ECONOMIST,

8 Bouverie Street,

Fleet Street,

London, E.C.4

Telephone: Central 8631

ANTOFAGASTA (CHILI) AND BOLIVIA RAILWAY COMPANY, LIMITED

INCREASED TRAFFICS

The fiftieth ordinary general meeting of the Antofagasta (Chili) and Bolivia Railway Company, Limited, was held, on the 14th instant, in London.

Mr A. W. Bolden (chairman and managing director) said that theirs had been a fairly satisfactory life. For more than forty years they had continued to pay dividends on their ordinary capital, and, although in the past few years they might be said to have had a somewhat lean time, they could look back with some satisfaction upon their record.

With regard to the operations of the year under review, they had carried considerably more traffic than in 1936 and had an increase in sterling receipts, which would have been much greater had they not experienced a further fall in the Bolivian exchange, which for the whole of the twelve months was calculated for their purposes at Bs.80 to the £, so that, in spite of some increase in the surcharge on the tariffs, not only did they not realise the benefit they should have done from the increased work—that is to say, the increased traffic—but they again had had to meet higher expenses through salaries and wages and the introduction of new social laws in Bolivia and in Chile. The net receipts showed an increase of £16,414 at £313,457. They had a disposable balance of £210,030, out of which they proposed to pay 3½ per cent., less tax, on account of the arrears on the 5 per cent. cumulative preference stock, leaving three and a quarter years' interest on that stock to be made up. In other words, the profits from their business and the income from their investments had been used to pay away interest and certain arrears on the cumulative preference stock to the extent of the total income.

He hoped that shareholders would think the result of the year's operations satisfactory under all the circumstances and taking into account the possibilities that were open to them.

He felt that there was a general development going on in Chile and Bolivia and that their railway had much to do in assisting this development.

The report and accounts were adopted, a resolution moved by a shareholder to use certain reserves for dividend purposes being lost by a large majority on a show of hands.

LISBON ELECTRIC TRAMWAYS, LIMITED

RECORD NUMBER OF PASSENGERS

The fortieth ordinary general meeting of the Lisbon Electric Tramways, Limited, was held, on the 15th instant, at 4 London Wall Buildings, London.

Mr Frederick W. Kerr, the chairman, in the course of his speech, said:—I am again pleased to be able to inform you that the traffic has been more than maintained; 125,863,595 passengers were carried during the past year, which is an increase of 3,807,113 over the preceding year, and constitutes a record.

The revenue from all sources shows an increase of £14,561, but the expenses have gone up by £20,320; hence the profit as shown in the accounts for the year is £165,761, and is a decrease of £5,669 on the previous year. The increase in the working expenses is largely due to the higher price of coal and the greater car mileage which has been necessary in order to give an improved service.

The board now has pleasure in recommending the declaration of a final dividend of 4½ per cent. net on the ordinary shares in respect of the year 1937. This, with the interim dividend that has been paid, makes 7½ per cent. net for the year, and is at the same rate as before.

The improved services given require a substantial increase in the car mileage, and in 1937 alone this increase was 7½ per cent. The first effect of so substantial an effort to improve the service must be an increase in the operating costs, but gradually, as the benefits of the improved service become appreciated by the public, we expect to see an increase in the number of passengers using the system. That increase for 1937 was over 3½ millions, and, while it was not sufficient to cover the increased costs incurred, we are encouraged to continue our efforts to improve the service and confirmed in our opinion that taking a long view the policy now outlined is in the best interests of the shareholders.

I am pleased to say our relations with both the Government and the Camara continue to be on a friendly footing. On the whole I think the record of the past year may be considered satisfactory, and from this year's returns I see no reason to anticipate any material change in the current year.

The report and accounts were unanimously adopted.

BOOTS PURE DRUG COMPANY, LIMITED

RECORD VOLUME OF TRADE AND NUMBER OF CUSTOMERS

RECORD SALES

The total volume of trade, number of prescriptions dispensed, and numbers of customers, all reached record figures. In fact, we had over 169,000,000 sales transactions, that is 3½ millions a week—and dispensed 150,000 prescriptions a week—and this in spite of the absence of any widespread epidemic.

Business has continued to expand, although not to a sufficient extent to offset increased taxation combined with increased expenses. Every effort is made to cope with the highly important problem of keeping expenditure within due limits, but wages, rents, rates, freights, fuel, lighting, raw materials of all kinds, in fact all our essential costs, have shown an upward trend. In a few instances, we have been compelled to put up our prices, but as a general rule, we have been at pains not to pass on to the public the extra cost of bottles, containers, etc.

REVIEW OF PROGRESS

The figures I have put before you concerning our progress, our profits and our resources, judged by any other standard than our own, and in view of all the circumstances, might be considered satisfactory. But I should not be frank with you if I did not say that your directors would have greatly preferred, in this our Jubilee year, to report in addition to record figures of sales transactions, staff employed and branches working, profits and prospects which would justify a larger distribution to the shareholders or special concessions to the staff, or both.

If the shareholders have not had an increase of dividend it is fair to recall that the present rate of dividend has been maintained for several years and was not reduced in the years of bad trade.

COLLABORATION WITH SCIENTISTS

We have continued to conduct our medical and scientific research work in close collaboration with distinguished research workers in the universities, hospitals and other institutions. Their advice has been invaluable, particularly in connection with our range of special medical products, which has been extended during the past year. At the same time, we make our own contribution to the medical research work of the nation by contributing or loaning chemicals or apparatus to other research laboratories, by providing our consultants with qualified research workers to extend the scope of knowledge in special fields, and by placing the results of our own investigations and experiments in the common pool. In these and other ways we keep abreast of current medical discoveries and play our part in the development of scientific knowledge.

A. R. P.

During the year, with the eager co-operation of Lord Mayors, Mayors and the local authorities, we have displayed our model gas-protected room, accompanied by explanatory talks, in some 80 cities and towns throughout the country. Some 300,000 persons have visited these displays and the publicity given to them in the Press has provided further valuable propaganda for A.R.P., of which the Home Office has expressed its deep appreciation.

MINISTER OF HEALTH'S TRIBUTE

On the occasion of the official celebration of the company's 50th anniversary earlier this month in London, we were honoured by the presence of the Minister of Health, who, in paying an enthusiastic tribute to the founder of the company, expressed the view that to provide good shops giving good service for money and good conditions for the people who worked in them, was as public-spirited an action as any man could do. Mr Walter Elliot, in those words, I think, summed up the general principles that have guided and should continue to guide the policy of the company.

FUTURE PROSPECTS

While I have every reason to express the board's complete confidence in the vitality and expansive powers of our company, the fortunes of a great retail business like ours must be intimately bound up with the purchasing power of the public, and that is a factor over which we have no control. It is impossible to shut one's eyes to the trend of prevailing economic conditions. The future is too uncertain to warrant any expression of easy optimism, but on the other hand, the broad foundations of our business and the careful financial policy we have pursued over many years combine to place us in a powerful position to face as successfully in the future as we have done in the past any rough weather we may encounter.

The report and accounts were unanimously adopted.

RESERVE FUND

Your directors do not consider it necessary to increase the general reserve fund at the present time, but in view of the trend of taxation, and the even heavier burdens foreshadowed in the Chancellor of the Exchequer's Budget speech, they recommend a transfer of £50,000 to taxation reserve. In addition, they recommend the transfer of £72,132 to freehold property reserve, £16,772 to works development reserve, £33,228 to overseas development fund, leaving to be carried forward to next year £346,730.

The company's holdings of Government Securities have now been finally disposed of, resulting in a capital profit of £56,140, and your directors recommend that from this sum a special cash capital distribution of 2d. per share (not subject to tax) be made to ordinary shareholders. This will absorb £53,333, and it is proposed that the balance of £2,807 be divided amongst the various Boots' benevolent funds at the directors' discretion.

Our subsidiary companies have continued to make progress, although they also have suffered from the necessity of paying N.D.C. During the year we have opened 31 new shops and closed three, so that on the 31st March we had 1,180 branches.

A POLICY OF CAUTION

At the general meeting in 1933, I said: "Our aim is to build a well-established sound business, and not to show figures merely to influence the market price of our shares." That remains our aim and our policy. It would have been easy and popular to distribute a larger proportion of our profits, but your directors feel strongly that the times in which we are living are too uncertain to justify a departure from the policy we have followed in recent years of accumulating and conserving our resources.

Reference should be made to the great new factory at Beeston for the manufacture of dry goods, which is almost completed and is already in partial operation. It was designed by Sir Owen Williams on similar principles to the neighbouring "wets" factory. The Beeston factories will constitute, from the point of view of aptness for function, probably the finest group of factory buildings in this country, if not, indeed, in this hemisphere.

WHOLESALE AND EXPORT

The wholesale connection at home has continued to expand and the export figures show a material increase. Our action in increasing the number of representatives in India has been justified by a steadily increasing sale of our products in India, Burma, Malaya and Siam.

Following a visit paid by the head of our wholesale and export department to Egypt, Palestine, Syria and the Sudan, agencies were arranged and extended in those markets, with results that up to date have been most encouraging.

During the year, also, our trade in Canada and South Africa has shown healthy development and our medical specialties are enjoying a growing demand in these Dominions.

NEW ZEALAND

With regard to New Zealand, your directors are quite satisfied with the steady progress which our two pioneer branches in Auckland and Wellington have made in all sections. We have not yet been able to open further branches in New Zealand owing to the Government's conservative policy in regard to the pharmaceutical industry, but with public opinion on our side we have every hope that restrictions on our progress in the Dominion will gradually be removed.

CALLENDER'S CABLE AND CONSTRUCTION COMPANY, LIMITED

RECORD RESULTS

FIFTEEN PER CENT. DIVIDEND, PLUS BONUS

The forty-second ordinary general meeting of Callender's Cable and Construction Company, Limited, was held on the 15th instant, at the Waldorf Hotel, London, Sir J. Fortescue Flannery, Bt., H.M.L., M.Inst.C.E. (the chairman of the company), presiding.

The Chairman, in the course of his speech, said:—It is once more my happy position to present accounts which show the largest front-page figure, as we call our gross profits, in the history of the company.

The excellent goodwill which the company enjoys, although it stands in the balance sheet as "nil," has again had the result that a large number of corporations have once more entrusted us with their annual contracts for mains cables, and during 1937 a record tonnage of copper was dealt with by the factory at Erith.

To meet the demand for greater output and prompt delivery, we have during the past year substantially modified and increased the cable factory at Erith. Part of the cost of doing so we have charged to "Repairs and Maintenance," but a very large sum has also been expended in erecting new shops, and our new armouring, testing, and packing shops are, we honestly believe, the best equipped and most spacious workshops of their kind in the world. The general effect is bound to have a beneficial result in economical manufacture.

THIRTY PER CENT. INCREASE IN CABLE SALES

It is at the Anchor Works, near Manchester, that the cables are manufactured which we employ in marine work. It is gratifying to note that the sale of ship-wiring cables for the year 1937 has been nearly 30 per cent. higher than in 1936; in fact, nearly all the leading shipbuilders order cables from Callenders.

Your company has been favoured with an order for a quantity of cable for the new Cunard liner Queen Elizabeth, our share including the Ring Main Rubber Insulated Cable, and to date we have received orders for some miles of this and other cable for that well-known ship. This order, following experience of Callender Cable in the Queen Mary, is a very valuable indication of the merits of this special manufacture.

After bringing in the balance from 1936 of £397,817, there is a net profit of £789,806.

We recommend a distribution of the usual 15 per cent. dividend for the nineteenth year, and in addition for this year a special cash bonus of 1s. (5 per cent.) per £1 of ordinary stock.

SIR TOM CALLENDER'S STATEMENT

Sir T. O. Callender, J.P., in seconding the resolution, said:—The company still maintains a first-class position. In spite of the universal falling-off of general business throughout the world, we are still obtaining very satisfactory orders for our home trade and for all parts of the world, and our Eastern business is closely up to our expectations.

The volume of our home business has been well maintained. After a careful examination of the conditions, I am well satisfied with the business which this company is effecting in all parts of the world. Further, our old customers, many of whom have dealt with us for an unbroken period of more than forty years, have contracts running with us; and new accounts are also being opened.

I want to call special attention to the cables which we have supplied and the main laying work which we are now carrying out in Trinidad, in view of the fact that in my early days I and my father were instrumental in developing the Pitch Lake of that island which has had such important results there. When I was last in Trinidad, and shortly afterward in America, I met all those interested, who gave me a hearty reception as one of the survivors of the old crowd who had done so much to push the resources of the island.

Mr. W. G. Hendrey, dealing with the export side of the business for the year, spoke of substantial improvement in Australia, New Zealand, South Africa and India. In South Africa an opportunity had recently occurred for closer co-operation between the South African factory of the company and the members of the Cable Makers' Association in this country, which latter had now acquired a large shareholding in the South African factory, and had entered into a contract to supervise the manufacture of the cables produced.

The company's Chinese business had been greater in 1937 than in 1936. During the last few years business with the Continent of Europe had been small, but there again there had been a considerable increase in turnover.

The report and accounts were unanimously adopted.

WELWYN GARDEN CITY, LIMITED

DIVIDEND AGAIN INCREASED

RISE IN PROSPERITY OF THE TOWN

The eighteenth annual general meeting of Welwyn Garden City, Limited, was held, on the 15th instant, in London.

Sir Theodore G. Chambers, K.B.E. (the chairman) said:—The accounts before you to-day indicate steady improvement in the financial position of the company, and the directors have much pleasure in recommending that the dividend for the year should be increased to 4 per cent. Our gross revenues have increased from £72,556 to £86,148, largely due to the larger income accruing from freehold house property completed and occupied during the year. The revenue for subsidiary undertakings has risen from £15,695 to £21,622. During the year one of our subsidiary undertakings, Welwyn Commercial Buildings, Limited, was converted into a public company and an issue of £120,000 5½ per cent. preference shares was made. The parent company holds the £120,000 issued ordinary share capital in the undertaking, on which an initial dividend at the rate of 10 per cent. per annum has been recently recommended. This subsidiary has become one of the most important elements in the development of the town, particularly in the provision of factories for letting. Although we have in practice left a considerable amount of building development to independent concerns, we have also retained for this undertaking certain special classes of work. The building of shops and flats in the principal centres of the town through this medium is not only profitable in itself but ensures the maintenance of a high standard of construction and design.

Welwyn Stores has had a successful year, and the results may be taken to indicate that the business is to-day on a stable basis. It has now been decided to provide more adequate accommodation for this business, and I am glad to be able to inform you that work was begun on the new building early this spring. The premises will occupy what is probably the most important site in the centre of the town, and will be of such a character as will not only enhance the value of our central area but will provide for the town and the surrounding districts a very attractive shopping centre.

Our increasing importance as an industrial and business centre is illustrated effectively by the following facts.

Between March, 1934, and December, 1937, the rateable value of the town that has risen from £78,500 to £110,000. In three years to December, 1937, the consumption of electricity had increased by over 50 per cent. From 1932 to 1937 the consumption of gas for industrial purposes rose from 2½ million to 26 million cubic feet. In three years the population has increased by over 33½ per cent., and at present stands at about 14,000. Nearly 6,000 persons are to-day employed in the town.

ADVANTAGES OF WELWYN AS LOCATION FOR INDUSTRY

Recently we had the privilege of giving evidence to the Royal Commission on the Location of Industry. I mention briefly the salient points of our evidence. Although Welwyn is not, and we hope that it will never be, part of the Greater London Area, its proximity to London and the very large market in the South-Eastern counties makes it an ideal location for a wide variety of industries.

Far-sighted industrialists never fail to be impressed with the scientific planning of the town as a single unit combining industry, general commerce and business, residential accommodation and social services and amenities and relating them one to another. Those industrialists who pay particular attention to the welfare and general living conditions of their workers appreciate the contribution which the general plan of Welwyn makes whereby workers are able to live in modern houses involving only fifteen minutes' walk from their work, thus saving the money, time and strain involved in travelling long distances to places of business under crowded transport conditions.

The evolution of a modern town such as Welwyn is not, of course, the work of any single organisation. The expansion of our industrial area involves the consideration of such important matters as new roads, drainage, trade effluents, sewerage disposal, water supply, electricity distribution, gas supply, together with the provision of houses, the expansion of educational and recreational facilities, and the development of health services, including hospital arrangements. The handling of all these matters at Welwyn involves the whole-hearted co-operation of many different bodies with widely different responsibilities, but with one object in view, namely, the development of a well-planned town.

Mr A. K. Graham seconded the resolution adopting the report and accounts and approving the dividend, which was carried unanimously.

BRUSH ELECTRICAL ENGINEERING COMPANY, LIMITED

CAPITAL REORGANISATION APPROVED

SIR RONALD W. MATTHEWS'S STATEMENT

A meeting of the holders of ordinary stock and shares of the Brush Electrical Engineering Company, Limited, was held, on the 14th instant, at the Holborn Restaurant, W.C., for the purpose of submitting a scheme of arrangement.

Sir Ronald W. Matthews (the chairman), in the course of his speech, said:—This fine old company, whose name is a household word in electrical engineering and whose history will always be associated with that great man Emile Garcke, has of recent years fallen upon evil times, under circumstances which have been fully elaborated to the shareholders in the speeches which your former chairman has made to you at the recent annual meetings.

It is obvious from the balance sheet that the company cannot continue in business without a drastic reorganisation of its capital. Not only is it necessary to deal with the existing bank and trade liabilities, but we must have further capital for modernising the plant and for supporting a larger volume of business.

Your late board obtained reports from independent consultants of engineering repute, who have emphasised the necessity for new tools, equipment and plant organisation. With new capital this can be achieved. Already the management has been thoroughly overhauled and new appointments made to important administrative positions in the company.

HEALTHIER TRADE POSITION

The present condition of the company's order book is satisfactory and there are signs of further expansion in the future. This healthier position will involve the provision of working capital.

In these circumstances I am very glad to report that your board has succeeded in negotiating with R.E.D. Trust, Limited, to subscribe new prior lien debenture stock and to underwrite an issue of further ordinary shares on the basis laid down in the scheme.

For ordinary stockholders the important point of this scheme is that their existing stock is reduced to one-quarter of its nominal value, and for the holders of the two existing 4½ per cent. debentures that they are asked to modify the nature of their security and their stock is made redeemable and sinking funds in respect of each stock are created.

The new members of the board have joined the board on the basis of this scheme of arrangement going through. We only agreed so to do upon satisfying ourselves so far as is humanly possible that the scheme was one which merited your support and which opened up the prospect of future prosperity for the company.

EXCELLENT REPUTATION OF THE COMPANY'S MANUFACTURES

The proved worth and reputation of the company's manufactures—of which I need only mention particularly Diesel engines, turbo alternators, transformers, switchgear and omnibus and trolley vehicle bodies—justified confidence in their further success; and we believe that the reorganisation of the finances and the administrative appointments to which I have referred will not only assist the company in production of these manufactures but will also increase the confidence of purchasers in placing with the company large orders involving, as such contracts commonly must, a considerable period of manufacture and the expenditure of large sums.

Under the scheme the existing stockholders are given the option to subscribe for the new ordinary share capital and such subscription carries with it certain option rights which, in the event of the company achieving success, should be of substantial further value.

Having very carefully considered the whole matter, your board have no hesitation in advising you to approve of the scheme. In fact the position is that the only alternative before you is to approve or reject it as no amendments can be allowed. If the scheme is approved by you, then under the Companies Act it has to be approved by the Court.

The board anticipate that the offer of the new shares will be made in September next.

Assuming that the proposals before this meeting are carried, there is every prospect of the business being re-established on a profit-earning basis.

The scheme submitted was approved, and the proposals were also sanctioned at subsequent meetings of the holders of 4½ per cent. perpetual debenture stock and 4½ per cent. perpetual second debenture stock, as well as at the annual and extraordinary general meetings of the company.

A hearty vote of thanks to the chairman concluded the proceedings.

VENEZUELAN OIL CONCESSIONS, LIMITED

INCREASED PRODUCTION AND BETTER PRICES

DEVELOPMENT PROGRAMME AND TREND OF COSTS

The twenty-second annual general meeting of the Venezuelan Oil Concessions, Limited, was held, on the 10th instant, in London.

The Right Hon. Viscount Bearsted, M.C. (the chairman), in the course of his speech, said:—Turning to the profit and loss account, you will see that oil proceeds and value of oil stock have been increased by over £1,960,000, the figure for 1937 being £5,300,000, compared with £3,338,000 for 1936. This increase is attributable to two factors, an increase in our production and an improvement in prices realised.

In my address to you last year I warned you that various factors were inevitably tending towards higher production costs. In addition to natural trends, four special causes of increased expenditure attended our operations over 1937. Firstly, the value of the bolivar, which is controlled by the Venezuelan Government, was adjusted in 1937 in a manner which resulted in an average exchange rate for 1937 of 16½ bolivares to the pound sterling, as compared with 20 bolivares to the pound in 1936. Compared with par conditions of exchange (25.25 bolivares to the pound sterling) our operations in 1937 cost us over £1,000,000 extra on this account. Secondly, the award terminating the strike in January, 1937, of one bolivar per day increase in wages affecting a large proportion of Venezuelan workers, and an additional one bolivar per day for those not provided with housing by the company, had a considerable direct effect upon our expenditure. Thirdly, the enormous and costly housing programme had an important reaction both on our current cash resources and on profits. Fourthly, the very costly coast defence works to which I have referred in previous years.

A NEW INTEREST

As regards 1938, while the same causes of high expenditure as obtained last year are likely to remain, an additional factor will be introduced. Looking to your company's future interests and expansion, an arrangement has been made with the Royal Dutch Shell group of companies under which we have acquired a one-third interest in certain new oil concessions recently taken up by a company called the Venezuelan Oil Development Company, Limited. These concessions, as recently granted, comprise a total of some 600,000 hectares, situated mainly in the region south of the Maracaibo basin and in Eastern Venezuela. The commitment, of course, involves participation as to one-third in the initial expenses and all exploration and development costs attaching before any tangible benefits are realised. It is to care for these requirements, in addition to the expensive exploration programme on our own concession, that the exploration and general reserve is increased by £500,000.

From the point of view of our ability to meet the very high rate of expenditure which the numerous factors I have enumerated foretell, it is fortunate that our present producing fields are standing up well and that our contract with the Asiatic Petroleum Company ensures the disposal of our oil.

CURRENT FIELD OPERATIONS

As far as our normal field operations are concerned, we are now operating a steady drilling programme of twelve strings of tools engaged on new exploitation, stepping out and exploration wells, and repairs to existing producers. Development has continued to be concentrated to a considerable extent in the Tia Juana expansion of the Lagunillas Field. V.O.C. 1937 production in this area of approximately 10,000,000 barrels will indicate the speed which can attach to the development of new fields under present-day conditions.

Regular production from Tia Juana was commenced in March, 1937, and to-day your company has approximately 170 productive wells. The total number of productive wells at Tia Juana, including those of the two American companies operating in the lake, is to-day about 400. The field has yielded to date approximately 42 million barrels of oil, of which V.O.C. has been responsible for about 17 million barrels.

The main Lagunillas field, as distinct from Tia Juana, has been steadily developed and remains by far our largest source of production, although in this case also the majority of wells are now being produced by pumping.

The production of the La Rosa Cabimas Ambrosio field has been maintained by a steady programme of repairs to wells and the installation of pumping facilities, while a few new wells have been completed in the northern sector. Although the production of this

area can be expected to show a slight increase this year, as compared with 1936 and 1937, it is apparent that, in the absence of any unforeseen developments, the field must be regarded as practically drilled up, and our efforts in future will have to be concentrated on maintaining the productive wells.

BACHAQUERO AND EXPLORATION WELLS

The next field to come into prominence is expected to be Bachaquero, some 20 kilometres south of Lagunillas, where drilling is in progress with two strings of tools some distance away from the lake shore. Shipments from Bachaquero will probably start towards the end of this year, and from information obtainable from the wells so far drilled the character of the oil is likely to be poor, as in the case of Lagunillas/Tia Juana.

As regards exploration to prove and block out reserves of oil territory on a scale commensurate with our large production, we are drilling exploration wells at Pueblo Viejo, to the south of Lagunillas, and at Siñucara, near the city of Maracaibo on the western side of the lake. We hope shortly to commence an exploration well at Pica-Pica, a structure in the interior of the Bolivar district some 35 kilometres east of La Rosa.

All our production continues to be sold to the Asiatic Petroleum Company, a member of the Shell group, under our contract with them covering a period of five years from July 1, 1936. This contract originally covered deliveries at the rate of 100,000 barrels of crude oil daily, but has since been increased to cover deliveries up to 170,000 barrels daily.

POSITION IN VENEZUELA

There have been references in the press, as a result of difficulties in Mexico, to the possibility of the extension of the same class of trouble to other Latin-American countries. I therefore feel it necessary to refer to this subject. The Government of Venezuela is in sound hands and is a wise Government, and the relations between this company and its employees are all we could desire. I feel with considerable confidence that we have little cause to fear that any agitation in Venezuela from Communistic interests will receive support either from the Government or the workers.

The report was unanimously adopted, and the final dividend of 2s. per share, making 3s. for the year, was approved.

MILLARS' TIMBER AND TRADING COMPANY, LIMITED

INCREASED PROFIT

The annual general meeting of Millars' Timber and Trading Company, Limited, was held, on the 10th instant, in London.

Mr James White, LL.D., the chairman, said the trading account gave a profit of £30,651 more than that for 1936. Their balance on profit and loss account was £18,551 more, but they had to take into account the fact that they had increased the allocation to depreciation account from £20,000 to £25,000 and also had provided an estimated sum of £7,100 for N.D.C. and income tax, thereby setting aside to depreciation and taxation £12,100 more than in 1936. There was a very striking point which could not be gathered from the accounts. The profit years ago had practically all been made by dealing in Western Australian timbers. To-day about half came from that source, and the remainder was made up of profits earned by their subsidiary companies and by trading in all their branches in soft woods and other merchandise.

He had before him a statement showing the financial position of the parent company and its subsidiaries at December 31, 1937. The figures showed that their fixed assets amounted to £523,461, while their net floating assets amounted to £712,384, which was a very good index of the liquid position of the company. Taking those assets together and comparing them with the share capital there was a surplus of over £159,179.

The bulk of their fixed assets were in Australia. The thing that was troubling them there was the tendency for the cost of production to increase. During the period of depression the Western Australian Government had reduced the royalties which the company had to pay on timber and railway and wharfage rates. The Government now proposed gradually to reinstate the old rate. If their costs exceeded an economic price at which Jarrah and Karri could be sold engineers and architects throughout the world would be forced against their will to buy other timbers, and if this results in decreasing the production of Jarrah and Karri, then the Government will lose revenue and may be faced with unemployment.

The report and accounts were unanimously adopted, and a dividend of 10 per cent. on the ordinary shares was approved.

SELECTION TRUST LIMITED

DIVIDEND AND BONUS MAINTAINED

OPTIONS IN ORANGE FREE STATE

The fifth ordinary general meeting of Selection Trust, Limited, was held, on the 16th instant, at 20 Aldermanbury, London.

Mr A. Chester Beatty (the chairman) said that the net profit for the fifteen months to March, 1938, was £364,000, compared with £434,000 in the year 1936. Income from dividends and interest was substantially higher, but profit on realisation of investments, after writing off certain sums, was much lower. A dividend of 1s. per share and a bonus of 6d. per share—the same as for 1936—were recommended. Investments stood in the books at £3,188,444. The greater part were quoted, and the current market valuation was in excess of the book figure.

The chairman dealt with the progress of the American Metal Company, Roan Antelope, Rhodesian Selection Trust, Mufulira Copper Mines and the diamond business of Consolidated African Selection Trust, in all of which they were interested. Trepcu Mines, in which they were also interested was considering proposals to merge with its associated companies in Yugoslavia—Kopaonik Mines, Novo Brdo Mines and Zletovo Mines by an exchange of shares and the raising of further capital for smelters.

EXPLORATION BUSINESS

On the exploration side of their business they had continued actively to search for new mines. The tendency at the present time was for further activities to be directed more particularly to territories in the British Empire. They had participated to a limited extent in the more recent gold mining prospecting and development in South Africa, and in association with the Union Corporation they had lately taken an interest in prospecting activity in the areas known as the Far South West Rand and in the Orange Free State. During the past few years a considerable amount of drilling had been done in these districts, and up to the present, while the results had been mainly discouraging, a few holes had encountered reefs which contained gold values.

Recently Western Holdings, Limited, reported that a drill hole put down by them on the St. Helena Farm in the Odendaalsrust district of the Orange Free State had encountered gold-bearing reefs, and the Selection Trust had consequently thought it worth while to acquire some options over mineral rights in the district. About the same time Union Corporation concluded an arrangement with Western Holdings relating to options over mineral rights which that company held in the district. Union Corporation and Selection Trust thereupon ceded to each other a 50 per cent. participation in their respective interests. He would like to make it clear that these steps had been taken in the normal course of the company's exploration activities. Their action should not be construed to imply anything more than that, in their view, a speculative mining possibility might exist. He wished to impress upon shareholders most strongly that when they heard of the company's participating in mining ventures they must not, solely on that account, take a too optimistic view.

BASE METALS

During 1937 prices of the base metals in which they were interested reached high levels, and a severe reaction was now being experienced. It was satisfactory that a spirit of friendly co-operation was being maintained between the principal producers of copper in efforts to keep a balance between supply and demand. The position in the lead and zinc business was not so satisfactory, and producers might well study once again the possibilities of active co-operation. The diamond business was also experiencing a setback, but here again the principal parties were working together to ensure market stability.

In regard to the general situation of the markets for the commodities in which they were interested, the trade position in the United States had probably been a major factor in the fall in world consumption of copper, lead, zinc and also diamonds. Outside that country the demand for base metals had been relatively well maintained, although no doubt the falling off in industrial requirements had been partially masked by armament needs. It could only be hoped that before long wise counsels would bring a friendly solution of the political issues in the United States and a return to confidence. Under such conditions he felt sure they could expect to see a strong industrial recovery.

The major businesses in which they were interested were in strong financial positions and ranked among low cost producers so that they could face with confidence any continuance of trade recession or take full advantage of any improvement. There was every reason for confidence in their enterprise.

The report was adopted.

GENERAL MINING AND FINANCE CORPORATION LIMITED

IMPORTANCE OF INVESTMENT REVENUE

STRONG RESERVE POSITION

SIR GEORGE W. ALBU'S SPEECH

The annual general meeting of the General Mining and Finance Corporation, Limited, was held in Johannesburg on June 7th.

Sir George W. Albu, Bart. (the chairman), before dealing with the affairs of the corporation for the past year, referred to the severe loss the corporation had sustained by the death of Mr Leopold Albu, for many years its able and distinguished managing director in London. He recalled the prominent part that the joint founders of the corporation, the brothers G. and L. Albu, had played in the initiation and development of the Rand, and, in considering the eminent position the corporation now occupied, paid tribute to them for the lifelong service they had rendered in the wise guidance of its fortunes.

In dealing with the report and accounts for 1937, Sir George said that the period under review had been one of difficulty and uncertainty with a decidedly downward trend in the market value of investments, but that the revenue-earning capacity of the corporation had not been appreciably affected thereby. The fact that the proportion of revenue from investments was steadily rising indicated that that was the main source from which their dividends were paid. The net profit at £527,599 was therefore within £14,000 of the record profit for the previous year. Two dividends totalling 25 per cent. for the year had been paid, while £200,000 had been placed to general reserve and £132,149 was carried forward. The general reserve now stood at £800,000 and, together with the amount carried forward, represented about 74 per cent. of the issued capital of the corporation.

STRONG INVESTMENT POSITION

The Chairman stated that investments in stocks and shares, British, South African and other Government and municipal securities, including participations, appeared in the balance sheet at £2,630,048, an increase of £735,322 during the twelve months. This increase was in the main invested in sound dividend-paying gold-mining shares, with a leavening of other interests at present in the course of development. He again directed shareholders' attention to the fact that the whole of the stocks and shares stood in the balance sheet at or under the market prices ruling at the end of the financial year. Consequently, he was pleased again to inform them that on the basis of present market quotations, the surplus over the figure at which they stood in the balance sheet was very substantial.

Sir George then proceeded to deal briefly with the corporation's principal interests, namely, Van Ryn Gold Mines Estate, Limited, West Rand Consolidated Mines, Limited, East Rand Proprietary Mines, Limited, Durban Roodepoort Deep, Limited, Phoenix Oil and Transport Company, Limited, and Metal Traders, Limited.

WEST RAND'S PROGRESS

The ore reserve of the West Rand Consolidated Mine, as re-calculated at December 31, 1937, showed a fully developed tonnage of 10,630,000 tons, with an average value of 4.4 dwts. over 44 ins., this being an increase over the preceding years of 224,000 tons, the value and stoping width remaining the same. Good progress had been made with the sinking of the South Sub-Incline shaft to develop the area below the plane of the 36th level. Since the year end a start had been made with the sinking of the Deep Vertical shaft, and good progress had also been made with the extension to the South Reduction Plant, which would bring the crushing capacity of the mine to an ultimate figure of 220,000 tons per month. Provided there were no undue delays in the delivery of machinery, this plant should be completed in accordance with their estimates early in 1939.

BURDEN OF TAXATION

The burden borne by the industry, both in direct and indirect taxation, continued to be far too heavy. Some relief in this respect should be brought about by the Government either by a reduction in the profits tax or in the excessive railway rates on materials. Sir George suggested that serious consideration should be given to this, especially in view of the fact that a very large amount of additional capital would be required for opening up the vast new areas now included in those fields. This capital would not be forthcoming unless there was sufficient attraction for it, and that could only be the case if the new ventures were not, as at present, overburdened by unnecessary taxation.

WM. CORY AND SON, LIMITED

INCREASED NET PROFIT

Sir Arthur C. Cory-Wright, Bart. (chairman of the company), presided, on June 16th, at the 42nd annual ordinary general meeting of Wm. Cory & Son, Limited.

The Chairman said that since the last general meeting Mr F. A. Leathers and Mr D. Cory-Wright had been appointed to the board.

Net profits for the year ended March 31st amounted to £777,338, an increase of £48,000 as compared with the previous year. After paying a dividend of 20 per cent. for the year on the ordinary stock, a balance of £975,758 remained to be carried forward to the credit of next year's account.

The present financial position of the company, as shown in the accounts, revealed a strength unprecedented in the company's history. The earnings of the subsidiary companies, many of which were mainly concerned with trading abroad, had on the whole proved satisfactory.

Successful trading during the year had, however, been difficult. The activity in coal and shipping which prevailed at the opening of the year covered by the accounts did not continue. Before the end of 1937, instead of demand being in excess of supply the reverse position developed.

The company enjoyed a good share of export trade during the year under review, but the country's export of coal fell seriously, and still continued to lose ground, the main reason being that we were unable to compete in price with other countries in which the cost of production was less or subsidy facility in one form or another was given. It was vital to this country to regain and expand its export of coal, and to meet subsidy with subsidy, whether provided from within the industry or otherwise.

The Government had granted added safeguards to coal consumers by widening the scope of Committees of Investigation, and had appointed a Departmental Committee to inquire into the costs of coal distribution. The distributors welcomed this inquiry and would render the Committee every help in its work.

The company's oil section had had a record year. Following the big rise in tanker freights in 1937 world prices for marine fuel oils advanced, but the recent falling back of tanker freights to something nearer the old levels had already produced an easing in oil prices on most routes.

GENERAL CEYLON RUBBER AND TEA ESTATES, LIMITED

DIVIDEND OF 4 PER CENT.

The forty-first ordinary general meeting of the General Ceylon Rubber and Tea Estates, Limited, was held, on the 16th instant, at 4 Lloyd's Avenue, London.

Mr D. E. Sinclair (the chairman), who presided, said that the balance at profit and loss account was £28,838, against £16,854 for the previous season. It was proposed to transfer £10,000 to reserve for income tax and N.D.C., £5,000 to reserve account, bringing that account up to £80,000, and to pay a final dividend of 2 per cent., less income tax, on the ordinary shares, making with the interim dividend 4 per cent. for the year.

The tea crop was some 325,000 lbs. lower than in 1936, due to the workings of the Tea Regulation Enactment, but they secured 2d. per lb. more in price. Against that, the f.o.b. cost rose about 3d. per lb., so that the profit on tea was a little over 1d. per lb. higher.

The directors had been pursuing a very careful supply policy on their tea areas, so that if at the end of the present regulation period, namely March 31, 1943, all restriction be removed the company would have a tea area capable of producing a full crop at a reasonable cost, thus anticipating the fall in price which, in his opinion, would inevitably follow the removal of restriction.

The company exported 1,323,792 lbs. of rubber, which was sold at an average price of 8.74d. per lb. gross. The total crop of some 1,326,821 lbs. cost 5.04d. per lb. f.o.b., and secured a net average of 7.87d. per lb., against 1,005,000 lbs., which cost 5.01d. per lb. and realised a net average of 7.51d. per lb. in the previous year.

Although cardamoms was a minor product, the return was satisfactory.

The International Committee had cut the exportable quota of rubber for the third quarter of this year to 45 per cent. The effect of that had been that the price had steadied and the danger of a further fall probably removed. He was not going to venture to forecast the trend of the market. Everything depended on American consumption, which, he was glad to say, had considerably improved in May compared with that for April.

The report and accounts were unanimously adopted.

EAST RAND CONSOLIDATED, LIMITED

IMPORTANT HOLDINGS

The ordinary general meeting of East Rand Consolidated, Limited, was held, on the 14th instant, at River Plate House, London, Captain H. B. Jameson (the chairman of the company) presiding.

The Chairman, in the course of his speech, said that the investments had increased by £247,264 to £790,281, accounted for mainly by the interest taken in the West Vlakfontein Gold Mining Company. The profit and loss account showed a loss of £6,370, which, deducted from the balance of £14,112 brought in, left £7,742 to the credit of profit and loss account.

The development work on Poortje for the year amounted to 20,194 ft. Of the 16,745 ft. sampled, 1,015 ft. were payable, averaging 21.9 dwt. over 8 in. The company's consulting engineer had a borehole put down on the northern part of the property, which

cut the reef at a depth of approximately 1,500 ft., giving satisfactory values, and he advised the sinking of a shaft close to the site of the borehole. Since the close of the year the outlook of the Spaarwater Gold Mining Company's property had definitely improved, the most important achievement having been the connection with the 21st drive from Sub Nigel, which was made during March.

On the West Spaarwater property, at the end of March, the shaft was down 3,600 ft. The Kimberley shales were entered at a depth of 3,361 ft. From indications it was considered that under normal conditions the reef would be reached at a little over 4,000 ft.

With regard to West Vlakfontein Gold Mining Company, the No. 1 shaft had reached a depth of 777 ft. Summarising the position, he said they had important holdings in companies which, although still in the development stage, were making good progress and giving promise of a successful future.

The report and accounts were unanimously adopted.

THE COMMODITY MARKETS

As a result of persistent but unconfirmed rumours of an impending devaluation of the dollar, the upward movement of the prices of primary products was accelerated during the past week, both in this country and in the United States. Nevertheless, there are still no indications of a re-stocking movement by consumers which alone would sustain the upward trend.

Wheat prices rose during the week ended Wednesday, partly on renewed Italian buying and an official forecast of the crop in the United States which was smaller than expected. Prices of tin and rubber advanced, following the recent cuts in quotas, and linseed, cotton and raw sugar were also dearer than a week ago. Copper and spelter prices, on the other hand, were marked down.

The rise of prices in the United States is reflected in Moody's index of staple commodities; the index advanced from 131.8 (December 31, 1937 = 100) to 135.3 during the week ended last Wednesday, compared with 137.7 a month ago and 199.3 a year ago.

Metals

Copper.—After opening fairly firm copper prices reacted on unsatisfactory industrial reports from the United States and the slowness of consumers' buying. The standard cash price closed at £33 18s. 9d. per ton, a net loss of 10s. on the week. The market has now entered its quietest season of the year and no major change in its trend is to be expected during the next few weeks. According to a report of the Bank of London and South America, the Chilean Government has introduced a subsidy for low-grade copper mines in order to secure the continuation of their operation for social reasons. As the three large Chilean producers (which control 90 per cent. of the country's output) are members of the restriction scheme, this subsidy will hardly interfere with the interests of the world market.

*

Tin.—The tin market was very quiet and sentiment unsatisfactory owing to the absence of United States buying orders. Consequently the gains made early this week were not maintained and the cash price closed unchanged at £171 5s. per ton. On Monday next the I.T.C. will meet to take

its decision on the buffer pool scheme and to fix the buffer pool quota for the next quarter. It is expected that the pool scheme will come into operation on July 1st.

*

Lead and Spelter.—Lead closed the week unchanged at £13 6s. 3d. per ton, while spelter declined on balance by 1s. 3d. to £12 6s. 3d. per ton, there being very little demand for the two metals. Consumption of the two metals is still running well below current production and as there is little evidence of declining production, the position of the two markets must become serious in the autumn unless the industrial outlook improves.

Grains

The United States official estimate of 761 million bushels for the coming crop of winter wheat was considerably less than the various private estimates, and this, combined with renewed buying on Italian account, helped to raise prices; No. 2 Northern Manitoba showed a rise on the week from 43s. 9d. to 45s. 3d. per 480 lb. The volume of trade in maize has been smaller, but higher prices for wheat have helped to keep the market steady. The market for barley has been quiet; buyers are holding off, pending the arrival of the new Northern Hemisphere crops.

Other Foods

Provisions.—A good demand for beef and veal during the week led to a small rise in prices, but otherwise the market both for meat and bacon has been dull. Dominion butter prices were reduced during the week, New Zealand being quoted at 118s. per cwt., while Danish at 122s. per cwt., was only slightly cheaper. Cheese prices also showed a fall, while a good demand for English eggs led to a rise of about 9d. per 120.

*

Fruit.—The Fruitgrower reports a temporary shortage of apples and pears, with consequent higher prices. The small supplies of English strawberries sell freely at 1s. to 1s. 6d. per lb. Spanish oranges are now over, but there are good supplies from California and Brazil.

*

Vegetables.—The first arrivals of English new potatoes sold at 18s. to 23s. per cwt., but supplies are short and prices of Jersey and of old crop King Edwards rose during the week. Salads and tomatoes were selling better, owing to the warmer weather.

Colonial Produce.—Sugar prices were advanced by 1½d. per cwt. at the end of last week, and cubes are now quoted at 23s. 3d. per cwt. Coffee prices fell and were lower on the week, particularly Costa Rica; at the tea auctions the last lots of the 1937 Northern India crop were sold at unchanged prices.

*

Milk.—The table given here is compiled from statistics issued by the

	May, 1937	Mar., 1938	Apr., 1938	May, 1938
Prices (per gall.)	d. 12	d. 17	d. 16	d. 13
Liquid	5.532	7.224	6.563	6.615
Av. manufacturing..	9.29	13.75	12.46	10.07
Contract sales (mill. galls.)				
Liquid	49.7	52.63	50.9	53.8
Manufacturing	39.4	21.59	30.9	36.3
Total contract	89.1	74.22	81.8	90.1
Used by farmhouse cheesemakers	2.9	0.88	1.6	3.4

Milk Marketing Board. Sales of milk for liquid consumption increased by 3 million gallons in May compared with April and by 4 million gallons compared with May in last year. Wholesale prices for both liquid and manufacturing milk were higher than in May, 1937, and the average pool price showed an increase of 0.78d. per gallon.

Miscellaneous Commodities

Oilseeds and Oils.—The latest forecast of the Argentine exports, at 645,000 tons, compare favourably with the 539,000 tons exported last year; the Indian crop, which is now arriving, is also expected to be somewhat larger than the previous one. Markets have been quiet, with little business transacted. There has been more inquiry for Egyptian cottonseed and prices are higher on the week, as are those of cotton oil.

*

Rubber.—Price movements, while somewhat irregular, have tended upward and the spot price of standard sheet, at 5½d. per lb., shows an advance of ½d. on the week. While demand is not extensive, sellers are inclined to hold off, pending the rise in prices which the cut in production quotas is expected to cause.

*

Furs.—Since the close of the London auctions, sales have been very small and prices easy. It is announced that Messrs Eastwood and Holt have taken over the London Fur Sales, Ltd., thus continuing the trend towards concentration in the fur trade.

CURRENT STATISTICS

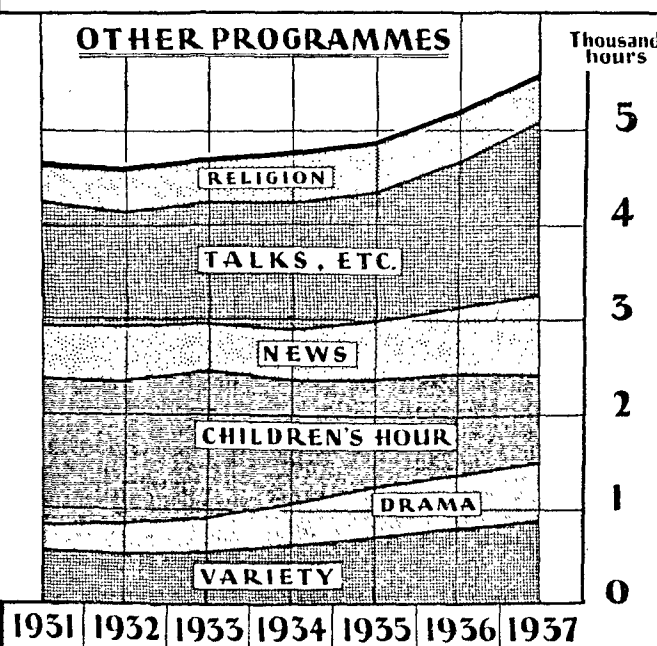
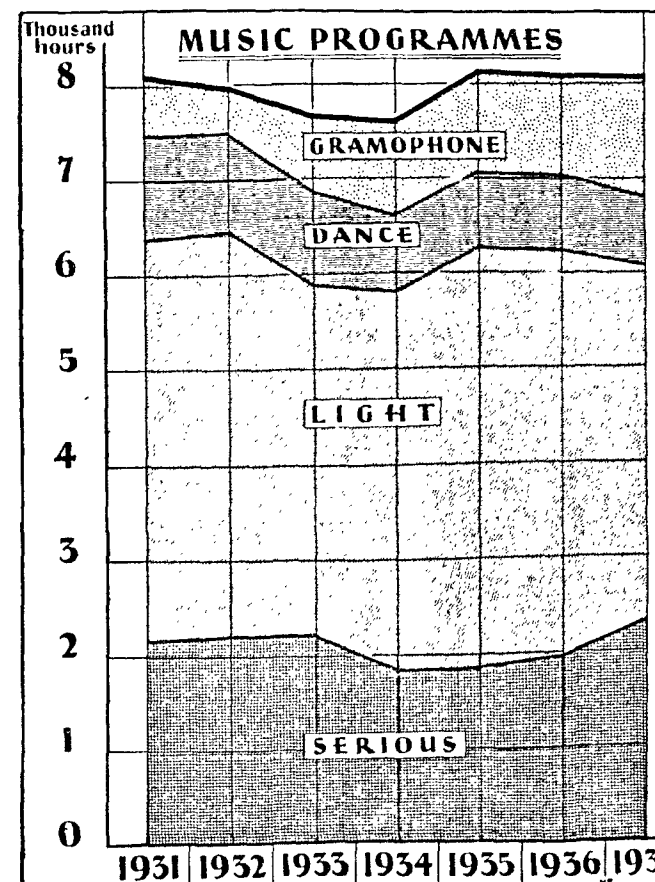
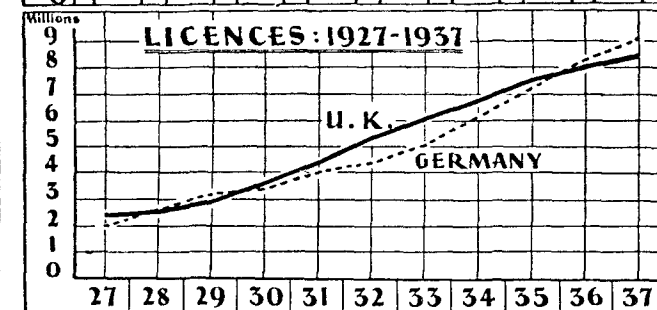
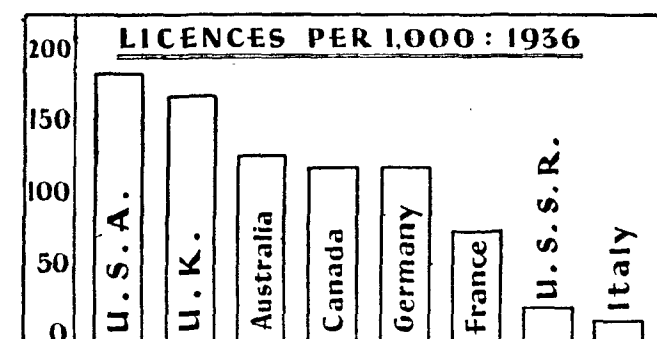
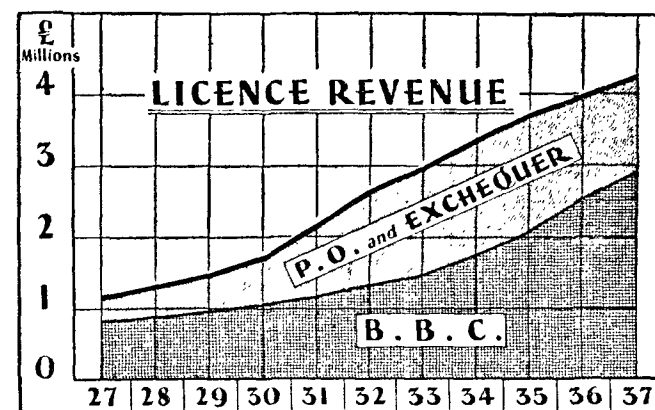
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

Broadcasting

A leading article on page 641 discusses the social and political significance of British broadcasting. The following charts will serve as some indication of the magnitude and chief characteristics of the British Broadcasting Corporation's activities. They show the increase in the revenue derived from British licence holders in recent years; compare the number of licences per head in various countries in 1936, and the total number of licence holders in Germany and the United Kingdom annually since 1927; and indicate the interesting changes which have taken place in the British Broadcasting Corporation's distribution of programme time (exclusive of duplicated programmes by relay and the Empire and television programmes). (We are indebted to the B.B.C. for the figures used.)



ASSETS	1937	1938	1938	1938
Gold	2624.3	2872	62836.7	2835.6
Of which held abroad	534.5	996.2	977.3	977.3
Foreign exchange	20.3	439.7	384.3	382.3
Discounts, etc.	11.8	6.4	42.9	23.0
Advances	30.9	21.5	21.4	21.5
Securities	15.9	95.1	95.1	95.1
LIABILITIES				
Notes in circulation ...	1344.7	1505.1	1505.1	1501.9
Deposits	1329.1	1903.6	1845.2	1847.5
N.B.—Exchange Equalisation Fund and assets included in returns December 31, 1936, onwards at				

CLEARING BANKS

LONDON

(£ thousands)

	Month of May			Week ended		Aggregate from	
	1937	1938	Change †	June 16, 1937	June 15, 1938	June 16, 1937	June 15, 1938
Number of wks. days:	24	26	%	6	6	138	139
Town	2,775,567	2,853,182	- 5.1	733,458	630,500	17,495,142	15,360,330
Metropolitan ..	174,660	172,562	- 8.8	39,741	36,494	1,015,230	975,603
Country	305,523	311,262	- 6.0	70,338	66,191	1,768,523	1,729,311
Total	3,255,750	3,337,006	- 5.4	843,537	733,185	20,278,895	18,065,244

† Based on average working day.

PROVINCIAL

(£ thousands)

	Month of May			Week ended		Aggregate from	
	1937	1938	Change †	June 12, 1937	June 11, 1938	June 12, 1937	June 11, 1938
No. of working days:	24	26	%	6	5	136	137
BIRMINGHAM ..	10,275	9,982	-10.3	2,130	1,644	63,389	55,975
BRADFORD	4,397	3,218	-32.4	949	554	25,452	19,002
BRISTOL	4,959	5,837	+ 9.0	1,327	854	30,249	29,462
HULL	3,800	3,422	-16.9	851	597	21,646	19,975
LEEDS	3,972	4,047	- 6.0	978	537	24,961	23,468
LEICESTER	3,049	2,991	- 1.9	768	421	18,069	16,550
LIVERPOOL	27,769	22,434	-23.4	6,448	4,221	171,581	124,606
MANCHESTER ..	45,969	40,088	-19.5	10,245	6,022	262,353	223,913
NEWCASTLE	6,486	6,705	- 4.6	1,371	1,147	34,150	36,780
NOTTINGHAM ..	2,200	2,091	-12.3	507	317	12,581	11,981
SHEFFIELD	4,174	4,487	- 0.8	844	653	25,980	26,604
Total: 11 Towns	117,050	105,322	-16.9	26,418	16,967	690,411	588,316
DUBLIN	...	...	...	6,969	5,930	141,896	150,486

† Based on average working day. ‡ 24 calendar weeks.

MONEY RATES

LONDON

	June 9, 1938	June 10, 1938	June 11, 1938	June 13, 1938	June 14, 1938	June 15, 1938	June 16, 1938
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount:							
60 days' bnlrs. drafts	91/8	5/8	5/8	5/8	5/8	5/8	5/8
3 months' do.	132-5/8	5/8	5/8	5/8	5/8	5/8	5/8
4 months' do.	132-5/8	5/8	5/8	5/8	5/8	5/8	5/8
6 months' do.	132-5/8	5/8	5/8	5/8	5/8	5/8	5/8
Discount Treasury Bills:							
2 months'	132-5/8	5/8	5/8	5/8	5/8	5/8	5/8
3 months'	132-5/8	5/8	5/8	5/8	5/8	5/8	5/8
Loans—Day-to-day	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Short	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Deposit allwncs.: Bk.	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Discount houses at call	12	12	12	12	12	12	12
At notice	84	84	84	84	84	84	84

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938	%	%	%	%	%	%
May 19...	12-1	17/2	17/2-9/16	2-21/2	21/4-21/2	21/2-3
May 26...	12-1	17/2	17/2-9/16	2-21/2	21/4-21/2	21/2-3
June 2...	12-1	17/2	17/2-9/16	2-21/2	21/4-21/2	21/2-3
June 9...	12-1	17/2	17/2-9/16	2-21/2	21/4-21/2	21/2-3
June 16...	12-1	17/2	17/2-9/16	2-21/2	21/4-21/2	21/2-3

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	June 16, 1937	May 18, 1938	May 25, 1938	June 1, 1938	June 8, 1938	June 15, 1938
Call money	1%	1%	1%	1%	1%	1%
Time money (90 days' mixed coll.)	1%	1%	1%	1%	1%	1%
Bank acceptances:—						
Members—eligible 90 days ..	11/4	11/4	11/4	11/4	11/4	11/4
Non-mem.—eligible 90 days ..	7/8	1/2	1/2	1/2	1/2	1/2
Commercial accept., 90 days ..	1	1	1	1	1	1

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	June 10, 1938	June 11, 1938	June 13, 1938	June 14, 1938	June 15, 1938	June 16, 1938
New York, \$...	4.86 3/4	4.94 3/4	4.95 1/4	4.96 1/2	4.96 1/2	4.97	4.96 3/4
Montreal, \$...	4.86 3/4	5.01	5.01 3/4	5.02 1/4	5.02 1/4	5.02 3/4	5.02 3/4
Paris, Fr.	124.21	178 1/4-7/8	178 1/4-7/8	178 1/4-7/8	178 1/4-7/8	178 1/4-7/8	178 1/4-7/8
Brussels, Bel.	35.00 1/2	29.24-28	29.24-28	29.24-28	29.24-28	29.24-28	29.24-28
Milan, L.	92.46	94.10 1/2	94.10 1/2	94.10 1/2	94.10 1/2	94.10 1/2	94.10 1/2
Zurich, Fr.	25.22 1/2	21.71-73	21.71-73	21.69-72	21.63-69	21.63-69	21.63-69
Athens, Dr.	375	540-55	540-55	540-55	540-55	540-55	540-55
Amst'd'm, Fl.	12.107	8.95 1/2	8.96	8.95 1/2	8.95 1/2	8.95 1/2	8.95 1/2
Berlin, Mk.	20.43	12.31-34	12.31-34	12.31-34	12.30-33	12.29-33	12.29-32
Hong Kong, \$	†	141 1/2	141 1/2	141 1/2	141 1/2	141 1/2	141 1/2
Shanghai, \$...	†	81 1/2-91 1/2	8.9 (f)	71 1/2-81 1/2	8.9 (f)	8.9 (f)	8.9 (f)
Rio, Mil.	†	151 1/2	151 1/2	151 1/2	151 1/2	151 1/2	151 1/2
B. Aires, \$	11.45	16.12 1/2	16.12 1/2	16.12 1/2	16.12 1/2	16.12 1/2	16.12 1/2
Valparaiso, \$...	40	125 1/2 (f)	125 1/2 (f)	125 1/2 (f)	125 1/2 (f)	125 1/2 (f)	125 1/2 (f)
M'video, \$	† 51.1	194-203 1/2	194-203 1/2	194-203 1/2	194-203 1/2	194-203 1/2	194-203 1/2
Lima, Sol.	17.38	201 1/2	201 1/2	201 1/2	201 1/2	201 1/2	201 1/2
Mexico, Pes.	9.76	Un'q'd	Un'q'd	Un'q'd	Un'q'd	Un'q'd	Un'q'd
Manila, P.	† 24.66 1/2	24-24 1/2	24-24 1/2	24-24 1/2	24-24 1/2	24-24 1/2	24-24 1/2
Moscow, Rbls.	...	26.23 1/2	26.30 1/2	26.32 1/2	26.38 1/2	26.38 1/2	26.38 1/2

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8-23 1/2 since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (c) Per cent. discount. (e) Latest "export" rate. (g) Official rate is \$15 sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (j) Nominal. (m) Official.

(b) Other Exchanges

London on	Par of Exch. per £	June 10, 1938	June 15, 1938	June 16, 1938
Helsingfors, M.	193.23	226 1/4-227 1/4	226 1/4-227	226 1/4-227
Madrid, Pt.	25.22 1/2	80-150 (f)	80-150 (f)	80-150 (f)
Lisbon, Esc.	110	110-110 1/2	110-110 1/2	110-110 1/2
Budapest, Pen.	27.82	247-253 1/2	247-253 1/2	247-253 1/2
Prague, Kc.	161 1/2	142 1/4-3/4	142 1/4-3/4	142 1/4-3/4
Danzig, Gul.	25.00	26-26 1/2	26 1/2-3/8	26 1/2-3/8
Warsaw, Zl.	48.38	26-26 1/2	26 1/2-3/8	26 1/2-3/8
Riga, Lat.	25.22 1/2	24 1/4-25 1/4	24 1/4-25 1/4	24 1/4-25 1/4
Bucharest, Lei	813.8	660-685	660-685	660-685
Constantinople, Pst.	110	623 1/2	623 1/2	623 1/2
Belgrade, Din.	276.32	213-223	213-223	213-223
Kovno, Lit.	48.66	29-30	29-30	29-30
Sofia, Lev.	673.66	390-420	390-420	390-420
Tallinn, E. Kr.	18.159	174-184	174-184	174-184
Oslo, Kr.	18.159	19.85-95	19.85-95	19.85-95
Stockholm, Kr.	18.159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr.	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst.	97 1/2	97 1/2-5/8	97 1/2-5/8	97 1/2-5/8
Kobe, Yen.	† 24.58d.	131 1/2-141 1/2	131 1/2-141 1/2	131 1/2-141 1/2
Singapore, \$	† 28d.	27 1/2-15 1/2	27 1/2-15 1/2	27 1/2-15 1/2
Batavia, F.	† 11	8.93-9.62	8.93-9.62	8.93-9.62
Bangkok, Baht	† 21.82d.	22-22 1/4	22-22 1/4	22-22 1/4

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par 197-105 1/2 since koruna devaluation on February 17, 1934. Rate for payments to the Bank of England:—(j) Under Anglo-Spanish Agreement. (k) Under Anglo-Turkish Agreement. (l) Nominal.

LONDON—FORWARD

(Closing quotations)

London on	June 10, 1938	June 11, 1938	June 13, 1938	June 14, 1938	June 15, 1938	June 16, 1938
New York cent.	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)
2 "	2 "	2 "	2 "	2 "	2 "	2 "
3 "	3 "	3 "	3 "	3 "	3 "	3 "
Paris, francs	1 Month (d)	1 Month (d)	1 Month (d)	1 Month (d)	1 Month (d)	1 Month (d)
2 "	2 "	2 "	2 "	2 "	2 "	2 "
3 "	3 "	3 "	3 "	3 "	3 "	3 "
Amsterdam, cent.	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)
2 "	2 "	2 "	2 "	2 "	2 "	2 "
3 "	3 "	3 "	3 "	3 "	3 "	3 "
Brussels, cent.	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)
2 "	2 "	2 "	2 "	2 "	2 "	2 "
3 "	3 "	3 "	3 "	3 "	3 "	3 "
Geneva, cent.	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)
2 "	2 "	2 "	2 "	2 "	2 "	2 "
3 "	3 "	3 "	3 "	3 "	3 "	3 "

(p) Premium. (d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of exch. per cent.	June 9, 1938	June 10, 1938	June 11, 1938	June 13, 1938	June 14, 1938	June 15 1938
London:—*	Old Par						
60 days ...	4.8666	4.9415 ³²	4.9513 ³²	4.9613 ²⁰	4.969 ³²	4.9623 ³²	4.9613 ³²
Cables ...	New Par	4.9515	4.9613 ¹⁶	4.9714	4.9613 ¹⁶	4.9738	4.9711 ¹⁶
Demand ...	8.2397	4.9515	4.9515 ¹⁶	4.9713	4.9613 ¹⁶	4.9714	4.9711 ¹⁶
Paris, Fr.	23.54	16.92	16.95	16.99	16.98	17.00	17.02
Brussels, Bel.	32.67	22.778	2.7813	2.7854	2.7858	2.7887	2.7887
Switz'd. Fr.	32.67	22.778 ^{1/2}	22.8413	22.91	22.891	22.97	22.99
Italy, Lira.	8.91	5.2614	5.2614	5.2614	5.2614	5.2614	5.2614
Berlin, Mk.	40.33	40.18	40.2212	40.3212	40.32	40.35	40.44
Vienna, Sch.	23.82	...	...	...	...	...	...
Madrid, Pt.	68.06	...	...	...	...	...	...
Amst'd'm Gldr.	55.25	55.33	55.4812	55.4712	55.5312	55.5112	55.5112
Cop'h'gen, Kr.	22.10	22.15	22.20	22.20	22.20	22.20	22.20
Oslo, Kr.	145.37	24.8712	24.9212	24.9712	24.9712	25.00	24.9712
St'h'm, Kr.	1.2912	0.90712	0.91	0.91	0.9118	0.9118	0.9138
Athens, Dr.	169.31	98.710	98.750	98.840	98.825	98.810	98.840
M'video, Can. \$	84.40	28.87	28.94	29.02	28.98	29.00	29.00
Y'o'hama, Yen	...	30.72	30.77	30.82	30.82	30.85	30.83
Shanghai, \$	...	5.90	5.90	5.90	5.90	5.90	5.90
Ba'Aires, Peso	...	30.72	30.77	30.85	30.82	30.85	30.83
Rio, Ms. ...	11.96	5.90	5.90	5.90	5.90	5.90	5.90

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended June 12 (£'000)					Aggregate Gross Receipts, 23 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Other Goods	Total	Passenger	Merchandise	Coal & Coke	Other Goods	Total
L. M. & S.—										
1937	518	516	228	744	1,262	10,328	11,253	6,239	17,492	27,820
1938	586	376	161	537	1,123	10,304	10,840	6,094	16,934	27,238
L. & N. E. (a)—										
1937	348	348	234	580	928	6,778	7,776	5,864	13,640	20,418
1938	392	260	182	442	834	6,689	7,561	5,766	13,327	20,016
Great Western—										
1937	222	211	112	323	545	4,333	4,514	2,624	7,138	11,471
1938	233	142	71	213	446	4,295	4,393	2,593	6,986	11,281
Southern—										
1937	342	64	28	92	434	6,683	1,401	749	2,150	8,833
1938	373	51	19	70	443	6,658	1,377	725	2,102	8,760
Total—										
1937	1,430	1,137	602	1,739	3,169	28,122	24,944	15,476	40,420	68,542
1938	1,581	829	433	1,262	2,945	27,946	24,171	15,178	39,349	67,295

(a) Week ended June 11.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+1,329	+1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+1,443	+1,099	+ 647	+ 372
Gross decrease first half 1938, over first half 1937	- 582	- 402	- 190	- 73
Weekly Figures				
Av. weekly decrease, 1st half 1938	- 25.30	- 17.48	- 8.26	- 3.17
Latest week compared with 1937	- 139	- 94	- 99	+ 9
Latest week compared with average 1927-30	- 272	- 191	- 157	+ 13

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended June 10 (£'000)			Aggregate Gross Receipts, 23 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	2.7	0.4	3.1	45.7	11.4	57.1
1938	2.5	0.4	2.9	43.6	9.9	53.5
Great Northern—						
1937	10.0	8.5	18.5	202.2	219.2	421.4
1938	11.8	8.0	19.8	203.5	200.8	404.3
Great Southern—						
1937	35.3	37.2	72.5	688.2	684.3	1,372.5
1938	39.6	32.9	72.5	700.4	603.9	1,304.3

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation			Corresponding Period Last Year	
					Dividend			Net Profit	Dividend
					Prefce. Amount	Ordinary Amount	Rate		
Banks									
Bank of Adelaide	Mar. 28	£ 42,057	£ 65,788	£ 107,845	£ ...	£ 62,500	5	£ 61,337	4½
Bank of Roumania	Dec. 31	Dr. 11,742	Dr. 8,278	Dr. 20,020	...	...	...	Dr. 16,834	Nil
Financial Land, etc.									
Aboukir Company	Mar. 31	Dr. 5,441	12,120	6,679	...	1,316	5,363	5,038	Nil
Argentine Northern Land	Dec. 31	9,396	Dr. 2,474	6,922	...	1,500	5,422	3,751	Nil
British Central Africa Co.	Sept. 30	...	7,246	7,246	...	7,246	...	11,725	Nil
British North Borneo Co.	Dec. 31	36,554	109,374	145,928	...	74,096	4	71,832	2
Hyderabad (Deccan) Co.	Apr. 30	4,614	28,679	33,293	...	22,400	2½ p.s.	4,500	2½ p.s.
Invest. Corp. of Canada	Apr. 30	23,179	11,439	34,618	15,553	...	19,065	12,507	Nil
Java Investment, etc.	Mar. 31	11,071	34,213	45,284	...	22,000	7½	10,000	6
Metropolitan Association, etc.	Mar. 31	775	9,928	10,703	...	9,610	5½	1,093	5½
Trust & Loan Co. of Canada	Mar. 31	2,504	Dr. 165	2,339	...	...	...	2,339	Nil
Trust and Mortgage of Iowa	Feb. 28	16,553	376	16,929	...	...	...	16,929	Nil
Welwyn Commercial Bldgs.	Mar. 31	...	4,802	4,802	...	3,000	10	1,000	(a)
Welwyn Garden City, etc.	Mar. 31	7,123	25,005	32,128	...	21,452	4	1,300	3
Wool Exchange, etc., Invest. Gas	Mar. 25	9,554	37,017	46,571	10,625	19,000	4	8,750	5(1)
Plymouth Gas	Mar. 31	29,796	47,714	77,570	...	42,832	8	4,500	8
Iron, Coal and Steel									
Brown (John) & Co.	Mar. 31	162,360	576,760	739,120	49,010	376,931	17½	149,787	15½
Charrington, Gardner, etc.	Mar. 31	26,018	72,146	98,164	...	37,100	(g) 17½	28,445	20
Doncaster Amal. Collieries	Mar. 31	...	(h) 356,538	356,538	84,891	190,987	5	70,547	(a)
Keith Blackman, Ltd.	Mar. 31	13,416	55,158	68,574	5,771	30,812	20	31,991	20
Partridge, Jones & Paton	Mar. 31	2,517	251,910	254,427	...	139,502	6½	114,931	5½

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending June 11, 1938, before pooling	£ 609,900	+ £ 30,400
Total, 50 weeks to date	£ 28,227,700	+ £ 626,900
L.P.T.B. receipts, 52 weeks to June 26, 1937	£ 28,732,000	+ £ 255,000
L.P.T.B. receipts, year to June, 1937, after pooling	£ 30,247,378	+ £ 522,655
London Transport Pool receipts, year to June 30, 1937	£ 41,377,929	+ £ 771,590

OVERSEAS WEEKLY TRAFFIC RECEIPTS

		INDIAN		Gross Receipts for Week		Aggregate Gross Receipts	
Name	Weeks Ending	1938	+ or -	1938	+ or -	1938	+ or -
Bengal & N. Western	8 May 31	Rs. 12,72,330	- 97,661	Rs. 72,00,992	- 5,11,901	Rs. 1,41,370	- 6,34,427
Bengal-Nagpur	8 May 31	Rs. 30,37,000	- 1,41,370	Rs. 1,63,66,000	- 6,34,427	Rs. 1,63,66,000	- 6,34,427
Bombay, Bar. & C.I.	10 June 10	Rs. 33,81,000	- 1,71,000	Rs. 2,60,23,000	- 5,88,000	Rs. 2,60,23,000	- 5,88,000
Madras & S. Mah.	7 May 20	Rs. 22,25,000	- 97,457	Rs. 1,09,20,000	- 2,13,348	Rs. 1,09,20,000	- 2,13,348
S. Indian	7 May 20	Rs. 16,40,866	- 71,074	Rs. 78,54,575	- 70,426	Rs. 78,54,575	- 70,426

† 11 days. ‡ 10 days.

CANADIAN

	1938	1937	1936	1935	1934
Canadian National	22 June 7	\$ 3,137,744	\$ 594,390	\$ 72,195,059	\$ 104,414,888
Canadian Pacific	22 June 7	\$ 2,280,000	\$ 295,000	\$ 53,422,000	\$ 45,244,000

SOUTH & CENTRAL AMERICAN

		1938		1937		1936		1935		1934	
Company	Weeks Ending	1938	+ or -	1937	+ or -	1936	+ or -	1935	+ or -	1934	+ or -
Anglo-Arg. Trams.	23 June 10	\$ 695,015	+ 34,193	\$ 15,263,694	+ 514,321	\$ 10,940	+ 3,340	\$ 389,490	+ 7,120	\$ 191,200	+ 27,400
Antofagasta	23 June 10	\$ 1,094,000	+ 27,400	\$ 7,437,200	+ 102,800	\$ 1,186,111	+ 1,700	\$ 461,564	+ 18,841	\$ 1,284,000	+ 418,000
Argentine N.E.	49 June 11	\$ 796,653	- 25,930	\$ 4,404,101	- 417,034	\$ 1,167,700	- 56,100	\$ 5,568,400	- 1,276,200	\$ 2,048,000	+ 95,000
B.A. and Pacific	49 June 11	\$ 1,127,047	- 5,893	\$ 7,410,109	- 17,391	\$ 2,36,290	- 8,561	\$ 2,246,650	- 250,637	\$ 1,637,350	- 816,500
B.A. Central	49 June 11	\$ 1,015,573	- 50,651	\$ 5,937,380	- 1,736,217	\$ 1,015,573	- 50,651	\$ 5,937,380	- 1,736,217	\$ 1,015,573	- 50,651
B.A. Western	49 June 11	\$ 1,015,573	- 50,651	\$ 5,937,380	- 1,736,217	\$ 1,015,573	- 50,651	\$ 5,937,380	- 1,736,217	\$ 1,015,573	- 50,651
Central Argentine	49 June 11	\$ 1,015,573	- 50,651	\$ 5,937,380	- 1,736,217	\$ 1,015,573	- 50,651	\$ 5,937,380	- 1,736,217	\$ 1,015,573	- 50,651
Central Uruguay	48 June 11	\$ 1,015,573	- 50,651	\$ 5,937,380	- 1,736,217	\$ 1,015,573	- 50,651	\$ 5,937,380	- 1,736,217	\$ 1,015,573	- 50,651
Leopoldina	23 June 11	\$ 1,015,573	- 50,651	\$ 5,937,380	- 1,736,217	\$ 1,015,573	- 50,651	\$ 5,937,380	- 1,736,217	\$ 1,015,573	- 50,651
Mexican Railway	22 June 11	\$ 1,015,573	- 50,651	\$ 5,937,380	- 1,736,217	\$ 1,015,573	- 50,651	\$ 5,937,380	- 1,736,217	\$ 1,015,573	- 50,651
Nitrate	47 May 31	\$ 1,015,573	- 50,651	\$ 5,937,380	- 1,736,217	\$ 1,015,573	- 50,651	\$ 5,937,380	- 1,736,217	\$ 1,015,573	- 50,651
United of Havana	49 June 11	\$ 1,015,573	- 50,651	\$ 5,937,380	- 1,736,217	\$ 1,015,573	- 50,651	\$ 5,937,380	- 1,736,217	\$ 1,015,573	- 50,651

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

SUEZ CANAL RECEIPTS

	1938	1937	1936	1935	1934
Transit Receipts	21 May 31	£ 264,700	£ 26,500	£ 4,102,000	£ 774,400

† 10 days.

THE WEEK'S COMPANY RESULTS—continued

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation				Balance Forward	Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.		Net Profit	Dividend
					Prefce. Amount	Ordinary Amount	Rate				
Iron, Coal & Steel—cont.		£	£	£	£	£	%	£	£	£	%
Somers (Walter)	Mar. 31	9,768	42,190	51,958	215	12,688	50	22,153	16,902	(a)	(a)
Stanton Ironworks	Mar. 31	482,293	459,602	941,895	41,771	156,030	10	260,000	484,094	418,080	10
Tredegar Iron and Coal	Mar. 31	26,289	88,467	114,756	...	69,244	4½	10,000	35,512	95,517	4½
Whitehead Iron & Steel	Mar. 31	24,448	510,075	534,523	...	219,474	35	290,613	24,436	370,784	35(n)
Motor Cycle & Aviation											
Crossley Motors	Mar. 31	15,338	61,487	76,825	...	30,000	10	25,000	21,825	46,526	7½
King's Motors (Oxford)	Mar. 31	1,618	17,958	19,576	3,560	10,237	40	2,958	2,821	8,634	20
Oil											
Anglo-Iranian Oil	Dec. 31	492,135	7,455,094	7,947,229	107,1234	5,034,375	25	1,324,209	517,411	6,123,469	25(6)
"Shell" Transport, etc.	Dec. 31	137,841	6,633,777	6,771,618	800,000	5,789,126	20½	17,288	165,204	5,983,456	(c)20½
Rubber											
Cicely	Mar. 31	7,737	26,328	34,065	900	13,344	10	11,500	8,321	19,472	12½
Hollyrood	Dec. 31	1,683	16,368	18,051	...	10,769	12½	2,500	4,782	9,207	9
Khota Tampan	Jan. 31	82	3,957	4,039	...	1,500	2½	2,000	539	3,173	2½
North Hummock (Selangor)	Mar. 31	3,465	11,829	15,294	...	7,200	3	4,519	3,575	11,224	4
Tanah Datar	Dec. 31	2,534	12,542	15,076	...	8,561	12½	2,500	4,015	9,410	9
Shops and Stores											
Sanders Bros. (Stores)	Apr. 30	67,982	40,444	108,426	19,688	20,680	7½	...	68,058	50,849	10
Tea											
Attrace Khat	Dec. 31	3,729	18,748	22,477	...	12,650	10	5,000	4,827	7,930	6
Badulipar	Dec. 31	7,457	16,978	24,435	2,585	8,551	10	5,350	7,949	12,543	8½
Bargang	Dec. 31	776	9,313	10,089	3,300	...	...	3,000	3,789	579	Nil
Bordubi	Dec. 31	12,210	19,158	31,368	...	13,500	15	2,500	15,368	11,308	12½
Borelli	Dec. 31	6,756	19,051	25,807	384	15,634	20	2,750	7,039	12,941	15
Corramore	Dec. 31	1,599	5,187	6,786	...	5,000	12½	...	1,786	5,128	12
Dhendai	Dec. 31	6,371	6,320	12,691	...	4,000	12½	1,800	6,891	3,336	10
Decors	Dec. 31	18,284	66,728	85,012	5,250	49,140	15	13,250	17,372	58,911	12½
Eastern Assam	Dec. 31	31,518	34,843	66,361	...	34,517	17½	...	31,844	26,670	12½
Hornsey	Mar. 31	711	2,254	2,965	600	1,200	10	250	915	2,109	15
Kacharigaon	Dec. 31	397	3,397	3,794	192	2,105	5	400	1,097	3,401	5
Koomsong	Dec. 31	4,234	13,612	17,846	...	11,250	15	1,500	5,096	8,354	10
Longai Valley	Dec. 31	3,084	10,360	13,444	7,588	...	...	3,461	2,395	9,766	Nil
Looksan	Dec. 31	2,197	6,117	8,314	492	1,935	10	3,600	2,287	3,873	7
Lungla (Sylhet)	Dec. 31	432	33,139	33,571	18,500	...	...	14,655	416	16,949	Nil
Majuli	Dec. 31	3,035	16,641	19,676	1,200	5,500	5	8,665	4,311	7,909	2½
Namdang	Dec. 31	5,518	22,821	28,339	...	14,000	10	5,000	9,339	10,394	6
Rungajau	Dec. 31	6,152	13,810	19,962	847	7,157	17½	5,900	6,058	8,926	10
Surmah Valley	Dec. 31	5,072	10,025	15,097	...	9,225	20	750	5,122	9,590	20
Tingri	Dec. 31	4,365	20,319	24,684	...	13,437	10	6,500	4,747	12,177	8
Telegraphs & Telephones											
Great Northern (Denmark)	Dec. 31	482,294	410,003	892,297	...	400,000	20	22,321	469,976	399,501	20
Textiles											
Crosses and Winkworth	Mar. 30	Dr.245431	64,835	Dr.180596	...	...	...	...	Dr.180596	20,872	Nil
Tramways and Omnibus											
Ribble Motor Services	Mar. 31	31,478	336,114	367,592	13,000	80,000	10	234,000	40,592	341,316	10
Trusts											
British Empire Trust	Apr. 30	53,461	60,530	113,991	45,022	9,500	9	41,931	17,538	98,185	9
Independent Investment	Mar. 31	30,945	12,413	43,358	9,712	1,358	1	...	32,288	15,898	4
Other Companies											
Alliance Box Company	Mar. 31	4,509	45,585	50,094	3,290	10,875	15	34,534	1,395	(a)	(a)
Amalgamated Press	Feb. 28	147,143	492,614	639,757	315,000	96,000	8	67,050	161,707	554,013	11
Beer (L.) & Sons	Apr. 30	18,718	13,471	32,189	5,500	8,000	8	...	18,689	17,782	10
Benson (J. W.), Ltd.	Mar. 31	143,785	39,168	182,953	16,666	12,500	7½	10,000	143,787	34,145	17½
British Borneo Timber	Dec. 31	8,561	15,011	23,572	...	14,400	8	...	9,172	10,855	6
British Homophone Co.	Mar. 31	...	4,587	4,587	1,264	...	...	...	3,323	(a)	(a)
British Sugar Corporation	Mar. 31	81,570	449,775	531,345	...	163,125	4½	278,223	89,997	824,318	4
Country Life	Mar. 31	33,098	23,748	56,846	5,500	15,000	15	1,000	35,346	26,057	15
Findlater (Alex.) and Co.	Feb. 28	13,434	4,703	18,137	1,278	300	6	2,000	14,559	2,371	8
Forster's Glass Company	Mar. 31	7,270	68,750	76,020	13,125	16,156	11	30,177	16,562	58,993	10
Glacier Metal	Feb. 28	10,450	18,692	29,142	5,500	6,525	6	7,250	9,867	28,257	15
Griffiths, Hughes, etc.	Mar. 31	8,065	(h)111,357	119,422	40,563	71,625	6½	...	7,234	167,576	11
Hall and Company	Mar. 31	151,488	83,084	234,572	5,569	35,018	25	15,000	178,985	102,258	25
Hazell, Watson & Viney	Mar. 31	41,092	56,860	97,952	8,425	34,925	9½	10,000	44,602	58,385	9½
Hills (R.) and Sons	Mar. 31	4,672	7,139	11,811	...	...	...	16,548	Dr. 4,737	(a)	(a)
Hope (Henry) and Sons	Apr. 2	18,495	84,738	103,233	27,500	18,125	10	37,036	20,572	79,065	10
Kelly's Directories	Mar. 31	78,762	121,335	200,097	36,816	48,067	15	25,000	90,214	125,100	15
Masson, Scott and Co.	Mar. 31	...	(d) 17,704	17,704	...	9,219	...	6,915	1,570	(a)	(a)
Neill (Wm.) (St. Helens)	Mar. 31	...	(d) 15,420	15,420	...	6,422	14½	6,000	2,998	(a)	(a)
Newnes (George)	Mar. 31	48,426	117,869	166,295	41,273	50,000	10	24,000	51,022	145,854	15
Pearson (C. Arthur)	Mar. 31	44,646	27,729	72,375	13,750	6,562	2½	7,500	44,563	34,775	5
Reed (Albert E.)	Mar. 31	124,818	252,969	377,787	26,000	90,000	9	137,122	124,665	202,985	9
Revo Electric	Mar. 31	55,540	101,065	156,605	...	44,844	17½	42,500	69,261	81,902	17½
Steel and Company	Mar. 31	...	(e) 32,126	32,126	6,600	11,000	10	12,839	1,687	(a)	(a)
Telephone Rentals	May 31	47,508	80,875	128,383	...	55,800	10	30,000	42,583	81,749	10
Thames Grid, etc.	Mar. 31	7,320	24,868	32,188	8,438	10,875	10	5,500	7,375	24,556	10
Twyfords, Ltd.	Mar. 31	34,640	69,873	104,513	...	52,292	15	5,000	47,221	69,303	15
Virol Limited	Mar. 31	35,092	19,120	54,212	8,750	8,500	10	...	36,962	22,390	10
White (A. J.)	Mar. 31	40,125	48,656	88,781	...	43,750	12½	...	45,031	47,516	12½
Wiggins & Co (Hammersmith)	Mar. 31	6,617	16,425	23,042	11,062	906	5	2,200	8,874	15,965	5
Total Profits, 1938, in £000's:											
To June 11	1,269	52,518	182,141	234,659	29,820	94,462	...	52,806	57,571	161,520	...
To June 18	1,348	56,209	202,483	258,692	32,494	108,443	...	56,102	81,653	179,740	...

Special Statistics

OVERSEAS TRADE RETURNS

IMPORTS (Value C.I.F.)

	Month ended May 31		Five Months ended May 31	
	1937	1938	1937	1938
I.—Food, Drink and Tobacco—				
A. Grain and Flour	7,132,274	6,366,202	35,802,647	32,342,733
B. Feeding-stuffs for Animals	812,864	888,336	4,675,995	4,806,921
C. Animals, Living, for Food	548,898	539,032	2,751,323	2,666,988
D. Meat	7,198,997	7,408,543	34,382,719	37,383,695
E. Dairy Produce	5,615,730	6,760,484	26,204,672	32,508,016
F. Fresh Fruit and Vegetables	4,148,303	4,942,743	15,945,912	17,482,240
G. Beverages and Cocoa Preparations	3,245,409	2,999,745	18,805,446	16,853,592
H. Other Food	5,026,825	4,490,866	21,572,137	20,441,508
I. Tobacco	483,798	762,489	4,107,330	8,189,641
Total, Class I	34,214,908	33,158,439	164,248,181	172,877,334
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	1,700	1,017	10,024	6,347
B. Other Non-Metalliferous Mining and Quarry Products and the like...	406,086	431,520	1,860,381	2,013,485
C. Iron Ore and Scrap	917,842	916,966	3,567,928	7,120,328
D. Non-Ferrous Metalliferous Ores and Scrap	1,550,309	1,442,550	6,287,659	7,491,680
E. Wood and Timber	3,451,799	2,988,321	13,718,639	12,503,843
F. Raw Cotton and Cotton Waste	4,207,397	1,932,636	22,718,569	14,467,447
G. Wool, Raw and Waste, and Woollen Rags	6,276,004	5,236,929	28,360,312	22,868,176
H. Silk, Raw, Knubs and Noils	134,064	158,890	805,030	1,096,322
I. Other Textile Materials...	1,066,082	830,901	6,782,644	5,695,465
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	2,698,981	2,672,275	16,140,970	14,872,462
K. Hides and Skins, Undressed	1,861,884	951,624	10,741,456	8,598,427
L. Paper-making Materials...	1,419,743	1,161,157	5,336,627	7,249,980
M. Rubber	866,136	1,037,502	3,641,050	5,846,519
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	745,117	611,060	4,300,257	4,022,454
Total, Class II	25,603,144	20,373,348	124,271,546	113,852,935
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	5,581	392	74,700	3,043
B. Pottery, Glass, Abrasives, etc.	668,701	636,518	3,196,465	3,112,802
C. Iron and Steel and Manufactures thereof	1,001,005	789,566	4,488,630	9,165,906
D. Non-Ferrous Metals and Manufactures thereof...	5,030,149	4,117,762	20,909,626	17,711,480
E. Cutlery, Hardware, Implements and Instruments	690,333	611,521	3,056,637	2,976,024
F. Electrical Goods and Apparatus	344,565	240,610	1,619,523	1,242,037
G. Machinery	2,029,551	1,765,478	9,690,237	9,704,389
H. Manufactures of Wood and Timber	734,370	594,068	3,109,719	2,776,576
I. Cotton Yarns and Manufactures	266,065	250,850	1,333,326	1,370,883
J. Woollen and Worsted Yarns and Manufactures	326,843	311,144	1,865,264	1,593,936
K. Silk Yarns and Manufactures	196,130	165,894	1,103,533	946,741
L. Manufactures of other Textile Materials	669,950	564,546	3,429,206	3,098,775
M. Apparel	627,863	698,732	3,673,298	3,924,442
N. Footwear	198,417	267,019	1,075,987	1,330,537
O. Chemicals, Drugs, Dyes and Colours	1,038,810	926,410	5,419,300	5,057,030
P. Oils, Fats and Resins, Manufactured	4,388,304	3,577,132	18,112,147	19,773,762
Q. Leather and Manufactures thereof	864,190	525,546	4,161,968	2,658,155
R. Paper, Cardboard, etc.	1,341,446	1,122,407	6,146,323	6,302,430
S. Vehicles (including Locomotives, Ships and Aircraft)	621,045	301,280	2,925,052	2,243,040
T. Rubber Manufactures	59,874	72,205	320,049	337,096
U. Miscellaneous Articles wholly or mainly Manufactured	1,784,091	1,869,870	8,847,824	8,879,055
Total, Class III	22,887,283	19,408,950	104,563,804	104,208,159
IV.—Animals, not for Food...	225,779	222,906	969,946	1,127,050
V.—Parcel Post	242,298	230,130	1,191,212	1,361,833
Total	83,173,412	75,393,773	395,244,689	393,427,311

EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM (Value F.O.B.)

	Month ended May 31		Five Months ended May 31	
	1937	1938	1937	1938
I.—Food, Drink and Tobacco—				
A. Grain and Flour	143,463	143,926	729,274	710,444
B. Feeding-stuffs for Animals	62,531	66,257	346,046	340,690
C. Animals, Living, for Food	210	173	1,798	963
D. Meat	72,303	86,050	429,623	441,991
E. Dairy Produce	93,731	99,484	417,686	414,617
F. Fresh Fruit and Vegetables	16,805	20,436	257,247	92,570
G. Beverages and Cocoa Preparations	1,290,510	1,050,048	6,228,715	5,287,161
H. Other Food	920,069	939,367	4,666,955	4,419,611
I. Tobacco	500,148	420,719	2,108,024	2,066,756
Total, Class I	3,099,773	2,826,460	15,205,368	13,774,803
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	2,980,955	3,505,437	13,357,935	15,177,363
B. Other Non-Metalliferous Mining and Quarry Products and the like...	116,137	79,117	556,890	397,836
C. Iron Ore and Scrap	83,159	20,074	499,557	118,331
D. Non-Ferrous Metalliferous Ores and Scrap	298,827	147,706	1,566,659	956,445
E. Wood and Timber	12,590	6,622	45,256	33,746
F. Raw Cotton and Cotton Waste	77,587	34,332	461,348	206,686
G. Wool, Raw and Waste, and Woollen Rags	821,470	439,670	4,763,791	2,422,938
H. Silk, Raw, Knubs and Noils	909	172	3,393	1,798
I. Other Textile Materials...	59,333	59,055	255,361	273,663
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	455,519	231,936	1,768,488	1,313,977
K. Hides and Skins, Undressed	165,485	86,968	966,506	559,766
L. Paper-making Materials...	156,596	87,268	752,761	500,581
M. Rubber	34,960	21,477	153,596	105,640
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	208,150	210,656	1,407,063	1,192,491
Total, Class II	5,471,697	4,930,510	26,358,594	23,261,261
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	310,287	122,237	1,547,044	1,251,564
B. Pottery, Glass, Abrasives, etc.	837,428	841,840	3,882,519	3,939,935
C. Iron and Steel and Manufactures thereof	4,095,752	3,647,453	18,796,940	18,912,522
D. Non-Ferrous Metals and Manufactures thereof...	1,191,983	1,217,472	6,304,036	5,204,163
E. Cutlery, Hardware, Implements and Instruments	793,169	745,164	3,684,683	3,776,946
F. Electrical Goods and Apparatus	1,072,233	1,098,113	4,794,747	5,708,471
G. Machinery	3,807,251	4,708,227	18,785,786	24,302,905
H. Manufactures of Wood and Timber	108,567	89,446	530,364	465,459
I. Cotton Yarns and Manufactures	5,866,223	3,938,374	28,419,892	22,189,515
J. Woollen and Worsted Yarns and Manufactures	2,632,538	1,696,306	14,671,683	11,524,431
K. Silk Yarns and Manufactures	139,146	109,043	594,716	578,235
L. Manufactures of other Textile Materials	1,734,776	1,245,743	8,264,333	6,527,955
M. Apparel	686,539	539,449	4,191,363	3,599,062
N. Footwear	162,119	183,719	851,669	865,787
O. Chemicals, Drugs, Dyes and Colours	2,135,035	1,891,267	10,279,473	9,294,366
P. Oils, Fats and Resins, Manufactured	465,813	487,013	2,429,767	2,277,004
Q. Leather and Manufactures thereof	482,372	306,458	2,265,741	1,533,798
R. Paper, Cardboard, etc.	639,574	568,022	3,000,376	2,934,596
S. Vehicles (including Locomotives, Ships and Aircraft)	3,635,640	3,604,716	15,278,776	17,627,251
T. Rubber Manufactures	154,271	149,973	717,672	675,621
U. Miscellaneous Articles wholly or mainly Manufactured	2,318,247	2,343,872	11,082,231	11,553,162
Total, Class III	33,268,965	29,533,907	160,373,811	154,742,748
IV.—Animals, not for Food...	42,690	38,988	290,703	238,213
V.—Parcel Post	849,516	834,945	4,629,267	4,289,268
Total	42,732,641	38,164,810	206,857,743	196,306,293

Limited Investment Fund.—Distribution of 4.20d. per unit, tax free, for the half-year ended June 2, 1938. This is at rate of £4 16s. 6d. gross per cent. per annum on initial price of £1, compared with £4 17s. 9d. A progress report issued by the managers states that the slight decline is due to changes from higher to lower yielding securities.

Virol, Ltd.—Gross trading profit for year to March 31, 1938, £144,612. Available amount, £53,212 compared with £51,342. Preference dividends absorbed £8,750. Ordinary dividend 10 per cent. Carry forward £36,962 as compared with £35,092. Government securities, at cost, stand at £55,725, other investments, at cost, £90,790, and cash at £41,960.

Ribble Motor Services.—Profit of £142,115 for year to March 31, 1938, against £150,315. After £194,000 (against £191,000) to depreciation reserve. Ordinary dividend 10 per cent. as before. £40,000 to general reserve, as before. Carry forward raised from £31,477 to £40,592. It is proposed to distribute one new fully-paid ordinary share for every two held.

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MONTHLY TRADE SUPPLEMENT

The Cabinet and Spain

TOWARDS the end of last week the Italian Government let it be known that they are now extremely anxious for an early ratification of the Anglo-Italian agreement. There is, of course, no unfulfilled condition on the British side. Ratification now waits upon a "substantial" withdrawal of foreign volunteers from Spain; for it has been repeatedly made clear that this is what was envisaged by Mr Chamberlain when he made ratification dependent on "settlement" of the Spanish problem.

This British condition was laid down at the beginning of the conversations, and is of the essence of the agreement in which these conversations resulted. Its fulfilment depends upon Italian, and not upon British action. Is Signor Mussolini now approaching a point at which he will be willing to withdraw from Spain *bona fide* without further procrastination? Or is he hoping, by a plea *ad misericordiam*, to induce Mr Chamberlain to forgo the most important Italian concession which the agreement provides; to persuade him to recognise Italian sovereignty over Abyssinia; and perhaps also to provide British Government guaranteed credits for urgent Italian wheat purchases—while Italians are still fighting in Spain for a Franco victory?

The Italian contention seems to be that Italy asked for, and obtained, the Anglo-Italian agreement in the belief

that the Italian breaches of the non-intervention agreement up to date had by then already ensured General Franco's victory within the next few weeks and that this expectation was shared by Great Britain. This reasonable expectation, say the Italians, has now been disappointed because the French have been cheating since then, to the extent required to neutralise the effect of Italian cheating during the previous chapter of the story. It was understood, they say in effect, between Signor Mussolini and Mr Chamberlain that a victory in Spain for Franco was part of the price to be paid for whatever advantages Mr Chamberlain believed himself to be purchasing.

The Italian move raises two questions: Did Mr Chamberlain give Italy any reason to think that a victory for Franco was, at least morally, part of the Anglo-Italian understanding? And is Signor Mussolini still determined to stake his own fortunes on making Franco win, even at the cost of jeopardising the ratification of the Anglo-Italian agreement and of aggravating the seriousness of an Italian economic and financial crisis which has been rendered unexpectedly acute by the calamitous failure of the Italian harvest?

The answer to the first of these two questions we take to be in the negative. Mr Chamberlain may have agreed with Signor Mussolini in expecting Franco to win soon;

he may have thought in his heart that it would be a convenience to himself and his Party if this probability were to become a fact. But he is not pledged, either explicitly or implicitly, to allow Signor Mussolini to win a victory for Franco before Italy implements her undertaking to withdraw from Spain bag and baggage. The essential feature of British policy in Spain to which Mr Chamberlain is committed by every consideration of British interest is that the territorial integrity and independence of Spain must be preserved. It is also of vital importance that the internal regime of an independent State must not be dictated by external force, or the strategic and political balance of power radically disturbed to the detriment of France. Neither Mr Chamberlain nor any other British Premier would willingly abandon any of these requirements; and he is, therefore, bound by every dictate of interest and humanity to make full use of any diplomatic opportunity for ending the war in Spain which may be offered by Signor Mussolini's present straits. But the Prime Minister's opportunity is the nation's anxiety. The nation does not feel sure whether his diplomacy will be as firm as the occasion demands. These doubts are increased by the Prime Minister's admission of his inability to find any way of protecting British ships engaged in Spanish waters in perfectly legitimate trade.

All, however, will heartily welcome the Prime Minister's declaration, in the same debate, that "the one satisfactory solution of the Spanish question would be a termination of the war," and that His Majesty's Government mean to do all that they can to this end. Though wishes may be deceptive, we may nevertheless feel that the prospects are for the first time not completely black. On the very Tuesday on which the Spanish situation was debated in the Commons the Non-intervention Committee at length adopted unanimously the British plan for an agreed and proportionate withdrawal of foreign troops from Spain which, in its original form, was submitted eleven months ago. The execution of this plan may be either misused as just another move in the Spanish war-game, or alternatively it may be turned to account for bringing the war to an end in which there will be no victors and no vanquished. This is a settlement which Signor Mussolini can accept without loss of face. He will not be asked to leave the whole of Spain in the hands of a "Red" Government under Russian influence. This bogey, which was never a reality, is, anyway, quite outside the picture now. All that will be required of him will be to forego his insistence on conferring a totalitarian victory in Spain on the extremists of the "anti-Red" ideology.

If once all the foreign Powers can agree upon allowing the war in Spain to end in a draw, then the British plan can be made to yield this result. The counting of the foreign combatants on either side can hardly be attempted

without an armistice; an armistice can be made the occasion for a demobilisation of Spanish, as well as for a withdrawal of foreign, troops; for when once the fighting has been suspended it will not be easy to start it again.

To throw his whole energy now into working for a prompt and militarily inconclusive peace in Spain is Mr Chamberlain's manifest duty—his duty to Spain herself, his duty to the world, and, last but not least, his duty to his own country. The Prime Minister has declared that stopping the war is the only certain way of stopping the illegal and atrocious bombing of Spanish civilians and of British merchant ships and seamen on their lawful occasions in Spanish territorial waters. Again, stopping the war at this stage and in this way seems to offer the only hope of domestic peace for Spain; for the sinister consequences of a knock-out blow, from which we are suffering in Europe to-day, would assuredly make themselves felt in Spain *à fortiori*, because of the passionateness and intransigence of the Spanish temperament. It is hard to imagine any Spanish victor voluntarily making life tolerable for his defeated Spanish opponents; and it is therefore hard to imagine any victory in the Spanish war proving durable. Salvation for Spain lies not in a knock-out blow but in the re-establishment of a pacific balance of power between the now warring forces of Spanish life; and this domestic balance of power in Spain is a necessary condition for an international balance of power in Europe. If Mr Chamberlain were to aid and abet Signor Mussolini in winning that totalitarian Spanish victory which the Italian dictator desires, we should then have been carried a long stage nearer to the general European war which is desired neither by Mr Chamberlain nor, we believe, by Signor Mussolini.

Finally, we may point out to the Prime Minister that, if he can achieve an agreed peace in Spain, it will offer him his best chance of healing the present serious moral rift in Great Britain for which Mr Chamberlain himself bears so heavy a responsibility. "If our voice is to carry conviction abroad," said Lord Halifax in a notable speech at the annual dinner of the Royal Institute of International Affairs on Tuesday night, "it must be the voice of a united nation." At the moment when the Foreign Secretary was speaking, "sharp words" were being used (to quote him further) "in the thrust and parry of debate" in another place; and the occasion of this parliamentary war of words was the war of bombs and shells in Spain. Mr Chamberlain's opportunity to-day is immense; but, by the same token, if this opportunity is frittered away he will have done himself, his Party, his country and the world an injury that may be irreparable. We earnestly hope that the Prime Minister will allow neither his own personal feelings nor his followers' ideological prejudices to warp his judgment and beguile him into the wrong choice.

Our Imperial Republicans

MR DE VALERA, seeking a fresh mandate from the electors of Eire on the morrow of the Anglo-Irish agreement, has triumphantly secured the independent majority that he demanded. This in itself is not surprising; for nothing succeeds like success, and Mr de Valera had achievement on his side—a smoothly accepted new constitution, a satisfactory budget, and, above all, a highly creditable end to a regrettable dispute with Great Britain. Nevertheless, the result of the elections arouses many speculations about the future of Irish politics, especially as they concern Anglo-Irish relations.

Ever since the Fianna Fail members took their seats in the Dail in 1927, the division between the two main parties in the State has been measured first and foremost

by the degree of their "anti-British" or "pro-Commonwealth" feelings, their republicanism or anti-republicanism. Now, after pressing through a constitution which deliberately evades the republican issue, Mr de Valera has sought the electors' endorsement of an agreement with Great Britain which implies, in every article dealing with defence and trade, that Ireland will remain a member of the Commonwealth. In the result, he has achieved what neither he nor any other statesman in the former Free State was previously able to achieve—a substantial and durable majority over all his opponents in the Dail.

Inevitably, the minds of many students of Imperial affairs will turn to the even more striking results of the recent South African elections, in which the Union Party,

formed by the fusion of General Hertzog's Nationalists and General Smuts's South African Party, retained an overwhelming majority on a straight platform of national unity based on Dominion status. Thus in the two countries of the Commonwealth with the strongest leanings towards republicanism the electors have apparently declared, with no uncertain voice, that they prefer the substance of national freedom to the shadow, and want a Government which will "get on with the job."

It would be impossible not to read this conclusion into the two results; but it is not by any means the whole story. In the first place, the analogy between Eire and the Union does not go very deep. Vital features of the South African electoral scene which are not present in Ireland include the existence of a coalition (with powerfully organised republican and loyalist parties to left and right of it), the racial and linguistic division, and the native question. If a parallel must be drawn, we ought surely to look rather to the early days of the Union of South Africa. In the election of 1910, General Botha could appeal to his own people, as Mr de Valera has appealed to his, on the strength of a pact with Great Britain (the Union Act) which compromised on some of the forms of nationalism in order to secure the reality. His main opposition came (as Mr de Valera's came last week) from the more "pro-British" groups, then organised in the Unionist Party. General Botha—with Generals Smuts and Hertzog in his Cabinet—gained a majority, though not without difficulty. Two years later, however, the kaleidoscope formed a new pattern. General Hertzog broke away and formed the Nationalist Party, and for twelve years the Botha-Smuts

Oth African Party held office. In 1924, General Hertzog became Prime Minister, first with the support of Labour and then with an independent Nationalist majority, which endured until the Coalition of 1933. During his periods of power, General Hertzog was content to accelerate the rapid process of constitutional change in the Commonwealth towards the position of the Dominions as free and equal States under the Crown. Now he himself stands on the programme of Dominion status in opposition to the "purified" Nationalists under Dr Malan.

From this history two main conclusions emerge: first, that there has been a rhythmic cycle in the position of republican nationalism as a political issue; secondly, that no nationalist leader, when actually in office, has seen fit to press his views to their extreme conclusion. The latter characteristic has so far been true of Ireland like-

wise, and the first may well prove to be. If it is, then the next episode to be expected would be, on the one hand, the hiving-off of a new republican party from Fianna Fail, perhaps in association with the Irish Republican Army; and possibly, on the other, a coalition between Mr de Valera and some of his former opponents in Fine Gael (Mr Cosgrave's party). It is reasonable to deduce from South African analogy that nationalism of the republican brand is far from extinguished in Eire.

For another reason it would be unwise to build too much on the apparent fact that the electors of Eire and the Union have put an end to quarrels over formal national status. If racial and nationalist issues were being permanently discarded by an electorate that had become impatient of them, one would expect new lines of political cleavage to be developing, probably on economic or social lines. Since the foundation both of the South African Union and the Irish Free State, the chief attempt to introduce such issues has been made by a Labour party. Labour would thus be the natural beneficiary of any strong reaction on the part of the electorate against the old, worn racial issues. Yet it is remarkable that in the last South African elections, while both the Nationalists and the Dominion party gained at the Government's expense, the Labour Party suffered a curtailment of its already tiny representation. And in Eire the Government's successes have been almost entirely at the expense of its former Labour allies.

Economic and social divisions, in fact, have narrowed rather than widened in the politics of both Dominions, where nationalism is still the dominant issue, but has changed its form. Practically everything in the way of legal independence has now been achieved that can possibly be secured without the final severance of the connection with the Crown and Commonwealth, and that severance is a step which the majority of electors in the two most republican of the Dominions are clearly anxious to avoid. If nationalism continues dominant, it must concentrate on the practical assertion of national independence in matters of foreign policy and defence. To-day, standing alone in external affairs may well seem unattractive to a thinking electorate. We may venture to hope, therefore, that Dominion nationalism will soon enter into a more constructive phase, and that the purely fissiparous variety may become eventually as unimportant as the provincialism of Connaught or the Cape is to-day in Irish or South African politics.

World Economic Trends

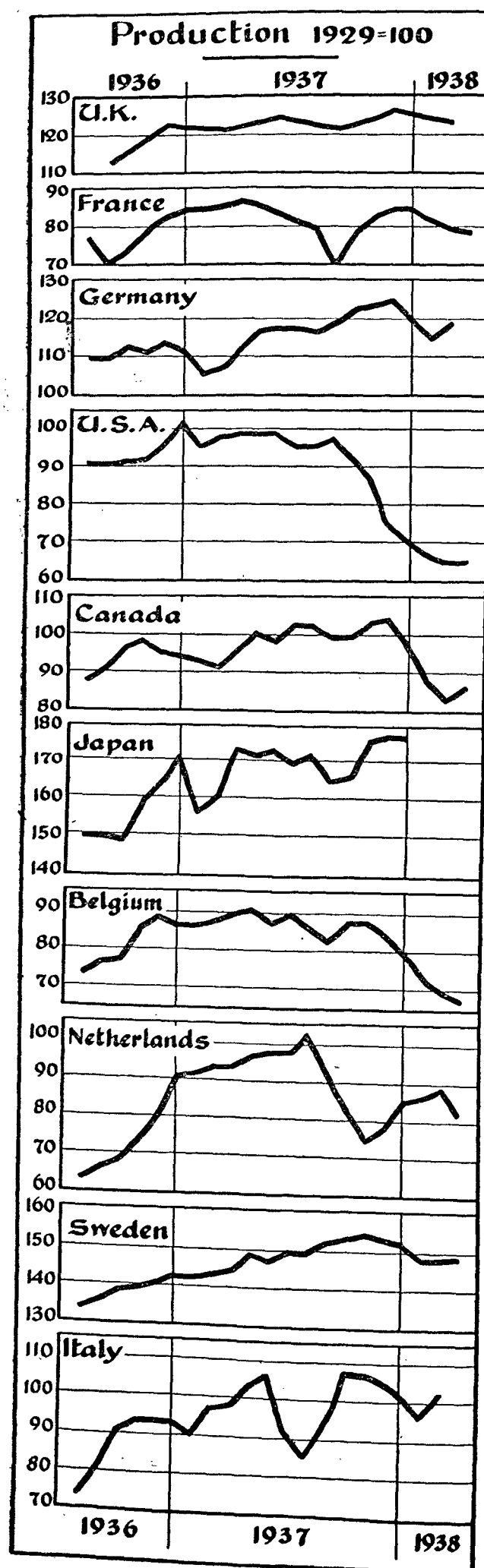
EXPANSION in world economic activity gained rapid momentum in the winter of 1936-37. Even in the spring of last year it was widely believed that the world was on the threshold of a period in which production and prosperity would everywhere be carried far beyond the pre-depression level of 1929. These forecasts, alas, have been belied; for the summer of 1937 proved to be a turning point in world production, trade and prices.

When we took stock of the general position in *The Economist* of July 31, 1937 (page 227), it was already clear that newly-found prosperity rested on precarious foundations. The growing pressure of the "expansionist" Powers—Germany, Italy and Japan—had undermined confidence in the world's political stability. Vested interests were stubbornly resisting any widespread removal of trade barriers. Recovery in the United States appeared to lack solidity; for it had largely failed to permeate to building and other capital industries. It is scarcely surprising, therefore, that world recovery came to an end before the world's resources of men and machinery had found full employ-

ment. But, as Mr Harold Butler has pointed out in his Report to the Fourteenth Session of the International Labour Conference: "The astonishing thing is not that the boom of the 'thirties should have been unspectacular and unacclaimed as compared with its predecessor of the 'twenties, but that it should have reached such considerable dimensions in spite of all the obstacles and suspicions it had to overcome."

The recent course of world production and trade is shown in the diagram at the foot of the next page, based on League of Nations indices. World industrial production (exclusive of the U.S.S.R.) rose almost as rapidly, it will be observed, between 1932 and 1937 as it had fallen between 1929 and 1932. Compared with the rapid expansion in industrial production, the recovery in world trade was relatively slow until 1936, when its pace showed a sudden increase. But while industrial production in 1937 rose above the pre-depression level of 1929, the volume of world trade barely regained it.

The sudden collapse of the boom in primary products



at the end of March, 1937, provided one of the first warnings of coming recession. Two months later the League's index of industrial production also took a downward turn. After a short interval (due to the time-lag between the placing of orders and their completion) the volume of international trade showed a sudden decline. Recession was established.

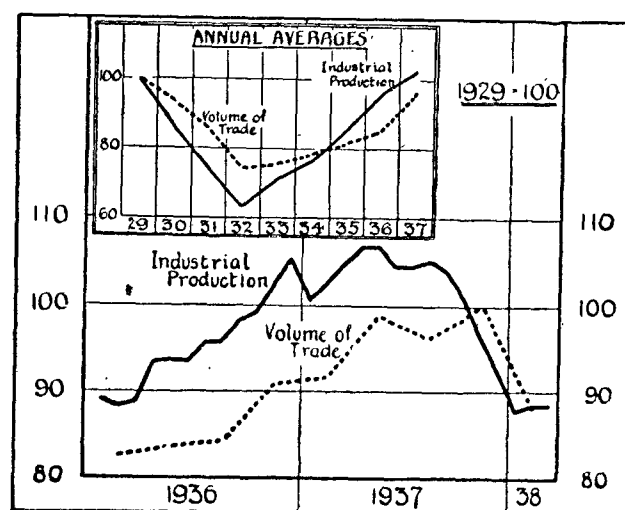
The collapse of the upward movement cannot be attributed to any single cause. The immediate cause of the sudden slump in the prices of primary products must be sought in the preceding boom, when fears of a shortage of supplies led to a scramble for materials at soaring prices, which in turn stimulated production. In the spring of last year it became evident that the fear of a shortage of supplies was unfounded. Hence, consumers suddenly ceased adding to their already heavy stocks. Collapse, therefore, followed boom, on textbook lines.

At the time it was widely held that the fall in the prices of primary products was likely to be temporary. But the accumulation of stocks was not confined to raw materials. The upward trend of the prices of primary products had provided a powerful stimulus to an increase in the output of manufactures. Stocks of semi-finished and finished goods were rapidly increased in industrial countries in anticipation of yet higher prices for raw materials. The re-stocking movement thus permeated to all stages of production and extended as far as the merchant. The downward trend of the prices of primary products set in motion the reverse sequence of events. Merchants became anxious to reduce their stocks of finished goods, and manufacturers found themselves loaded with large supplies of goods for which they could not find immediate buyers. Consequently, they were forced to curtail production.

The boom in primary products in the winter of 1936-37 undoubtedly precipitated the recession. But what appeared at first as a temporary corrective movement was aggravated by the precarious political situation in Europe, by the war between Japan and China, and by the radical change in the conditions under which private enterprise in the United States had to operate. The trend of production and foreign trade in important individual countries since the middle of 1936 is shown graphically in the accompanying diagrams. The indices of production are all based on 1929, in order to facilitate comparison. It should be remembered, however, that the method of construction and the sector of each country's activity covered by the indices are not identical.

As the production indices show, the extent of recovery before the onset of recession varied considerably from country to country. The indices for the United Kingdom, Germany, Japan and Sweden rose far above the pre-

WORLD PRODUCTION AND TRADE

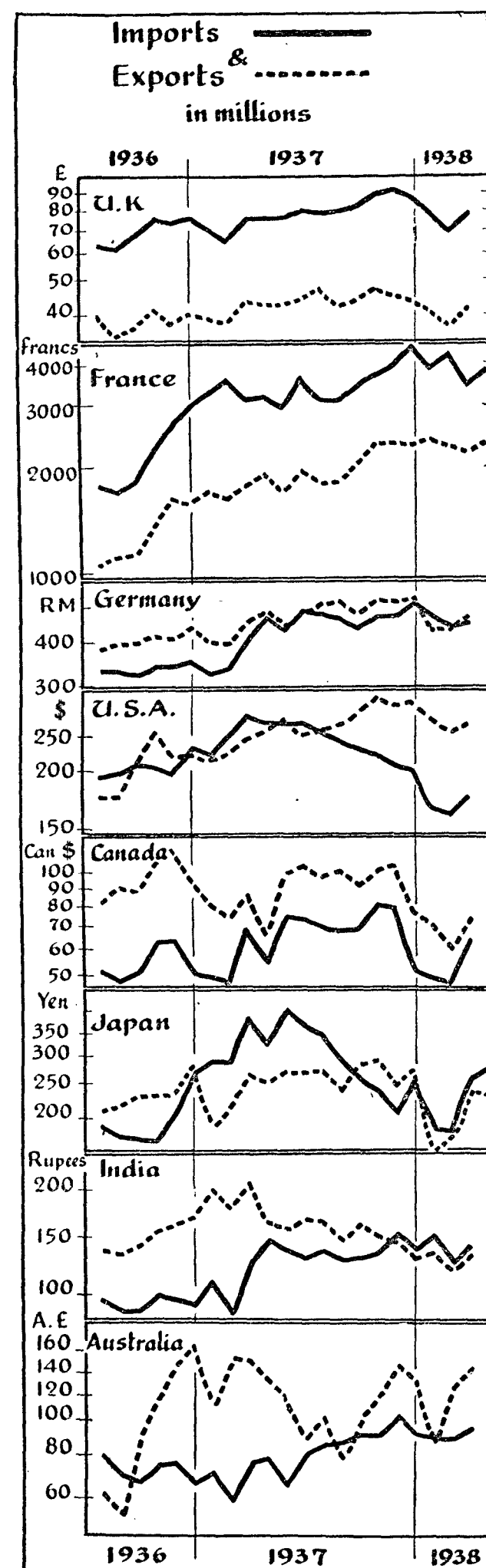


depression level in the past year. Activity in the United States, on the other hand, took a downward turn before recovery from the depression had been complete. France and Belgium scarcely participated in the recovery of world economic activity between 1932 and 1937. The failure of recovery to make headway in France and in the United States is due largely to changes in the conditions under which private enterprise had to operate. Moreover, recovery in France and Belgium had been delayed by prolonged deflation.

The recession in production has so far been most marked in the United States, but Canada, whose economy is linked to that of her neighbour, also suffered a sharp setback after a short period of grace. Belgium and Holland were engulfed by recession before recovery had been able to make much headway. The official index for the United Kingdom also turned downwards early this year. The United Kingdom index, however, is a quarterly figure, unadjusted for seasonal variations. Our more comprehensive index of business activity turned downwards in October. Its subsequent decline has been even steeper than during the corresponding period in 1929-30. Industrial activity in Sweden, despite a downward trend, remains well above the level of 1929. In Germany and Italy, exceptionally, there is as yet no evidence of a decline in industrial production, the maintenance of a high level of activity being due to the intensification of re-armament.

In our diagrams on foreign trade tendencies we have chosen a number of representative industrial and raw material producing countries. Owing to marked seasonal variations, it is difficult, in all cases, to discern the precise turning point in recent months. Nevertheless, the diagrams clearly reveal that in the majority of countries the recent trend has been downwards. Equally interesting are the changes in the relation between the imports and exports of individual countries. As a result in the fall in the prices of primary products, the exports of raw material producing countries—Australia, India, Canada—have tended to fall faster than their imports. As foreign bondholders know to their cost, this phenomenon is usually associated with a downward turn in world economic activity. The recession in the United States has been accompanied by a substantial fall in imports, mainly of primary products, which accentuated the fall in their prices on the world markets. The fact that exports from that country have been surprisingly well maintained is due, in part, to her re-emergence as a large-scale exporter of cereals and to heavy purchases of American machinery by Great Britain and of armament materials by China and Japan.

The course of events during the past fortnight has encouraged a faint hope that the downward trend of world economic activity has been arrested, at least temporarily. The rumour of an impending devaluation of the dollar gave rise to a rally in the prices of primary products which has been sustained by the lull in political tension in Europe—especially by the belated adoption by the Non-Intervention Committee of the British plan for eliminating foreign intervention in Spain—and by the growing belief of an early revival of business in the United States. The rise in the prices of primary products, in turn, has already brought buyers of certain finished goods, whose prices vary closely with those of the raw materials they contain, on to the market. Thus, turnover in cotton yarn and piece-goods has shown an encouraging improvement this week. If the rally in prices is sustained—and this will depend largely on developments in the United States and on the political front in Europe—the buying movement may well spread, thus giving rise to an increase in activity. But the improvement still rests on precarious foundations, and there is not sufficient evidence to suggest that it portends a change in the long-term trend.



Town and Country Planning

THE limits of State interference with free private enterprise in general is still one of the most controversial of subjects in this country—in spite of the examples set by Messrs Hitler, Mussolini and Stalin. But in one sphere, at all events, there is little dispute that it is the business of the community to take a hand. We refer to Town Planning and the proper use of the land of Britain. Yet, in spite of the almost unanimous condemnation of the results of haphazard and chaotic development, extremely little has been done to ensure the wisest use of our limited territory, or to secure for the mass of the people the better environment and conditions of living that could be brought within their reach by the exercise of forethought and firm administration. Since the war a large part of the population has been rehoused in the millions of new houses that have been built, and these homes have been scattered far and wide over areas which have been opened up by the construction or remaking of thousands of miles of road. All this has followed no coherent plan, and there is a growing realisation of the opportunity that has been missed.

But it is not yet too late to make a fresh effort, for a steady shift of the population is still taking place. The fluid state of our economic structure, of our ways of living and of the occupations of the people, means that much building and rebuilding of townships and villages remains to be done. And, meanwhile, the Barlow Commission, set up to examine the distribution of Britain's industrial population and its causes, has been confronted with evidence which constitutes a powerful challenge to current trends.

The nature of the indictment is well known. Britain is an industrial country in which the process of urbanisation has run to excess. More than half the population of England and Wales lives in towns of more than 50,000 inhabitants. Over 15 million people live in the built-up or partially built-up areas in and around London, Glasgow, Birmingham, Liverpool, Manchester and Newcastle. Rural depopulation is proceeding steadily, and arable acreage has fallen continuously for more than 60 years. In the London Basin, roads, houses, factories, reservoirs, aerodromes and golf courses have almost entirely eaten up "a strip of alluvial market garden land as valuable as any garden land in the world." Our towns are the centres of an economy which has, admittedly, enabled us to increase the National Income nearly tenfold in little more than a hundred years. But many urban centres are so inconvenient to live in and so fabulously expensive to maintain that there is a strong case for checking their growth. The density of business, housing and traffic at cities' centres; their sprawling and remote suburbs; long, uncomfortable and costly journeys to and from work; the lack of fresh food, fresh vegetables, fresh air and sunlight; polluted air and water; high death rates and infantile mortality, bad teeth, poor physique, disordered digestions and shaken nerves: the price of urban civilisation, so stated, is indeed high. Materially, mounting expenditure on health and transport services, roads and houses makes the running of a great city the most expensive enterprise in the world.

The cost of excessive urban growth is thus equally great, whether expressed in terms of wealth, welfare or convenience. The London family spends over £16 per annum on involuntary travelling; the Birmingham family £8 17s. At peak hours on the Morden-Edgware tube there are 5,000 seats per half-hour for 13,000 travellers. The people housed at the city's centre live too many to a room, if they are in slum dwellings, and too many families to an acre, if they have been moved to slum clearance tenements. And the

new flats can only be let at reasonable rents because the State provides a high subsidy for rehousing on expensive sites.

Britain's large towns have suffered from overdevelopment; the countryside from neglect. Vulnerable in war because her great urban centres are obvious targets for bombs and sixty per cent. of her food supplies are drawn from overseas, Britain is also vulnerable in time of peace. In agricultural Britain the soil is deteriorating. The standard of grassland has fallen. Crop and animal diseases have increased. National nutrition is endangered.

On many counts, therefore, there are grave dangers involved in the continuance of present trends in land utilisation. More and more, already, the State has been compelled to step in, to abate nuisances and to adjust incompatible claims. Hitherto, town and country planning has for the most part been left to local authorities, while the national aspects of planning or control have been almost wholly ignored. The State has already assumed responsibility for the health and nutrition of the people, their safety on the roads, their physical fitness. It has been responsible for the disproportionate expansion of large towns, for without State subsidies urban growth would be financially impracticable. It is therefore clearly the State's responsibility to consider whether the trend of urbanisation cannot be now reversed. On the one hand, the growth of cities beyond a certain size entails social consequences and expenses which cannot be justified; and on the other the decimation of valuable agricultural land means the loss of essential perishable foods.

At bottom, the main obstacle is financial. If the building of houses and factories is effectively restricted in specified areas, if certain land is definitely reserved for agricultural uses, green belts, open spaces and recreational parks, and if the height and bulk of buildings are stringently controlled in congested areas, landowners will lose the values which might have accrued to them as the result of unregulated development. The cost of compensation is already the major deterrent to putting local planning schemes into effective operation; and the attempt under recent Planning Acts to establish a fund by imposing a betterment levy on land definitely improved in value by schemes has in practice been largely inoperative. Yet, in this direction, the solution to this urgent problem may surely be found.

The Town Planning Institute have proposed an advisory National Planning Commission to collect all the relevant facts about the use and development of land. The Garden Cities and Town Planning Association have recommended a National Planning Board to restrict new industries and businesses in overgrown towns and agricultural areas, and to schedule specified places, such as Special Areas, small towns, garden cities and trading estates, for planned industrial and residential development. Further, the Association suggest the provision centrally of funds to enable large local authorities and approved private bodies to acquire and develop these sites, and they recommend the adjustment of the present system of housing subsidies to favour the development of these chosen areas. The existing subsidy for rehousing on expensive sites in central urban areas, they suggest, should be diverted for this purpose. The transference of undertakings and their personnel from congested districts to new sites could, *inter alia*, be financed in this way. In other words, the power of the purse is to be used to see that subsequent developments shall follow predetermined lines. Considerations of welfare and economic advantage alike require that these proposals should receive the most careful and sympathetic examination.

Topics of the Week

"On Their Lawful Occasions."—The Prime Minister is staking a large sum, in the currency of Britain's prestige and his own political reputation, on a very speculative policy. This was made plain during Tuesday's debate in the Commons, when he had the unpleasant task of explaining why the Government would do nothing to protect British shipping in Spanish waters. Many of the growing list of outrages, if committed by belligerents at war, would be breaches of international law; if the perpetrators are not "at war," they are piracy or arson, which must brand the guilty parties as the King's enemies. It is, therefore, not surprising that Mr Chamberlain, who repeated once again that strong action would involve a risk of war, left his supporters in a very uneasy frame of mind. Mr Noel Baker, who opened the debate on behalf of the Labour Party, impressed the House with his well-documented case. As General Franco had no belligerent rights, and as our ships, engaged upon their lawful occasions, had been, by the Government's own admission, deliberately attacked, why did not the Government either put pressure upon Italy direct, or allow the Spanish Government to buy munitions from Britain and defend British ships and lives for us? There were open to us a number of possible courses of action—naval, political and economic.

With much of Mr Baker's statement of the issues involved the Premier agreed. But he proposed no action.

It is not a nice thing to hear of British ships being attacked in port. . . . We do not admit the right of General Franco or anybody else to attack these ships. What we say is that we do not believe any practical means of preventing it, without adopting a policy which would be completely at variance with that which we believe to be in the true interests of this country, has been found.

The only hope, in his opinion, was to seek to end the war.

All we can say is that we shall, from time to time, try to take soundings with a view to seeing whether there are any favourable prospects of success and that, when that time comes, we shall be only too glad to offer our services, either alone or in conjunction with others, to bring this lamentable conflict to an end.

With this aspiration, the prospects of which we discuss elsewhere, all will agree. But that meanwhile the Government should announce their impotence to safeguard British lives and shipping sent a chill through the House. Sir Archibald Sinclair, who followed, pointed out the danger of Italy's attempt to separate England and France. Why is it that when Germany and Italy intervene in Spain there is no risk of war; but when Britain takes steps to defend her nationals we run the risk of war? Mr Duncan Sandys alone among Conservatives joined the opposition speakers in expressing the sense of frustration which was felt throughout the House; while Mr Lloyd George declared that in all the years he had been in the House, the speech of the Prime Minister was without precedent. The only relevant comment on the debate has been made by the "actionists" in Spain, who, within twenty-four hours, proceeded to sink two more British ships and damage a third. There must surely be limits even to the patience of Mr Chamberlain.

Parliament and National Defence.—During the last few days time has been found in Parliament to discuss such civilian matters as roads and transport, and to examine, sometimes with no little heat, some of the Government's financial proposals for the current year. Even so, considerations of war-time policy have intruded widely upon all these discussions—except, happily, the Education debate. Last week's discussion of the Essential Commodities (Reserves) Bill revealed something of the

complexities of transport and storage involved in laying up supplies of food against the event of hostilities. Mr Burgin, in the debate on the Transport Vote, alluded to the probable need to divert shipping in time of war from East Coast ports to the West; and it is believed that plans have been fully prepared to meet this contingency. Despite the importance of Bristol, Cardiff and Liverpool, the present active equipment of western harbours could scarcely cope with the diversion of any large volume of imports; and the task of distributing increased supplies by land from the ports to the centres of population would entail considerable difficulties. Accordingly, a survey is being made of the berthing, docking and transport facilities of every western harbour likely to be of any use in time of need.

Finance on Wednesday last, no less than transport on the preceding Friday, was overshadowed by war-time preoccupations. Vigorous discussions of the Government's fiscal policy with regard to oil and petrol and power alcohol returned frequently to the need for secure supplies in time of war. The Labour Party were not happy about the Government's increase in the preferential duty upon home-produced oils. Following the lines of their official report on oil from coal, published on Monday, they wished to create a fully fledged oil-from-coal industry at an initial cost of £17½ millions. In general, however, the House accepted the Falmouth Committee's view that at present the production of oil from coal could not be justified on commercial grounds, and welcomed the increase in the preference as a guarantee against unforeseen improvements in the processes of oil distillation—though the oil duty which hits domestic transport is not perhaps the best way to subsidise the native oil industry. Britain must mainly depend in war as in peace upon seaborne supplies. The accumulation of reserves is urgent, but in the future, no less than in the past, Britain's security must rest upon her command of the seas.

Motor Cars and Import Duties.—On Wednesday Mr Oliver Stanley moved a resolution in the Commons to transfer the McKenna duties on motor cars, musical instruments, clocks, films and other articles

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to the general tariff system instituted in 1932. The President of the Board of Trade fastidiously refrained from referring to this year's heavy importation of low-priced German cars which, by the indignation it aroused among British manufacturers, was the *fons et origo* of Mr Stanley's proposal. In the first four months of this year, imported German cars, to the number of 3,183, amounted to 55 per cent. of all imported cars. Three times as many were imported during these months as in the same period of 1937; and nearly 40 times as many as in the first third of 1936. The cars imported from Germany, mainly made by the Opel Company, are said to be in receipt of what is in effect an export subsidy amounting to some 43 per cent. of their value. Mr Stanley's resolution will authorise motor car manufacturers in this country to approach the Import Duties Advisory Committee with a request that the existing *ad valorem* duty of 33½ per cent. on imported foreign cars should be increased to cope with this subsidised competition. Dumping based on internal levies, in various forms, is an expedient frequently practised but seldom defended. Against it British manufacturers may feel that they have a claim to protection. But any tariff change based on present costs of production in Great Britain should take due heed of the fact that these are swollen by uneconomic factors like the excessive multiplication of models, particularly in the medium horse-power ranges. As the Liberal Opposition emphasised on Wednesday, the procedure of appeal to the Import Duties Advisory Committee gives considerable powers of initiative to industrial interests and little power of control and criticism to Parliament. The British car industry has been heavily protected for 22 years, but by world standards it has not become as efficient as consumers are entitled to expect.

* * *

The American Scene.—On Thursday of last week the 75th Congress of the United States was adjourned; and unless something untoward in the field of foreign affairs or railroad finance decrees the contrary, it should now have finished its labours. The 76th Congress will convene as a result of the Elections next November. The departure of all the 435 Representatives of the Lower House, and of one-third of the Senate (32 Senators), for the electoral arena comes at a time when, as we have already seen in Florida, the progress of the present economic depression is tending to enhance the President's control over both the Democrats and the electoral atmosphere. The knowledge that about another \$4,500 millions is now at the Government's disposal for expenditure in all the States will tend to act like the crack of a whip over the heads of recalcitrant Representatives in the Democrat herd; and the Republicans will have an even more difficult task. Those dissident Democrats who within the last twelve months have tended to break away from the Party line are now facing electoral contests when economic depression is hitting their constituencies and the President is sitting on the "pork barrel." The record of this expiring Congress is not mean; after a dispute with Southern rebel Democrats, the Wages and Hours Bill has gone through; the modification of the Undistributed Profits and Capital Gains Taxes have not been such as to constitute, in present circumstances, anything like a defeat, let alone a retreat, of the Administration; and the Republican and Business element is still bereft of programme and leadership. All this bids fair for the Democrats in November.

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American public opinion has in the meantime been gravely stirred by the bombings in the Far East and in Spain; by the (to the Americans, as well as many British citizens) inexplicable acquiescence of the British Cabinet; and by the uncovering of an allegedly German spy-ring in the States, working with German agents on steamships and in Scotland. On this latter development, enough has already been published in America to indicate that, when the case gets into the Law Courts, sensational will prove a mild epithet. A Federal Grand Jury presented an

indictment of 18 Germans and German-Americans on Monday; and high officials in Germany are indicted for conspiracy *in absentia*. The Anglo-American conversations in Washington for the trade agreement are still dragging their slow length along; but there are signs that success is nearer than was thought possible a few weeks ago. Over America still hangs the cloud of economic depression; and this is not likely to lift appreciably before the autumn, if then.

* * *

Jew-baiting in Germany.—A fresh "drive" against the Jews was launched by the Nazis last week, and is still continuing. Gangs of Aryan apaches have been let loose against Jewish shops and private houses. Some thousands of Jews have been arrested by the police—for no other crime, it would seem, than that of having been the victims of these calculated Aryan disorders. And "This is a Jewish shop" has been painted on the plate-glass windows of shops in Jewish ownership. One semi-official German explanation of this fresh outbreak of anti-Semitism is that the Jews from Vienna have been seeking asylum in Berlin, and that the Aryan Berliners have spontaneously expressed their indignation at finding their city used as a Jewish city of refuge. It is true that, hitherto, life has been less intolerable for German Jews in Berlin than in the smaller cities of the Reich. But this explanation is somewhat discredited by the fact that the present outbreak has by no means been confined to the capital, though the outrages in Berlin may, this time, have been on a greater scale than those elsewhere. Another explanation is that the present outbreak in the Reich is designed to exert pressure on the international conference which, at President Roosevelt's suggestion, is meeting at Evian early next month in order to consider ways and means of helping Jewish refugees from Austria. At present, many States demur to receiving Jewish ex-citizens of Austria or Germany who have been stripped first by their own Government of all their property before their expulsion. It has been suggested that the latest turn of the screw of persecution in the Reich is intended to work up the charitable feelings of the delegates at Evian to a point at which they will accept the German proposition that Germany shall keep her Jewish ex-citizens' property while the rest of the world takes care of their persons. A third explanation is that the Jews in the Reich are now serving as "whipping-boys" in lieu of the Czechs. When the Czechs upset Herr Hitler's plans by impudently refusing to let him march into Czechoslovakia unresisted, the Führer had quickly to secure an alternative German victory. If so, it is not a famous victory.

* * *

Germany and the Danube.—Since the annexation of Austria by Germany, German measures to bring the Danube and its traffic under German control have been pushed fast and far. This is not due so much to the immediate preparations for the Rhine-Main-Danube canal, which is to link the North and Black Seas, as to the size of the Austrian commercial fleet on the Danube, which constituted 16 per cent. of the total mercantile and passenger tonnage on that river. Moreover, the Austrian military flotilla has been joined with the German, and both are being rapidly expanded. This flotilla may play a very important part on the Austrian Danube west of Bratislava. At the same time, German firms are preparing for the construction of the 45-kilometre canal to by-pass the Roumanian Danube between Cernavoda and Constanza. This scheme will diminish the significance of the hitherto most important Roumanian harbours on the Danube, Braila and Galatz. The Roumanian railway from Bucharest to Constanza carries about four-fifths of Roumania's total export of petroleum, wheat, timber, etc.; and this also will be affected. Roumanian capital is scarcely engaged in this undertaking; so that when these two canals are completed, the rivers Rhine, Main and Danube will form an almost purely German artery across Europe. The Danube

trade of Hungary, Yugoslavia and Roumania is virtually already under the control of Germany. The traffic upstream has always been more important, for it brought Austria-Hungary before the war, and will now bring Germany after the annexation of Austria, the raw materials from Central and South-Eastern Europe; oil, timber, metals and cereals. In return, Germany expects to be able in future greatly to increase her down-stream traffic carrying her industrial products in payment. The stretch of 172 kilometres between Hungary and Czechoslovakia is still very important; for from the Slovak harbours of Bratislava and Komarno run railway lines to the Czech and even to the Polish industrial regions and beyond, e.g. to Gdynia. The really threatening development on Europe's greatest and still internationalised river is the rapid expansion in Germany's armed forces on these waters.

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Italy and Yugoslavia.—From the Thursday to the Saturday of last week, at Venice, M. Stoyadinovitch, the Prime Minister of Yugoslavia, was in conference with the Foreign Minister of Italy, Count Ciano. Italo-Yugoslav trade was the official subject of the conversations; but there was no statement that political questions were excluded; and the question of trade has, of course, an important political aspect. While the trade between Italy and Yugoslavia has been dwindling, that of each of these two countries with Germany has been markedly on the increase. This means that not only Yugoslavia, but even Italy, is in some danger of being drawn into a German economic system which, by curbing the non-German partners' economic liberty of action, might threaten to interfere with their political liberty as well. There are also certain directly political issues in which Italy and Yugoslavia have a common interest over against Germany. For example, the region at the head of the Adriatic where Italy and Yugoslavia march with one another is also the region where Greater Germany, within her post-Anschluss frontiers comes closest to Mediterranean waters; and the rulers of the Reich have certainly not forgotten that the Ostmark (as Austria is now called) included, down to 1918, not only the Czechoslovakian provinces of Bohemia and Moravia but also the Italian coast and Slovene hinterland of Istria. Both Italy and Yugoslavia, again, saddled themselves, in the peace settlement, with subject German minorities; and even the sensational renunciation, for all time, of the German South Tyrol, which was Herr Hitler's present to Signor Mussolini during his recent visit to Rome, can hardly have made Italy feel perfectly sure that her own frontier with Germany is better guaranteed than Yugoslavia's. In this matter of minorities, the relations between Italy, Yugoslavia and Germany are complicated; for there is also a large Yugoslav minority under Italian rule, and, at any rate until a very recent past, these unredeemed Slovenes have been no better treated by the Fascist regime than the unredeemed Germans of the South Tyrol. If Italy were one day to fall into serious difficulties, we can imagine Germany suggesting to Yugoslavia that they should effect a joint rescue of their respective nationals from Italy's clutches. Yugoslavia would then be confronted with an awkward dilemma.

* * *

Outer Europe.—The diplomatic game between Poland, Czechoslovakia, Hungary, Roumania and Yugoslavia is being played fast and furiously since the final results of the Czechoslovak communal elections appeared. All three week-end elections resulted in a strengthening of the Centre and Left parties; a big increase in the Sudeten German Party's vote; a relative weakening of the Agrarians in Bohemia and a strengthening of them in Slovakia, whence the Prime Minister, M. Hodza, derives his main support. The Sudeten vote was 91 per cent. of all German votes polled; but the distribution of Sudeten majorities was very uneven. In Reichenberg it was 90 per cent.; in Teplitz-Schönau 75 per cent.; in other mainly German towns of Bohemia and Moravia it ranged between 55 per cent. and 85 per cent. Thus, the German

Social-Democrats, Jews and left-wing groups contrived to secure many seats. The defeat of the Slovak autonomists under M. Hlinka has now led Polish public opinion and the Press to take a much more friendly tone to Czechoslovakia; though the appointment of Colonel Slawek as Marshal of the Sejm in place of M. Car, who died last week, lays the question of a united and clear official Polish attitude open once again. The struggle in domestic Polish politics has an important bearing on Polish foreign policy. There is everything to be said for a concerted effort between Poland, Roumania and France, on the one hand—they are all allies—and Hungary and Yugoslavia on the other, to bring the maximum of goodwill to bear on the vexed minority and economic problems besetting Central Europe. The Czechoslovak Government are understood to be preparing the new Minorities Statute in such a way that every concession to the Sudeten Germans can also be made, *mutatis mutandis*, to the Polish and Hungarian minorities; which is sound democratic procedure. The negotiations with Herr Henlein's representatives have further advanced, but clearly the Prague Government will have both to safeguard the republic's integrity and non-Henlein citizens' rights, as well as ensure that all minorities are equally and equitably treated. The repercussions of these day-to-day questions are now reaching down into the Balkans, and even into Turkey-in-Asia. For example, this week the Yugoslav-Italian discussions, noted above, are said to have taken account of Yugoslav, Italian and other political interests, shipping, trade and communications in the Adriatic, Aegean and Mediterranean, as well as on land in the Balkans.

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The Irish Election.—The result of the General election in Eire is a complete victory for Mr de Valera, who has obtained a majority of 15 over all parties combined. It has thus been demonstrated that the system of proportional representation does not necessarily lead to a deadlock, and presumably no change will be made in the method of voting. Mr de Valera's increased strength, according to our Dublin correspondent, was obtained principally at the expense of the Labour Party, which has suffered the penalty of years of vacillation and inconsistency. Not a single Labour candidate was returned for any of the Dublin constituencies, all of which contain large working-class populations. Mr Cosgrave's party lost only three seats, and the result of the election is unquestionably satisfactory to all who favour a reasonably Conservative and stable government. The main plank in Mr de Valera's platform was the agreement with Great Britain. The enthusiasm with which the electorate accepted the agreement is of good augury for the future of Anglo-Irish relations, which are discussed in a leading article on page 702 of this issue. The two countries have been drawn together by the dangers of the international

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situation, which has forced upon them a realisation of their identity of interest in matters of defence.

* * *

Attention now centres on the use Mr de Valera will make of his majority in matters of domestic economic policy. His election speeches suggest that he is becoming aware that the farming interests have had insufficient attention in recent years and that the industrial protective drive may be slowed down. It would not be surprising if some attempt were made to organise industry on co-operative lines and to curb the more obstructive activities of the trade unions. The new Government may be more conservative than the old, which was harassed on the one hand by the British penal duties and on the other by the Labour Party. The report of the Banking Commission, the publication of which is daily expected, may serve as a guide in the financial field. The principal ground for anxiety among taxpayers is the new programme of defence, which, to be effective, will necessarily be very expensive. Rumours are current of another large loan for capital expenditure on defence.

* * *

Road Safety and Road Users.—The Minister of Transport carried the Commons with him on June 17th when he elected to make the problem of road casualties the central theme in the statement of his department's progress and policy. Mr Burgin's opinion that carelessness was the chief cause of accidents was not received with similar favour. Many members held the view that radical improvements in British roads could alone abate the deplorable increase in the daily rate of casualties—which at present stands at eighteen killed and more than six hundred injured. Widespread anxiety about the failure of the Government to implement its promised plan to expend £130 millions in five years on major road improvements was not diminished by Mr Burgin's account of the elaborate surveys now being made of conditions on trunk roads which became the responsibility of the Ministry last year. Normal expenditure on the roads has not been markedly increased since the Government's pledges were made at the 1935 election. Mr Turton, it is true, expressed alarm in last week's debate at the prospect of any large increase in expenditure on the roads when every penny was needed for national defence. But most members felt, and few of the electorate would disagree, that money spent on making our roads safer for their users would indeed be well expended. In the last resort, however, under modern traffic conditions, safety must depend finally upon the road users' good sense and tolerance. So long as our roads are inadequate in space and design, this is especially the case.

* * *

Regulations for Cyclists.—The worst sufferers from road accidents are cyclists. The Transport Advisory Council propose, in a Report published on Monday, that for their own protection this largest class of users of the highway should be obliged to use cycle tracks where suitable ones are provided; that they should be prohibited from riding more than two abreast; and that cycles should carry red rear lights. About the first two proposals there can be no two opinions; they will conduce to additional safety. And red rear lights can only fail of their purpose if their introduction leads motorists to relax the caution which at present they are very properly compelled to exercise. Many of the safety devices put into effect since 1933 have been admirable. Some have been ill-advised. But at no point has the Ministry's urgent campaign to secure safety enjoyed the support due from the various organisations of road users. Only the good-humoured and sensible behaviour of the ordinary individual motorist, cyclist or pedestrian has enabled the Ministry to make any genuine progress towards the reduction of accidents. Roads must, indeed, be made safer in themselves; but organised road users must display that will to co-operate which the general public's shocked alarm about accidents very rightly requires as a duty.

Progress in Education.—In the current financial year expenditure on education from the Exchequer will amount to £51,072,000 and from rates to £47,810,000. Proposing the Education Estimates in the Commons on Monday, Mr Kenneth Lindsay declared that our educational system was undergoing fundamental changes for the better. The rapid provision of new buildings was facilitating that differentiation of post-primary training which was axiomatic in the Hadow Committee's generally accepted proposals for reform. Special stress was being laid upon reorganisation of rural schools. The National Fitness Campaign was giving a new and desirable purpose to British education outside the narrow confines of the classroom. In the view of the Opposition, however, the present measures to promote physical fitness were ill-directed; and, despite Mr Lindsay's claims for the achievements of reorganisation, the confines of the poor child's classroom were still too narrow. It was denied that the system of education was, in fact, being radically altered. Poverty remained the chief bar and disadvantage to the schoolchild's progress: anaemia and sub-normal nutrition rendered the necessitous child unable to profit from physical training. Classes in elementary and senior schools where the poorer children were mainly to be found were generally too large, and equipment was frequently wholly inadequate. Many speakers, again, were doubly anxious about the consequences of the new Education Act, due to come into force next year. The majority of children, it was argued, would not benefit from the raising of the school-leaving age, because they would be exempted in order to go to work. The remainder would benefit only slightly, because the post-primary schools to which they would go were, in the main, cheaply and inadequately equipped. The various criticisms made at least suggested the ways in which our democratic system of education tends to fall short of its pretensions. Mr Lindsay's tale of progress was largely authentic. His statement that we could not afford to spend less on education than we are doing was the barest truth. But it is still far from the case that the nation's fifty millions is being spent to the nation's best advantage.

* * *

Castlecary Accident Report.—Last December, 35 people were killed in a railway collision at Castlecary in Scotland. The official report on the disaster appeared this week. After pointing out that snow was falling at the time and visibility was bad, the report says that a goods train was held up at Dullatur East, the signal-box immediately ahead of Castlecary. The Dundee express, which was the next train, had therefore to be stopped at Castlecary. The signals there were kept at danger, but unfortunately the driver misread the distant signal and approached Castlecary at full speed. The signalman waved a red lamp, but thinking the train was not going to stop, he sent the "running away" bell signal to Dullatur East. The Dundee driver, however, did manage to stop his train at Castlecary starting signal, 450 yards down the line. Unfortunately the signalman failed to realise what had happened, and so accepted the next train, the Edinburgh express, from the box in rear. This driver, in turn, misread the Castlecary distant signal, raced through at full speed, and crashed into the back of the Dundee express. The report apportions grave blame to the Castlecary signalman for accepting the Edinburgh express "without clear knowledge of the position of the Dundee train and while actually expecting an accident to the latter." It was impossible to determine whether the Castlecary signal had jammed and so both drivers are given the benefit of the doubt. The fact that both drivers misread the same signal throws doubt on its reliability, but the report adds that in view of the bad weather the Edinburgh driver was going unduly fast. The report does not pronounce definitely in favour of all-steel coaches; but makes valuable recommendations for the adoption of safety devices already in use on certain lines. The real issue is whether the time is ripe for making the use of such modern safety devices compulsory.

Overseas Correspondence

From Our Special Correspondents

United States

Business and the President

NEW YORK, June 14.—While current business indicators show little change on balance, discussions increasingly emphasise the political aspects of political economy, both in New York and in Washington. The antipathy of business interests to the Administration has been a feature here for years. The resentment in Washington to business interests is little less marked. In the absence of relevant statistical data, current discussions turn on such phrases as "confidence" and "psychology."

While these terms are unsatisfyingly vague and nebulous statistically, yet some more specific meaning can be indicated with certain figures. In 1936 there were 59,000 individual income tax returns showing net income in excess of \$25,000. In 1928 the number was 111,000. This group of large income recipients is presumed to have a major influence upon capital formation, an activity which accounts for a large part of the fluctuations in business activity. The total membership of this group is small, and if allowance is made for movie stars, minors and others whose influence on business motivation is slight, the total number of people who are in a position to exercise an important directional influence upon capital formation constitutes only a tiny fragment of the population.

The members of this group are doubtless preponderantly anti-Administration. If the assumption of an important directional influence on the economy by them be granted, the question is to what extent their political feelings affect their business operations. This is the question being widely asked to-day.

During the past few years, their political feelings do not appear to have varied greatly. At present, the business interests are disappointed at the outcome of the Congressional session. The unexpected support received by the Wages and Hours Bill, failure to clarify the utilities controversy and the President's strong stand against the tax measure have contributed to this. For the next four months political matters will be kept in prominence by the procession of primary elections leading to the elections for Congress in November.

Yet the thesis of the dominance of the political *motif* leaves many factors out of account. The more statistically-minded analysts lay stress upon large inventories, declining public buying (manifested by retail trade trends), declining loans and investments of banks, labour troubles and cost factors. Conversely, the more hopeful emphasise the improving new issue market, promising building developments, the forthcoming expansion in Treasury spending, diminishing inventories and cost adjustments. These tangible factors can hardly be left out of account in evaluating the current position, even if attention is given to the political factor.

Probably the current stress on political affairs is overdone. It may be one more instance of the tendency to seek unitary interpretations of current events. The ease with which developments can often be apparently explained by one group of economic phenomena, whether political influences, or capital goods or purchasing power, is tempting. The over-worked Martian visitor would be impressed by the extent to which explanations of this kind are current here at present.

Whatever the correct conclusions in this regard, there is a reasonable consensus of opinion about the outlook for business at the moment. With the Federal Reserve index for May unofficially estimated at about 75 compared with 77 in April, business is believed to be near its low point. There is great diversity of opinion, however, about the timing of recovery.

The low level of business is rapidly swelling the volume of unemployment. The report of the Department of Labour on employment in non-agricultural industries in April states that, since April, 1937,

there has been a reduction of more than 2,500,000 in the number of people on the payrolls of private industry and of public agencies engaged in regular Government activities, ex-

clusive of Works Progress Administration and other Federal and State emergency projects.

From these figures it appears that total present unemployment must be in the neighbourhood of 12 millions or 13 millions. This compares with the estimate made by the American Federation of Labour of 13,723,000 unemployed in 1933 (average for the year).

Relief Expenditure

Consequently, the need for relief is growing rapidly. Studies show that the number of persons who received relief, works programme employment and emergency employment, exclusive of public works, was 20,112,000 in March, compared with 18,846,000 in March, 1937. This number is covered by a wide variety of relief and aid projects; and it can hardly be doubted that the number is still growing. In this situation, the larger funds shortly to be available for various relief purposes will find ready channels for expenditure.

As a background for the new programme of relief and attempted stimulation now about to get under way, the magnitude of outlays for these purposes and the number of persons affected, excluding public works, is of interest. These figures have recently been officially assembled from the large number of programmes carried on during the past five years.

	EXPENDITURE ON RELIEF \$000,000		NUMBERS (000's omitted)	
	Total, All Public Sources of Funds	Federal Funds	Total, excl. Public Works and Surplus Commodity Programme excl. Public Works	Average Number of Persons that received Relief and Emergency Work
1933—1st half	610	390	507	19,625
2nd half	994	744	791	18,239
1934—1st half	1,931	1,556	1,468	24,187
2nd half	2,013	1,597	1,187	22,349
1935—1st half	1,976	1,530	1,417	23,205
2nd half	2,016	1,525	1,369	19,636
1936—1st half	2,628	1,932	1,827	20,241
2nd half	2,677	1,929	1,711	18,639
1937—1st half	2,463	1,747	1,774	18,201
2nd half	1,995	1,269	1,435	14,661

Overlapping totals have been eliminated as far as possible, in order to provide a complete and continuous series.

France

The Socialists' Policy

PARIS, June 21.—The parliamentary session has ended with two notable setbacks for the Communists. Their demands for a further large instalment of social reform have been rejected; and their desire to end the policy of non-intervention in Spain has been defeated. M. Daladier's opposition to these proposals was greatly assisted by the decisions of the recent Socialist Congress at Royan.

It is the view of M. Blum, the Socialist leader, that a fresh political crisis would be inopportune and even dangerous because of the international situation; and, indeed, it might even recoil upon the heads of those who still support the Popular Front. The gulf between Socialists and Communists is widening, although their leaders continue to discuss a unity which is now more remote than ever.

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The Royan Congress underlined the great changes which have taken place in the Socialist party since the elections of June, 1936. Its members have had experience of being in power, and they now appreciate the small rewards of office. They have become a Government party, and their initiation has cost them a great deal in sacrifices of doctrine.

Anti-militarists, they have promoted a great re-armament programme. Supporters of exchange control and radical financial reforms, they have seen these policies blocked by the Senate, and have had to yield to the necessity of collaborating with liberal England. Their position in the country would have been seriously weakened if the Radical Socialists had not given a renewed lease of life to the Popular Front by skilfully refusing to turn directly against the views of the majority elected in 1936 and guaranteeing the definitive character of the new social laws of the last two years.

Autumn Prospects

Thus an alliance between Radicals and Socialists has succeeded the broader fighting Popular Front. How long will it last? The answer depends upon two things: the actual course of events at home and abroad, and the willingness of the Radicals to march with the Socialists in the carrying out of a policy of reform.

Actually, domestic developments have been deeply affected by world affairs. Recession abroad checked the flight of French capital, and weakened the depressing influence of France's budgetary difficulties upon the franc's rates of exchange. In May, revenue receipts were above estimates, although those in the first four months of the year fell below anticipations. The foreign trade figures could certainly be better, but they are not very unfavourable; and receipts from the tourist industry should be very much improved this year, because of the recent decrees and the lost cost of living for foreigners in France. The potato crop is good and there should be a surplus for export.

In general, the situation is propitious for a revival of private enterprise and the reinvestment of capital. Investors, after five years of crises, feel acutely the need for profitable employment for their money. The Bourse, realising this and the new chances of world peace offered by the collaboration between France and Britain, seems little by little to be showing more hope.

The Radicals' readiness to carry through social reforms has already been shown by the recent decrees, which included *réformes de structure*, at least in name. The fear of war and Communist extremism has created a favourable atmosphere for the formation of a political grouping, pivoted more to the Centre than the original Popular Front, firmly set between the extremes of Left and Right, but not involving any immediate break with the majority views endorsed by the electors two years ago.

The fourth instalment of decrees, already approved by the council of Ministers, was issued this week. The co-ordination of road and rail is one topic; the development of the tourist industry another. Attempts are to be made to stimulate the birth-rate. The construction of cheap dwelling-houses will be encouraged. Financial assistance will be given to local utilities, and the credits proposed for public works will be reorganised. Colonial gold mining and industry will be fostered; and measures will be taken to expand electrical undertakings at home.

Germany

Anti-Jewish Agitation

BERLIN, June 22.—The saying of that last of the real autocrats, Tsar Nicholas I, that "nothing is important in my Empire except what I talk of, and that is important only as long as I talk of it," might be applied, with adaptations, to present-day Germany. Considerations of propaganda are always much more important than actual events. Only matters officially deemed to merit emphasis are for the moment treated as significant. Hence particular topics are prominent for weeks on end in a flurry of agitation, and then, without any noticeable change in conditions, they fade from the public eye and are replaced by something new—often something old—which is in turn presented intemperately.

Between the morrow of the Anschluss and the frightening events of May 21st everything was Czechoslovakia—presented as a violent crisis, delay in the solution of which would be fatal. A few days after May 21st the Czechoslovakian question had become once more a tedious, permanent problem; and to-day it is hardly mentioned. Yet, objectively regarded,

the Sudeten-German dispute is just as it was in May. It has been officially displaced in the news by half a dozen matters, all of them minor but all staged with the customary vigour and vehemence.

To-day the burning question is once more the Jews. The Reich Government, except for measures such as expulsion of Jews from the Bourse, professes to hold aloof. The Nazi Party claims that it is obliged to agitate and incite merely to counteract the activities of foreign Judophiles. The Jewish question, however, has not revived automatically, but because its revival in the public mind was designed.

In itself the question is no more acute than it was a month ago. It has long been plain that the Jews in Germany are doomed to painful extinction, and that the only way to save them is to remove them altogether. The present anti-Jewish excitement will probably die down, but the Jews will gain nothing from a new Czechoslovakian crisis, a new building programme, or any other sensation that may be officially pushed into the limited field of vision of the public.

Foreign Debts

The official attitude towards Austria's international loans, now being negotiated with other payment matters in London, was clarified by Dr Funk's speech last week. Doubt about this attitude arose from apparently contrary reports that the loans had been repudiated on "political" grounds and that an offer of partial or conditional service and transfer was made during the first Anglo-German negotiations here. Dr Funk's speech made it plain that he realises that repudiation is impracticable against any guarantor Government that has means to compel payments, but he retains as a final fighting position the theory that Germany is not "legally, economically or morally" liable. He is, therefore, not committed should any conditional offers of part payment be rejected; and—which is probably more important—agreement to pay one country does not commit him to pay another.

Last week it was believed here that full payment would be promised to Great Britain, but only if counter concessions were made. It was also believed that the Dawes and Young Loans would be brought up for discussion. Should the guarantor countries consider themselves obliged to act together, the problem would take on a new aspect.

The latest foreign trade reports do not indicate propitious transfer conditions. The Reichsbank's reserve, however, remains unchanged, although net gold imports in May reached the very high sum of Rm. 44½ millions, and in the first five months of the year Rm. 72 millions—which slightly exceeds the Reichsbank's displayed gold reserve. Dr Funk declared that commercial debts would be respected, but added that a political debt did not become a commercial debt merely because the bondholders were private. In the light of earlier official statements that foreign loans to German private undertakings during the reparation years were political, Dr Funk's utterance is not reassuring.

Higher Industrial Output

According to an official report, industrial production in 1937 was 18 per cent. higher than in the good year 1928. The greatest and smallest changes since 1928 have been as follows. Output of "equipment goods" (machinery, plant, etc.) has risen 31 per cent. Output of consumption goods of elastic demand has risen only 2 per cent. In an address to bank officials Dr Schacht issued a warning against the dangerous situation "when a wage-earner does not produce consumption goods, but goods which economically are not directly productive (*sic*). The result, said Dr Schacht, must be shortage and higher prices. This is the position already, though it is not acute.

An instructive light on activity which is not "directly productive" is thrown by a return on theatres. The return, which comprises all theatres with fixed locations, shows 177 classed as State or municipal, and only 49 as private. Further, about one-half of the summer and open-air theatres are in public hands. Of all artists and employees in theatres with permanent staffs 90 per cent. belong to State or municipal theatres.

Pig-iron production in May rose further to 1,545,000 tons; and, in the first five months of this year, output has amounted to 7,295,400 tons against 6,406,100 tons in the same months of 1937. The prolongation of the International Steel Cartel has been well received, though Germany's chief interest just now lies in the Cartel's policy of maintaining prices. The British Government's decision in regard to import duties on motor cars is criticised. The annual report of the Auto-Union of whose cars two rank as high-priced, shows an increase in exports of 60 per cent., and in exports of motor cycles alone a rise of 93 per cent.

The annual reports of the Hamburg-America and North German Lloyd shipping companies are considered relatively

favourable, but have had no effect on the prices of the stocks. The short-term debts of both companies have been substantially reduced, and the long-term liabilities increased owing to credits for new construction. Including orders given in 1937, the Hamburg-America building programme comprises 21 vessels of 122,700 tons. The North German Lloyd is modernising about a dozen ships by altering the design and installing more powerful machinery.

Increased Import Surplus

The May foreign trade returns (Austria still omitted) show an import surplus of Rm. 28 millions, the largest since January; and the import surplus for the first five months amounted to Rm. 85 millions. In April the import surplus was Rm. 7 millions, and the increase in May was due to larger imports of industrial products, and in particular of raw materials. Four-fifths of the new imports came from overseas. Figures are:—

	April	May	Jan.-May
	Millions of marks		
Imports.	165.3	165.2	849.2
I. Foodstuffs	7.4	10.5	46.6
(a) Livestock	27.4	32.9	189.8
(b) Animal foodstuffs	100.9	89.8	463.4
(c) Vegetable foodstuffs	260.4	285.8	1,397.2
II. Industrial goods	149.6	166.2	815.2
(a) Raw materials	79.1	85.5	417.0
(b) Semi-manufactured	31.7	34.1	165.0
(c) Manufactured	429.5	455.2	2,265.9
Exports	4.7	4.0	25.4
I. Foodstuffs	0.1	0.1	0.7
(a) Livestock	0.5	0.4	2.2
(b) Animal foodstuffs	2.0	1.5	11.7
(c) Vegetable foodstuffs	417.7	422.9	2,154.2
II. Industrial goods	43.3	44.0	219.9
(a) Raw materials	28.5	31.1	167.3
(b) Semi-manufactured	345.9	347.8	1,767.0
(c) Manufactured	422.5	427.1	2,180.4

The May figures for "Great Germany" (covering German and Austrian foreign trade other than with one another) were: imports, Rm. 516 millions, and exports, Rm. 465½ millions.

Holland

Signs of Falling Activity

AMSTERDAM, June 15.—The repercussions of the economic decline in other countries are being increasingly felt in the Netherlands. There is no serious set-back so far, but signs of depression are becoming more and more evident. The short-lived period of reviving prosperity is once more a thing of the past. According to the returns of the Central Statistical Bureau, the number of registered unemployed did not fall below 310,000 in 1937. At the end of January, 1938, the number of registered unemployed had risen to 440,000, mainly owing to seasonal influences; and, at the end of March the number was 373,000.

In the third quarter of last year, exports reached their highest level since 1931; in the last quarter of 1937, however, exports to Great Britain, the United States and Argentina showed an appreciable decline, and in the first quarter of this year the decline became general. This decline in exports, coupled with the renewed keenness of foreign competition, is being severely felt in many branches of industry. The net effect is a marked hesitancy in industrial circles.

There has presumably been no diminution of the purchasing power of the community; wages are higher than a year ago; and the cost of living is back again at the level of a year ago, owing to the fall in prices towards the end of last year. The recent fall in unemployment is principally due to renewed activity in building and agriculture; but unemployment is particularly heavy in the textile, clothing, leather and food industries. Some branches of industry, supported by orders from the Government, are still fairly active, including iron construction works, shipbuilding yards, machinery and aircraft factories; and the first half of 1938 is believed to have been satisfactory for several ship-owning companies.

The Government's Policy

Nevertheless, the prevailing level of unemployment is regarded with great anxiety. Parliament has been actively engaged on this problem during the past few weeks, and demands for more active measures to cope with unemployment have become more and more insistent. In particular, demands for the execution of public works on a large scale are being increasingly voiced. The Government, however, according to recent statements by Dr Colijn, the Prime Minister, take the view that the execution of big public works does not constitute a satisfactory means of curing unemployment. During the period from 1931 to 1937, the country's burden of debt increased by 1,124 million guilders, and the curtailment of public expenditure is in consequence one of the primary preoccupations of the Government.

The Government's policy in face of rising unemployment is to stimulate exports, to encourage the reduction of costs of production, and to foster concerted action by producers. They eschew any avowed programme of self-sufficiency or protectionism, but are ready to accord Government support to certain articles.

In addition, the Government propose to arrange a better allotment of the available work among the available workers, and to provide for the execution of some public works in order to afford immediate relief to the unemployment situation. For road and canal work, defence, and unemployed camp work, expenditure will be provided in 1938, amounting to 125 million guilders more than the average of the last five years.

Funds are still in abundant supply on the Amsterdam money market. In spite of this, however, the flood of conversion loans has been brought to a standstill, partly because of the agitation conducted by the so-called Investors' Front, which is opposed to any rapid fall in interest rates.

Setback in Foreign Trade

The monthly value of foreign trade (excluding gold and silver) is summarised below, from the returns of the Central Statistical Bureau:—

	In million guilders					
	Imports			Exports		
	1936	1937	1938	1936	1937	1938
January.....	79	106	119	50	73	82
February...	74	105	118	50	79	82
March.....	79	125	120	55	95	90
April.....	81	142	115	57	101	81
May.....	76	128	110	53	90	83
June.....	77	140		53	95	
July.....	80	146		60	102	
August.....	82	123		63	99	
September..	82	130		72	113	
October...	92	149		75	106	
November...	101	130		77	98	
December..	114	128		80	98	
Totals ...	1,017	1,552		745	1,148	

The decline in foreign trade is shown by the figures for the first five months of the current year, when exports totalled 418 million guilders, compared with 438 millions in the same period of last year; and imports 582 million guilders against 606 millions.

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Sweden

Increased Expenditure

STOCKHOLM, June 8.—Clouds on the political and economic horizons have made the Government rush two new important laws through the Riksdag. One Bill provides for the additional expenditure of kr. 70 millions for national defence, and an Enabling Act for kr. 250 millions for public works to be carried out in the event of depression. The Government has introduced taxation on limited companies to yield kr. 21 millions; increased the existing special property tax by a further kr. 15 millions; and raised the existing income and property tax by 6 per cent., to yield an extra kr. 15 millions. Some kr. 19 millions will be obtained from the Budget surplus. The entire defence expenditure will thus be covered within one year. The emergency Budget to cope with any signs of depression, will probably be financed by loans.

In spite of the first signs of business recession, the Government has found the moment opportune to introduce two far-reaching social reforms. An eight-hour working day will be instituted in the merchant fleet, and all workers will receive 12 days paid holiday. The new taxation and these very expensive reforms will impose new charges on the already heavily burdened Swedish industry. A number of prominent business leaders have lately warned the Government, that the limit has now been reached.

Business activity is losing speed, and the general index of business activity declined in March from 118.4 to 116.7 (1935=100). Considerable orders have still to be carried out, however, and employment is on the whole satisfactory. The number of registered unemployed fell in April from 19,000 to 16,000, compared with 22,000 in April, 1937.

Poor Prospects for Exports

Reports from the chief staple industries continue to be discouraging. In spite of the restrictive policy of the European Timber Convention the timber market is dull with only restrained demand from Great Britain and heavily reduced German purchases owing to the Anschluss. Swedish timber sales at the end of April did not exceed 300,000 standards, compared with 640,000 standards at the corresponding date a year ago.

No important contracts have lately been signed for new pulp deliveries and further reductions in output have been made in the paper industry. The chief cause of this situation is the low level of business in the United States which is Sweden's chief customer for pulp and paper. Fortunately, the building industry is still active in Sweden, and the demand for iron and steel for home consumption is in general satisfactory.

Foreign trade has so far been fairly well maintained, although in April imports were for the first time for a long period lower in value than in the corresponding month a year ago. Foreign trade figures were as follows:—

(In million kronor)			
	1937	1938	
	January-April	January-April	
Imports	635.0	646.4	
Exports	500.3	569.6	
Import surplus	134.7	76.8	

Trade with Great Britain during the first three months of the current year was valued as follows:—

(In million kronor)			
	1937	1938	
	January-March	January-March	
Exports to United Kingdom	76.8	104.3	
Imports from United Kingdom	75.0	86.5	
Export surplus	1.8	17.8	

Prices Unchanged

Wholesale prices remained stationary in April and the general index of wholesale prices stands unchanged at 131, and the index of prices of consumption goods remains at 105.8. The supply of money is still abundant, though aggregate deposits of the joint-stock banks fell during the month by kr. 23 millions to kr. 4,050 millions. A Norwegian State-guaranteed 3½ per cent. loan of a nominal value of kr. 14 millions was issued in Stockholm at 99½ and was immediately fully subscribed. Following new gold purchases by the Bank of Sweden, the aggregate foreign currency reserves of the Bank of Sweden and the joint-stock banks

fell during the month from kr. 846 millions to kr. 827 millions.

Quotations on the Swedish Stock Exchange recovered somewhat in April and the general index of stock exchange prices stood at 158.6 at the end of April, against 157.1 at the end of March. The shares of the Swedish Match Company, withdrawn from the official list in 1932, were reintroduced in April.

Spain

Regulation of the Wool Trade

BARCELONA, June 10.—The Government have set up a committee to buy raw wool. The intention is to bring down wool prices by eliminating the competition of buyers. All wool produced in the country will be bought up by special inspectors, and put at the disposal of industry. The new committee will also take over authorised imports, and before being distributed to spinners, both home and foreign wool will be examined by the War Ministry for the selection of lots for the manufacture of yarns suitable for the weaving of military garments.

This measure is an important step in the Government's programme to prevent undue increases in the prices of manufactured goods. The owners of several large department stores in Barcelona, Madrid and Valencia as well as the owners of chains of shoe shops have had to pay fines up to half a million pesetas for infringing the price regulations.

In view of the constant enquiries which are now being made by employers who have insurance policies with companies domiciled in rebel Spain, the Government has issued a decree whereby such companies are obliged, if they wish to continue doing business in loyal Spain, to deposit a specified sum as a guarantee in a bank situated in Republican territory. If they fail to do so within thirty days, they will not be permitted to issue any new policies, and policy holders will be entitled to cancel their insurances. Many policy holders have been unable to pay their premiums owing to the impossibility of obtaining valid receipts.

Reform of the Tobacco Monopoly

One of the first articles which became scarce after the beginning of the Civil War was tobacco. One of the principal reasons for the shortage was the prohibition of tobacco growing in peninsular Spain, which forms part of the agreement between the Spanish Government and the Spanish Licensed Tobacco Company, originally concluded more than fifty years ago. When the rebellion broke out, most of the leading officials of the tobacco company sided with the rebels or left their posts, and the Government had to run the business as best they could.

This provisional state of affairs is now coming to an end. The Government have given notice that, according to a specific provision in the agreement with the company they declare the agreement void. A settlement with the company will be made by a committee, presided over by a chairman named by the Minister of Economics and Finance, and made up of three Government delegates and a further three proposed by a group of shareholders whose shares amount to more than 50 per cent. of the total capital. If the shareholders' representatives are not chosen within a given time, a minority of the shareholders may appoint two representatives. The latter course is most likely, since the great majority of the company's shares are in rebel hands, and the famous Juan March, General Franco's financier and erstwhile tobacco smuggler, is probably himself in possession of more than 50 per cent. of the shares. The maximum amount the State will pay to the company in final settlement will in no case exceed the latter's disbursed capital.

A new concern called "Monopolio de Tabacos y Fósforos" has been set up to regulate the production, importation, manufacture and distribution of tobacco, matches, and lighters. The State has advanced one hundred million pesetas for the running of this business, and the Government is authorised to advance further sums if necessary. Existing plants may not be shut down or new ones opened without the consent of the Government, and the Government will fix the prices to be paid for their crops to the growers of domestic tobacco, since the production of raw tobacco in Spain is to be encouraged. The total planted area must be increased each year by at least 1,000 hectares (2,470 acres).

Japan

War Economy

TOKYO, May 28.—Japan has become increasingly conscious that what it faces in China is not a brief "incident" but a protracted war. The country has been advancing step by step towards a fully fledged war economy. Practically all the familiar features of the economic life of a nation at war (or of a modern style dictatorship in time of peace) are to be found in Japan to-day.

State control over foreign trade and all transactions involving transfers of currency has been in force since the early phase of hostilities, and has been enforced with increasing rigour. The State also directs new investment of capital into what are regarded as desirable channels, since any fresh investment above a small amount must receive the Government's sanction.

Rationing is being applied to wider and wider categories of articles. As yet there is no visible shortage of food; there are no queues for rice, fish, soya beans and other standard items in the Japanese diet. But the pronounced deficiency in the supply of many essential metals and raw materials has led to familiar consequences: soaring prices, anti-profiteering ordinances, attempts to establish fixed maximum prices and to allot supplies in stipulated quantities. There is an intensive search for substitutes for imported raw materials.

The present war, limited as its scope has been, has brought out in clear relief the strength and weakness of Japan's economic position. Its strength lies in the fact that the Island Empire is virtually self-sufficient in food supply—so long as its connections with Formosa and with the mainland of Asia are maintained. On balance, Japan is a very small importer of foodstuffs; and most of its food imports are not used by the majority of the people.

It may be that the second year of the war will reveal some decline in agricultural productivity, as a result of the mobilisation of hundreds of thousands of peasants and the taking of considerable numbers of horses for military service. But, as yet, the only sign of difficulty in this field is a moderate rise in the prices of a few foodstuffs; and this is largely counterbalanced by the more abundant employment and higher wages in the munitions industries.

Shortage of Raw Materials

Japan's self-sufficiency in food does not, however, extend to raw materials. It is here that the pinch is being felt. Pure cotton and wool fabrics have become a thing of the past; mixture of staple fibre with cotton and woollen goods is compulsory, unless the goods are destined for export. So great is the shortage of lead, tin, rubber, mercury and lacquer that these articles are selling at three or four times the cost of importation.

The use of iron and steel is largely limited to military purposes; the construction of new buildings in which steel is needed has been suspended. The use of iron in some forty articles of daily use, such as fences, ashtrays and pillars, has been forbidden. Indeed, the shortage of metals and the high prices which they command have led to many thefts of metal fixtures in railway trains, of iron fences, manhole covers and other bits of unguarded metal. Copper has practically vanished from commercial use.

Petrol, of which Japan produces less than one-tenth of the amount required for peace-time consumption, is becoming an object of the most stringent economy. Gasoline is so rigidly rationed that owners of private automobiles are often able to make little use of them, and the fares of Tokyo's proverbially cheap taxicabs have been sharply raised. Compulsory dilution of gasoline with alcohol is planned together with the introduction of charcoal-burning vehicles.

At the same time, the Empire is being scoured for mineral resources. Under the stimulus of several increases in the price of gold, old forgotten veins of the yellow metal are being opened and reworked. Gold output, which has been variously estimated at 140 million and 192 million yen last year (figures of gold production, along with a number of other economic statistics, were withheld from publication soon after the outbreak of the war last summer) is expected to reach 240 million yen in the present year. Iron and steel production in Manchukuo and iron mining in Korea are being pushed forward.

There have been no economic sanctions against Japan, so that the shortage of raw materials is merely a reflection of certain weaknesses in the Japanese economic position: the

lack of many essential metals and materials and the limited gold reserve. These considerations make it necessary to restrict imports (apart from war supplies and raw materials destined to serve the export trades) to the barest minimum.

Limiting Imports

Japan's aim is to limit imports to a figure which can be balanced by exports plus newly-mined gold. And the figures for the first four months of 1938 show a much improved balance of trade. Exports declined from 1,011 million yen in the first four months of 1937 to 837 million yen. Imports were cut down from 1,407 million yen in the first four months of 1937, when imports were abnormally heavy owing to fears of restriction and of inflationary advances in prices, to 950 million yen. It is an open question, however, whether these figures are really as favourable, from the national economic standpoint, as they seem, because the reduction of imports was largely achieved at the expense of cotton and wool; and this may have an unfavourable influence on the future trend of exports.

While war industries are booming there has been a slowing up in many branches of peace-time production, accompanied by a deterioration in quality, because of the use of inferior substitutes. The financial authorities are aware of the danger that a runaway price rise may occur as a result of the combination of such factors as huge new bond flotations (the loans totalling 4,450 million yen, which must be floated to cover the special war Budget of 4,850 million yen, alone represent more than double the normal income from taxation); diminishing supplies of goods; and relatively high war-time wages. They are endeavouring to counteract this possibility by enforcing a huge programme of popular saving, which is supposed to realise 8,000 million yen.

As yet, there has been less disturbance of the normal economic pattern of life in Japan and of the living habits of the people than the Soviet Union and Germany have imposed during their drives for high-speed industrialisation and militarisation. It is not realistic to foresee any imminent financial or economic breakdown. At the same time, the acute raw material difficulties which have already appeared must raise doubts about Japan's economic capacity to sustain a prolonged war with a more formidable adversary than China.

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Letters to the Editor

The Long-Term Budget Problem

TO THE EDITOR OF THE ECONOMIST

SIR,—More good than harm is done by meeting troubles half-way and the authors of "The Long-Term Budget Problem" (*The Economist*, June 11th) are to be congratulated on their treatise on a very difficult subject. But I think that certain points require further investigation and that a wider discussion is necessary.

1. *Dangers of a "Managed" Economy.*—The growing tendency to tamper with natural forces has its dangers, and this must not be overlooked when considering "ways of escape" from "The Long-Term Budget Problem."

The experimental stages of acquiring a new monetary technique are generally accompanied by unforeseen difficulties. Certain economic theories which have previously stood the test of time are now meeting heavy weather in a sea of cross-currents caused by manipulation and evolution. Thus it is more than ever necessary to move carefully when considering the adoption of new financial measures in order to make sure that secondary influences will not upset original theories.

2. *A Budget "Equalisation Fund."*—The authors' suggestion of accumulating reserves in good years is interesting, but I confirm their fears of political difficulties, and I agree that the capital markets would be disturbed both during the accumulation and the liquidation of those reserves. Nevertheless, provided that the authorities can continue to keep control of the monetary position, the financial difficulties might not be insurmountable.

3. *Re-armament and Its Effect on Trade.*—The authors are concerned about the trade slump which they assume must come when re-armament ceases. But is their assumption justified? First, if it were true that re-armament expenditure were such an important influence on trade, then surely the present recession in trade would have been more easily arrested. Secondly, the productive capacity of the constructional industries is limited, and, although re-armament increases demand, it causes, in some part, temporary diversion of normal trade. And if this diverted production were ultimately regained, it would offset at least part of the diminution in armament orders. Thirdly, it can be assumed that re-armament will cease only when there is political appeasement and the fear of war subsides. Then the restrictions on international trading could, and should, be relaxed, and a revival in export trade should help to absorb abnormal production created by re-armament. It is true that there may be a time lag between the cessation of re-armament expenditure and recovery in international prosperity, but the Government could help to reduce the time lag by allowing orders to diminish gradually, by giving as long a warning as possible, and by encouraging and helping those industries to regain the trade displaced by Government work and to discover new markets at home and especially abroad.

This presupposes political appeasement, but if there is none and our economic system is to perish at the hands of totalitarianism, then it is useless to attempt an economic survey of the future.

4. *Is Cheap Money a Mixed Blessing?*—The authors suggest that lower rates of interest for long-term capital might be a remedy. In order to establish lower rates it is necessary, they say, to instil into the minds of investors and stockbrokers that interest rates are destined to become lower in the future. What arguments do the authors suggest that stockbrokers should use to persuade their clients that War Loan will rise, say, to 140? The investing public requires more than being told that War Loan will rise to 140 in order to yield 2½ per cent. These investors will ask: "Do you really mean that, because the Government are borrowing more and more money and using it for unproductive purposes, they can go on borrowing cheaper and cheaper?" Perhaps one could point out that interest rates have fallen in recent years, despite an increase in the National Debt.

But will history repeat itself, even under the conditions of "managed" money? First, it is easier to reduce long-term interest rates from 4½ per cent. to 3½ per cent. than from 3½ per cent. to 2½ per cent. Secondly, the very cause of re-armament expenditure—political unrest and the fear of war—has driven the investor to seek refuge in gilt-edged securities, and this has played no small part in the maintenance of low interest rates. When re-armament ceases, the tendency may be for "funk money" to emerge from its gilt-edged hiding-place and militate against the fall in long-term interest rates desired by the authors. Thirdly, is the reduction in interest rates by manipulation in the general interests of the State and the community? Naturally, the Government and others could borrow more cheaply, but can one place much faith in the authors' hopes that there would be no reduction in savings and the price level would rise if interest rates were forced to lower levels? If investors could be persuaded to accept lower rates of interest, they would receive less income in future, and the cumulative effect might, on the contrary, retard the natural growth of savings. Furthermore, if the rate of interest is forced below an economic level, the investor will seek more remunerative channels for investment, and may even export his capital abroad; at present

unsettled conditions abroad deter him and encourage the foreigner to invest his money in this country.

These factors have also assisted the Government in maintaining their policy of cheap money. But if we arrive at that stage of political appeasement that the authors envisage, which would allow for a cessation of armament expenditure, the present tide of investment into gilt-edged securities may well turn, and the less attractive interest rates are at that time the quicker it will turn. Moreover, the authors' assumption that lower rates of interest promote rising prices is not borne out by recent events. Although long-term interest rates have been inclined to fall during the last nine months, commodity prices have slumped, and from the end of 1936 until the middle of 1937, when rates were rising, commodity prices rose abruptly. And this is just as well, for how can the investor live, much less save, if the cost of living and taxation are rising whilst rates of interest are falling?

A cheap money policy has still to prove itself other than a mixed blessing, and to pursue it to a greater degree does not seem to be justified, and may even prove dangerous. There is already some evidence that investors are attempting to maintain their standard of living either by speculation or by exchanging gilt-edged securities for inferior securities giving a higher rate of interest. So far this tendency has reached only small proportions, but would be accentuated if long-term interest rates were reduced still further.

5. *"Ways of Escape."*—At this stage I will do no more than put forward a few questions for further discussion and investigation in order to carry on the enquiry which the authors have begun.

- How great an influence has re-armament expenditure on present trade?
- What remedies can be suggested for taking up the slack when re-armament expenditure ceases?
- Would lower long-term interest rates be beneficial or harmful?
- Could further currency devaluation be repeated, and, if so, would it be a way of escape? To what extent does currency devaluation (1) raise commodity prices, (2) lessen the burden of debts?
- Could the Government economise, not merely in the defence departments, but over the whole of civil expenditure?
- What other "ways of escape" are there which have not yet been suggested?

The authors do not consider that (d) can be repeated, but this is arguable. The partial failure of currency devaluation in France, America and Great Britain may have been due to special influences which have neutralised the normal results of currency devaluation. Therefore the argument against currency devaluation is still inconclusive. I am not suggesting that it should be attempted at this stage, but I do not think that currency devaluation should be left out of a general discussion dealing with possible "ways of escape."

Question (e) is based on the authors' suggestion (a) on page 597 of *The Economist*. Unfortunately, it is a hundred times more difficult to carry out economies in a Government Department than in a public or a private company. One has to contend with lack of competition, overlapping of departments, an enormous organisation, political influences, and the principle of the "old school tie." But if these could be overcome the saving might be enormous.

I am, Sir,

Yours faithfully,

NICHOLAS ARGENTI.

London, E.C.2.

POINTS FROM LETTERS

Free Travel for All.—Everyone should have free travelling facilities on one day of the week, and the cost provided out of taxation on the larger incomes. In this way, the unemployed, the poorly paid, and their dependants would be able to enjoy the benefits of our countryside and to take part in many activities now denied them.—*W. S. Bridgen.*

Holland's State Debt.—In your issue of May 28th the increase in Holland's State debt in 1937 from 3,545 million florins to 4,058 million florins is mentioned. In 1937 the entire outstanding debt of our railway companies (guaranteed by the State) was converted into 3 per cent. fifty-year State bonds, which increased the debt by 429,543,700 florins. This sum should be deducted from the above-mentioned 4,058 millions. Without this deduction a wrong impression of the increase in debt in 1937 is given.—*J. van Galen, Amsterdam.*

Books and Publications

Czechs and Germans

THE publication of Miss Wiskemann's careful study* of one of the chief vexatious problems in Europe to-day comes most aptly upon its hour. Few people to-day know the why and wherefore of the current clash between Czechs and Germans within Czechoslovakia; fewer know the vicissitudes through which the historic provinces of the Bohemian crown have lived their millennium of existence; fewer still know the reasons why the Teutons settled there, when, how, and in what numbers. That the struggle between Teuton and Slav has always been acute within the confines of the natural fastness of Bohemia many people have learned. But they do not, perhaps, realise the role of that racial, social and religious conflict in the drama of European history entire. Nor are they adequately equipped to distinguish between the different kinds of Germans (Austrians, Germans proper, Baltic and Teutonic knights) and of Slavs (Poles, Czechs, Ruthenians, Slovaks), as well as Magyars and other non-Slav, non-German peoples who played notable parts in the establishment, breakdown, and reconstruction of the crownlands of Bohemia.

Miss Wiskemann's outstanding merits are impartiality and discrimination. In the first eighteen pages she gives a summary of Czech and Slovak history from the earliest times which is a model of clear succinctness. The influences on the Czechoslovak peoples of the great religious schisms, of economic evolution and Teutonic commercial penetration in what is now Czechoslovakia, and of that nascent feeling of nationalism which sprang fully armed from the clear head of eighteenth-century Europe "about the year 1800" (as she does well to remind us), are carefully described and assessed. The first eight chapters take the reader in seventy-eight pages to the Peace Conference of 1919. Of these, the best are those which cover the fascinating and decisive history of Czechs and Slovaks under the Habsburgs. It is here that we first discern that great gulf fixed—despite recent historic events—between the Germans of the German States, later Germany proper, and those of Habsburg Austria. The Viennese authorities seem liberal indeed in their treatment of Czechs (though that could not be said of the treatment of the Slovaks by Vienna and Budapest) compared with the aims and pretensions sponsored by the Pan-German movement from which National Socialism drew its inspiration. In our day, now that Austria has been swallowed by Pan-Germany, this difference wears a menacing aspect for Czech and Slovak alike; yet it is to Miss Wiskemann's credit that she duly appraises, on many occasions, the Austrian element in the Germans of Czechoslovakia. She might, perhaps, have given her readers more of her own opinions on the possibilities of closer political and economic collaboration after 1919 between those two erstwhile industrial regions of pre-war Austria-Hungary: post-war Austria and Czechoslovakia. For her chapter on "The Economic Aspect" sticks perhaps unduly close to the Czechoslovak aspect of her book and its title. It is, none the less, the best essay on the economic background of the main problem which we have yet seen. Moreover, Miss Wiskemann has notably succeeded in elucidating the highly complex agrarian problem.

The author fairly examines the errors and shortsightedness of Czech administration, in the first flush of unleashed nationalistic fervour after 1920. Another good section is that in which the transfiguration of the non-co-operative Germans in Czechoslovakia into irredentist National Socialists is described. It is not generally realised how rapid and extensive has been this change; and Miss Wiskemann cautiously but clearly, indicates her belief in the efficacy of ultramontane propaganda and organisation in achieving it.

Those who expect her book to be more than a study, to proceed from diagnosis to prognosis, will be disappointed.

* "Czechs and Germans." By Elizabeth Wiskemann. Oxford University Press. 283 pages. 12s. 6d. net.

Her conclusion—"whatever the Government (of Czechoslovakia), friction there will be, so long as a racialistic nationalism is regarded as an absolute standard of good"—does not, however, prevent her from examining alternative proposals to solve the Czech-German problem: e.g. "cantonalisation," "federalism," "autonomy," "parallel administration," and the like. In all of these she lays bare one underlying puzzle: Where, and how, do you draw the administrative bounds? Her figures of racial distribution in certain towns and districts are most valuable; and she includes excellent maps and sources of information.

Shorter Notice

"How the City Works." By Oscar R. Hobson. "News Chronicle" Publications. 149 Pages. 2s. 6d.

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THE BUSINESS WORLD

An Investment Horoscope—II

Who'll Buy Equities?

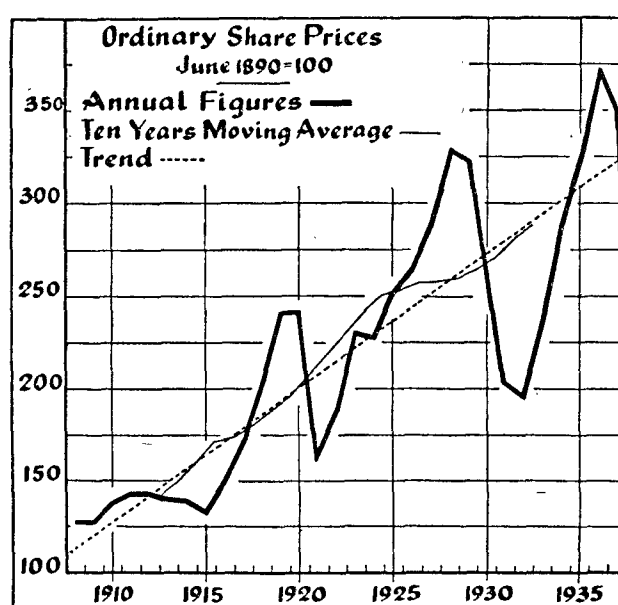
THIS week has seen an interruption rather than a break in a movement which has reduced British equity share values by 25 to 35 per cent. in the last eighteen months. A week ago, we suggested (page 664) that, putting war risks aside, the immediate outlook for equity shares depended on whether the present trade setback were a major or a minor one. On this point, the current issue of our *Monthly Trade Supplement* (published with this number of *The Economist*) suggests a number of indirect but not unhelpful inferences. Clearly, Great Britain is taking delivery of the industrial recession whose arrival Stock Exchange prices have been discounting so assiduously. Our business activity index has fallen 9 per cent. since last September, though it is still above the highest point of 1929. Deterioration has been most noteworthy in the textile trades. Though re-armament orders, so far, have not entirely staved off recession, the steel and engineering trades are still relatively busy. Internationally, the setback has been most marked in the United States and in countries with important textile industries and/or a considerable export trade. Finally, it would seem that the full

repercussions of the steep decline in world commodity prices during the last twelve months have not yet been seen.

Translated into investment terms, these conclusions do not rule out the possibility that the present business recession, though it has still some way to go, may be less severe than its predecessor. Contemporary share values obviously discount a more considerable setback than has, as yet, been experienced. Unfortunately, however, it must be admitted that the same facts are capable of a less consolatory interpretation. This absence of finality, indeed, explains the market's undecided and trendless state in many recent weeks. But coming months will at least decide the question, one way or the other, and in that connection (again excluding the possibility of war) two most useful pointers for the investor will be, first, events in the United States of America, and, secondly, the course of world prices.

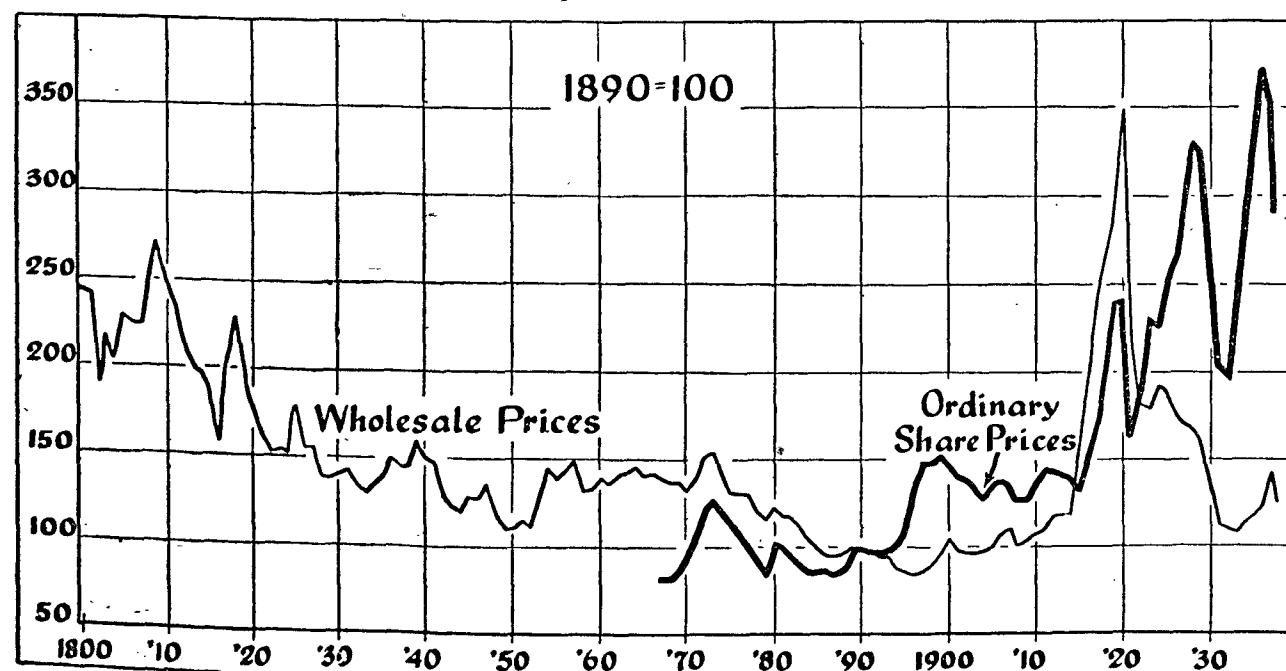
Since self-respecting prophecy, at the moment, can hardly go further, it may be more profitable to ask what is likely to happen to equities, not in the next year or even the next five years, but in the next few decades. Even a

INDUSTRIAL ORDINARY SHARE PRICES
1908-1938



WHOLESALE PRICES AND INDUSTRIAL ORDINARY SHARE PRICES 1800-1938

The figures of wholesale prices used in this chart have been taken from "The Study of Prices" by Layton and Crowther. They are based on the index numbers of Jevons and Sauerbeck, continued by *The Statist*, and on the index of *The Economist*. The figures of share prices used in both charts have been obtained from Special Memorandum No. 37 of the London and Cambridge Economic Service.



generation is not too large a time-unit for a really well-considered investment policy; for the essentially continuous and dynamic nature of equity share investment governs both its technique and its objectives. The violent ups and downs which have been characteristic of ordinary share values, particularly since the war, suggest an exceedingly promising field for research into the possibilities of market operation "within the cycle," based on purchases on a rising curve of prices and sales, followed by complete abstention from the equity market, in the declining phase. As yet, however, that is a policy chiefly for investors who are exceptionally well informed, agile and lucky. For most people, cyclical fluctuations are still trials and tribulations which must be endured because they cannot be cured—a species of light affliction which should eventually bring the prize of long-term capital appreciation. Regarded from this angle, the small chart given on the opposite page may bring more comfort than reams of prophecy. On it we have plotted: (1) annual average figures, for the last thirty years, of ordinary share prices, according to the London and Cambridge index; (2) a ten-year moving average of these annual observations; and (3) a dotted trend line, which, for the thirty years, is in fact a straight line.

Within this chart, in brief compass, is an epitome of all the arguments for long-term ownership of equity shares. During the last thirty years, despite the Great War and its legacy of economic difficulties and crises, ordinary share values have appreciated on the average by no less than 3½ per cent. per annum. At the moment, prices are below, rather than above, the trend line. Is the trend itself likely to continue? Can one take a ruler and project the straight line, on our chart, to 1948, or 1958, or later?

Before an answer is attempted, something may be learned by a glance still further back into the past. Thanks to the scientific labours of the compilers of the London and Cambridge index, we have been able to chart, in a diagram at the foot of the opposite page, the course of representative British equity share prices since 1867. To this we have added an index of commodity prices for the whole of the nineteenth century. Examination of the figures confirms the view, expressed in an earlier article, that fluctuations in share values have been far more violent after than before the war. From 1867 to 1914, market cycles tended to run in series of three, a relatively large upward and downward movement being succeeded, more or less regularly, by two smaller ones. During that period, the trend of equities was steadily rising, but with a much slighter gradient than in post-war years, the average annual rate of increase over the whole period of nearly half a century being approximately 1 per cent.

Now, the growth of the national income is the really fundamental factor in long-term equity prices, and in the half-century before the war, the rise in general prosperity was exceptionally rapid. But the trend of commodity prices was, on the whole, adverse. Average prices had been halved in the first fifty years of the nineteenth century. Although new gold discoveries caused some appreciation in prices during the 'fifties and 'sixties, the downward trend was resumed in the early 'seventies and was only partially offset by a new rise after the establishment of the Transvaal gold-mining industry. In the pre-war period shown on our chart, increasing population and prosperity were pushing equity share values one way, while commodity prices were pulling, albeit with unequal force, in the opposite direction. There was, in fact (as the chart shows) a significant degree of correspondence in the timing of changes in commodity prices and shares prices during the whole of the period before the war.

What, then, of the future? Investors may assume, as an initial premise, that the population of Great Britain and other western countries will shortly cease to expand and, almost certainly, will begin to decline. Obviously the shares of companies engaged in industries whose past advance has owed more to the increasing numbers than to the rising standard of living of the population, will hold out diminished attraction in future. But the progress of new invention and other factors may well be powerful enough to prevent a corresponding decline in national pros-

perity as a whole, and even to produce a further long-term rise in national income.

If that be so, then, from the investor's viewpoint, much may depend on whether the "pull" of commodity prices is with or against the trend of share values. Perhaps the most remarkable feature of the last three decades has been the lack of success of all measures which might have been expected to produce a permanent rise in prices. The war and its aftermath carried prices, in 1920, to approximately three times their pre-war level. Yet by 1931-32 the index was actually lower than in 1914. Since 1931 the majority of the world's currencies have been devalued, and the monetary value of the world's gold reserves has been doubled. Yet prices after a moderate recovery are falling again.

It may be, however, that an attitude of fatalism, however natural, is dangerously inappropriate in this context. There have been many upward adjustments in the currency price of gold in the last six hundred years, and each has been the precursor of a period of rising prices. If the world were to apply the credit-creating technique learned in the last century to the gold reserves available to-day, not even the restraints of autarky on international trade (whose growth made so large a contribution to increased wealth in the last century) might be powerful enough to offset the impetus toward higher prices, particularly if it were reinforced by a regime of Budgetary disequilibrium and inflated State expenditure. In that event, commodity prices would be a stimulus to, rather than a brake on, rising equity share values.

The conclusion of the whole matter may be that, even if the long-term trend of share prices fails to maintain indefinitely the exceptionally rapid upward course of the last thirty years, its general direction is still likely to be favourable. The ordinary share has a substantial claim on the attention of serious investors.

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The World's Platinum

DURING the last fifteen years, the supply of platinum has undergone a fundamental change, with consequent reactions on the price and demand for the metal. This transformation is one of the most interesting examples of the breakdown of a commercial market and of its subsequent reconstruction on a different basis.

Before the Great War, Russia supplied 90 per cent. of the world's output of platinum and the bulk of the remainder came from Colombia. Until the middle of the last decade, these two countries remained the most important producers, though the Russian output fell heavily after the Revolution. At the beginning of 1924, platinum was being sold at £29 per troy ounce, and was about six times as expensive as gold. At this price, the demand for the metal for industrial purposes was still barely greater than before the war, and the jewellery trade was responsible for more than half of the total demand, which was estimated at 200,000 to 225,000 ounces per annum.

The beginning of the transformation in the industry was caused by the rapid development after 1924 of the newly discovered deposits in the Transvaal, whose output in 1930

exceeded that of Colombia. In the following years, however, the South African supply again fell, owing to technical difficulties connected with the treatment of the ore, which kept production costs at a

high level. For the past ten years uninterrupted experiments have been carried out on these problems, and a year ago it was reported that much progress had been made. Should the experiments be successful, South Africa might increase the output from her rich deposits to something like 100,000 ounces a year. Even if this output were achieved, however, South Africa would still be overshadowed as a platinum producer by Canada, who has only lately developed her industry. The bulk of the Canadian output is a by-product from the nickel-copper ore of the Frood mine in Ontario, which was not extensively worked until the amalgamation of the old International Nickel Company with Mond Nickel at the end of 1928. From less than 17,000 ounces in 1925, Canadian production increased to 259,000 ounces in 1937, when she supplied considerably more than half of the output of the four countries included in the table. These countries produced more than 90 per cent. of the world's total supply; the United States, though not a producer, refines considerable quantities of Colombian platinum ore and recovers a large amount of secondary platinum.

From the beginning of the Canadian development, it was clear that the enormous increase in supplies could not be absorbed without a considerable fall in price. Such a fall might have been resisted by the older producers, but it was encouraged by the Canadian company, whose output is obtained as a by-product of other industries, and whose direct costs of producing platinum are therefore limited to the expenses of refining. At the present rate of output, these amount to 7s. or 8s. per troy ounce and are still well covered by the present price of £6 per ounce,

although this price is less than a quarter of that of 1924.

It is this tremendous fall in the cost of production and the consequent fall in price which have encouraged the use of platinum for entirely new purposes during the last ten years. The development has been hastened by the policy of the International Nickel Company, who have carried out research on the possibilities of platinum as an industrial metal. Its high melting point and specific gravity, its freedom from oxidation at high temperatures, and its comparative immunity from acid are all properties whose industrial value has not hitherto been adequately appreciated. In recent years, the electrical industry has greatly increased its purchases of platinum for such purposes as contact points, power switches, thermostats, resistors for high temperatures, electric control apparatus, clocks, etc., and the chemical industries have found it useful for laboratory equipment, for anodes, and as a catalyst in the production of sulphuric, acetic and nitric acids. Rayon firms now use platinum for spinnerets, glass manufacturers use it as a dye, architects employ it as a plating material. The armament industries have developed a considerable demand for

platinum and platinum metals for instruments, for reflectors and lamps for search-lights, and for contact points in aeroplane engines. As a result of these developments, the world's absorption of platinum increased

from the low level of 75,000 ounces in 1932 to 200,000 ounces in 1934, and to approximately 450,000 ounces in 1937.

The United States Bureau of Mines publishes annual estimates of the American consumption of platinum and of its distribution among the different industries, which may be taken as representative of the world's consumption. According to these figures, the jewellery trade remains the largest consumer of platinum, although its share of the total fell from 55 per cent. in 1928 to 37 per cent. in 1936. Owing to its much reduced price, platinum is becoming a popular jewellery metal which is replacing gold to an increasing extent. Dentistry is the second most important consumer and took 25 per cent. of the American deliveries in 1936, compared with 12 per cent. in 1928. The electrical and chemical industries accounted in 1936 for 14 per cent. and 13 per cent. respectively of the total consumption.

The fall in platinum prices from 1924 to 1936 has therefore been the sign of a healthy and expanding industry, though it has naturally brought considerable difficulties to the high cost producers. In the last few months, indeed, the fall has been accelerated by a decline in the demand for the metal for jewellery and ornamental purposes and by the cessation of the speculative buying which was very noticeable in the early part of last year. But the industrial demand has been stimulated by the expansion in armaments, and the fall in the price of platinum to a level in close proximity to that of gold opens the way to new industrial uses, which should ultimately restore a new equilibrium on the basis of the increased potential production.

PRODUCTION OF PLATINUM METALS (Troy Ounces)							
	1925	1930	1933	1934	1935	1936	1937
U.S.S.R. (est.).....	54,000	100,000	100,000	100,000	100,000	100,000	100,000
Canada.....	16,986	68,116	55,795	200,162	190,146	235,262	259,228
S. Africa.....	5,490	61,074	9,098	42,830	36,319	38,346	39,504
Colombia.....	62,000	42,381	45,971	54,768	38,628	38,333	36,500
Total, 4 Countries	138,476	271,571	210,864	397,760	365,093	411,941	435,232
Price							
End of year, in £ per troy ounce.	25/0/0	6/12/6	7/0/0	7/2/6	7/10/0	9/15/0	7/12/6

Danish Agriculture

TO most urban-dwelling Britons, Denmark is probably known only by its popular Royal House and as a source of Danish bacon and butter. Such a simplification in the economic sphere has perhaps more justification than most. Although the agricultural exhibition now being held in Copenhagen to celebrate the 150th anniversary of the liberation of the peasants reveals the variety of Danish agricultural products, bacon and butter have played a dominating part in Danish economic life since the war. Between 1927 and 1929 these two commodities provided 60 per cent. of the total value of Denmark's merchandise exports; there were more pigs and only slightly fewer cattle in the country than there were Danes. Now that official measures have been taken to encourage British farmers to keep more pigs and produce more milk, it may be interesting to give a brief account of how these activities have been organised in the country from which we have drawn most of our imports of bacon and butter.

The emancipation in 1788 of the Danish peasantry from a form of serfdom led to a progressive rise in the social position and educational level of the agricultural population. Under the legislation of the late eighteenth and early nineteenth century, the enclosure of the village and waste lands created compact medium-sized farms, mostly owned by their occupiers. In 1934, only 2 per cent. of the total number of farms were more than 150 acres in size, and more than 90 per cent. were farmed by the owner. Nearly one-third of the population earned its living by agriculture, the great export trade of the country.

The geographical situation of Denmark, close to the two great industrial populations of Germany and Britain, has stimulated a highly commercialised agriculture, which is the exact antithesis to the subsistence farming with which English people have usually associated a country of small occupying owners. Danish farmers have concentrated on those dairy products which give a rapid turnover on the capital invested—bacon, butter and eggs—and have thus been able to achieve a high income from a small area. Although Denmark is primarily a dairying country, a Danish landscape is largely composed of unfenced arable fields, with a small stretch of pasture on which in summer the cattle are tethered in neat lines. Cereals, roots and rotation grasses occupy four-fifths of the cultivated area, of which only one-sixth is under permanent grass. Except for a few large farms specialising in cereals, the bulk of the crops are fed direct to the livestock, with a supplementary ration of imported maize and concentrates. High yields of cereals and roots are maintained by the use of fertilisers and of manure from the dense animal population. The milk produced by the dairy herds supplies not only the raw material for the butter trade but also a cheap source of protein for pigs and calves, in the form of skimmed milk.

The development of Danish agriculture in its present form is both the result and the cause of the co-operative movement, through which the produce of thousands of small farms has been collected, graded, processed and marketed. The co-operative bacon factory and the co-operative creamery, owned by their suppliers in the neighbourhood, are the focal points in the economic organisation; the local units are combined into a national federation, dealing with matters of common interest to agriculture. Through co-operative credit societies, the farmers have raised the capital to buy and equip their holdings; these societies have obtained their funds on terms almost as favourable as those secured by the Danish Government for its own loans, and have attracted the savings of the towns and a certain amount of foreign capital.

The co-operative structure, built up in the years before the war, was greatly expanded in the decade before 1930, when agricultural production and exports were steadily increasing. Its value was decisively proved during the last depression, when the difficulties caused by the falling prices, which beset farmers throughout the world, were

intensified for Danish farmers by the closure of their markets. The British bacon quota reduced Danish exports of bacon by nearly two-thirds between 1932 and 1936. British and German tariffs caused a steady fall in Danish exports of butter from 1931 to 1935, and the former level has not yet been regained. Exports of eggs were unfavourably affected in 1933 and 1934, and though they increased again in 1936 and 1937, the prices have remained relatively low. Actually, the average gross receipts of the Danish farmers in 1932-33 were barely two-thirds of those in 1928-29, and in 1936-37, the last year for which accounts are available, they were still only three-quarters of that level. The following table conveys a striking impression both of the expansion of Danish agriculture since the war and of the impact of the recent depression on agricultural exports:—

SOME DANISH AGRICULTURAL STATISTICS					
	1909	1925	1929	1932	1937
Persons engaged in agriculture and their dependants thousands	984*	1,078†	1,029‡	...	...
Proportion of total population per cent.	35.7*	33.0†	29.0‡	...	...
No. of cattle \$ millions	2.2	2.8	3.0	3.2	3.1
No. of pigs \$ millions	1.5	2.5	3.6	4.9	3.1
Exports of bacon '000 metric tons	97	192	249	390	182
Exports of butter '000 metric tons	88	123	159	188	155
Proportion to U.K. per cent.	...	68	68	82	76
Exports of eggs... million score	27	40	39	55	81
Proportion to U.K. per cent.	...	81	78	69	75
Value of exports of bacon, butter and eggs... million kroner	326	1,221	1,075	760	848
Value of merchandise exports million kroner	440	1,789	1,616	1,086	1,541

* 1911. Includes fishing, forestry and horticulture. † 1921. ‡ 1930. § Midsummer of each year.

Before 1932, three-quarters of all pigs raised in Denmark were destined to be converted into bacon for British breakfast tables. The reduction in exports by more than one-half in four years involved, therefore, an abrupt and large reduction in the number of pigs to be reared. This reduction was enforced by allotting to each farmer a number of cards, each of which entitled him to send to his factory, within a given time, one pig to be sold as bacon to England. Pigs delivered in excess of the number allotted obtained a much lower price. The cards were allotted on a basis of land value, the pre-1933 output of pigs and that of skimmed milk. Through this mechanism, evolved by the central Agricultural Council and enforced by legislation, the number of pigs in Denmark fell from 4.9 millions in June, 1932, to 3.5 millions in July, 1936. As the number of pigs in the United Kingdom at the two dates was 3.2 millions and 3.8 millions, respectively, it will be seen that the increase in this country was smaller than the decrease in Denmark, though the latter is only one among a number of countries whose pig population has been affected by the British bacon quota. Further, at the moment when the British pigs marketing scheme broke down in January, 1937, because the price offered to the British farmers was insufficient to attract the requisite number of pigs, the Danish farmers were still making a very considerable profit on their sale of bacon to England.

The efficiency of the Danish dairy industry is based on a peculiar balance of specialisation and diversification. The total production of a Danish dairy farm, with its high output of field crops, is more varied than that of an English dairy farm of similar size. Imported feeding stuffs, though still essential to Danish agriculture, are not as important as in England, and a high standard of cultivation keeps the land in good trim. But if the criterion of specialisation be the absence of a wide variety of saleable commodities, then the Danish dairy farmer is definitely a specialist, for he sells, broadly, only bacon

pigs, milk, eggs, and a few livestock. These conditions compare too favourably with those in England, where farmers still produce many pigs that can be sold either for pork or bacon and are ideal for either purpose. The Danish farmer raises his pigs for a definite purpose—to produce good bacon. As a result the technique of feeding and of processing the bacon pig has reached high levels of efficiency. Except for a small proportion sold direct for liquid consumption, milk is paid for on the basis of its butter fat, and over 40 per cent. of the Danish dairy herds are officially recorded.

The reduction in pig herds caused by the British bacon quota has seriously modified the foundations of the intensive agriculture which the Danish farmers had established. Poultry are a partial substitute for pigs, and the greatly increased exports of eggs in recent years is a direct result of the enforced limitation of bacon production. There has also been a drive to increase the cereal and root crops so as to diminish the imports of feeding-stuffs. The fall in the value of Danish exports since the beginning of the depression necessitated a corresponding fall in the value of imports, and has thus emphasised the trend towards self-sufficiency. As exports of agricultural products still provide one-half of all Danish exports, changes in their value or volume react directly on the whole national economy.

Danish agriculture has been forced, therefore, to turn from the highly commercialised markets towards a more self-contained system. Every effort, naturally, is being made to expand and improve the sale of Danish products in foreign countries. But the sharp specialisation of the nineteen-twenties has been proved impracticable, and the Danish farmers have been compelled to adjust their efforts accordingly. They have met the critical years of the depression and the still difficult years of recovery by improving their technical efficiency and by maintaining the reputation of their products. The co-operative movement has provided a central organ, which together with other agricultural interests, has represented the farming community in discussions with the Danish or foreign Governments, and has provided a system of self-government to carry out the control of production necessitated by the British bacon quota. In short, the protectionist policies of Britain and Germany have checked the further development of Danish agriculture along the lines laid down in the nineteenth century. But while its superstructure may be altered, its foundations remain as they were established one hundred and fifty years ago. Danish agriculture is still a democratic community of farmers, who own the land they work and freely associate with each other to promote their common interests.

Finance and Banking

End of the Dollar Scare.—This week the new dollar scare has reached its end. As the table in our note on the Bullion Market shows, dealings at the fixing have shrunk to more normal proportions, while the premium, which last week was 12½d. per fine ounce, fell to 8d. on Tuesday and to 5d. on Thursday. On Tuesday, Mr Morgenthau roundly declared at Washington that there was no substance in the rumours that the dollar was about to be devalued. Everyone, of course, is free to place his own interpretation upon any denial, but there is little ground for believing that fresh devaluation was ever contemplated. In the world's present frame of mind, however, the scare was, in a sense, merely the logical consequence of President Roosevelt's reversion to reflation, backed by a vague fear that if American recovery fails to materialise by the autumn, the President may think it time to look round for fresh stimuli. But the Tripartite Agreement is still in being, and there would be an obvious objection to any policy likely to prejudice the already protracted Anglo-American trade negotiations. It is also significant that American wholesale prices have recently become somewhat firmer. A moderate recovery in prices would be the surest way of putting an end to any talk of fresh devaluation. Meanwhile, the authorities in London have successfully dealt with this latest scare, and, in the process, have made a considerable profit.

Negotiations with Germany.—The visit last month of British representatives to Berlin has been followed this week by the arrival of a German delegation in London, for the purpose of continuing the discussions over the Austrian debts. The default on June 1st, followed by Dr Funk's remarks just over a week ago, created a bad impression in the City, which was undoubtedly ready to support the British Government in determined action. At the moment Germany may be prepared to suggest some compromise solution, but the need for a firm stand by the British Government remains essential. Incidentally, Dr Funk raised the question of the rates of interest upon both the Austrian and also the Dawes and Young loans. The latter rates are admittedly high on any absolute comparison with those of loans issued by governments with a good credit rating in the present period of low interest rates. But an essential ingredient in every interest rate is the "risk element." No debtor can have it both ways, and if

doubts arise as to his ability or willingness to pay, then the rate of interest imposed upon him must remain high. This is an additional incentive to Germany to arrive at a settlement which precludes any risk of further default. But satisfaction of just claims must precede concessions.

German Clearing and Standstill Credits.—One aspect of the Anglo-German discussions on former Austrian debts which has hitherto received little public discussion, but has certainly not escaped the parties immediately interested, is the possible reaction of a unilaterally imposed clearing on the Standstill credits. Those credits and their service are at present in an altogether privileged category of German debts—certainly more privileged than the Dawes and Young loans. At no time has there been any suggestion of default on these credits from the German side. If a clearing were applied by this country it might be expected that their inviolability would disappear. The banking creditors would no doubt occupy a privileged position "in the queue," but at best this would compare unfavourably with their present status. Some such reasoning appears to have prompted certain banking creditors of Germany, during the past few days, to accelerate their sales of registered marks arising out of the repayment in marks of Standstill credits. These operations have been partly responsible for the weakness of the registered mark, which has fallen to 56 per cent. discount—a record for all time. Another contributory factor in the fall has been the slump in tourist travel to Germany and Austria since the *Anschluss*. Although travel marks are now available for tourist expenditure in former Austria as well as Germany, it is clear that their total sales are to-day but a fraction of those of this time last year.

The decline in registered and travel marks has been accompanied by signs of weakness in other members of the prolific family of blocked marks. This has been particularly true of *Auswander* or "Jew" marks, which have fallen to a low record of 90 per cent. discount as a direct result of the intensification of the anti-Jewish campaign in Germany. An edict accompanying this campaign rigorously limits the amount which can be liquidated by an individual through the market for *Auswander* marks. The exodus of

Jewish emigrants and their capital, consequently, has assumed a less official form, by way of a considerable smuggling of reichsmark notes out of Germany. A substantial black market has developed in Amsterdam and is overflowing to London. The rates quoted have touched 42 marks to the £. To re-enter into circulation these notes must be smuggled back into Germany, and the peril of their journey determines their comparatively low exchange value.

N.D.C. and Insurance Cos.—The Committee stage of the Finance Bill has provided an opportunity this week for considering an undoubted grievance of insurance companies over their liability to National Defence Contribution. Tenacity in defending illogical and anomalous views is, unfortunately, the converse of the zeal in maintaining questions of high moral principle which is the hall-mark of the British public servant. The present law, under which all the investment income of insurance companies, like that of banks and building societies, is subject to N.D.C., appears to be based partly on the lumping together, under the single heading "assurance," of a number of operations which in fact have little in common, and partly to a mistaken analogy with income-tax practice. The companies never had any quarrel with the Treasury's insistence that they should pay N.D.C. on their life investments. The principal of life investments is held against claims for contracted amounts, which, sooner or later, must necessarily mature. The interest represents income out of which bonuses to policy holders and dividends to shareholders can be paid. And in any case, sums allocated as policy holders' bonuses are outside the computation of profits for income tax under the Finance Act of 1923—and the mutual offices, whose profits belong wholly to policy holders, thus pay no N.D.C.

In motor car and marine and similar branches, however, the case is different. Premiums are fixed, after actuarial computation, in the expectation that only part of the risks underwritten will produce claims, and that the total premium income, broadly, will cover such claims as do mature with a margin of profit for the insurer. The fact that premium income is invested is merely incidental; if it were buried in the ground it would equally serve its purpose, in theory, so long as it were available when required. The interest received on it is, in fact, investment income in the same sense as the interest received by an industrial company on its holding of War Loan, which is exempt from N.D.C. But if an industrial concern invests its reserves in its own line of business, instead of in outside securities, the resulting income is, rightly, chargeable with that tax. And if the holding of adequate reserves is an essential part of prudent underwriting—as it certainly is—then income from reserves invested "in the business"—which, for insurers, necessarily means in securities generally—can equitably be charged with N.D.C. On what basis, then, ought these necessary reserves to be assessed? The practice of the insurance world is to reserve 40 per cent. of premium income to cover unexpired risk when accounts are made up and to make further reserves for claims outstanding but unpaid and, more broadly, for the general risk of catastrophe. We go to press before the Government's decision is known, but it would seem that an amendment under which essential reserves would amount, at most, to a year's premium income would command considerable support.

Gold Options.—The recent expansion in the activity of the gold market was accompanied by a considerable increase both in forward operations in the metal and in option dealings in gold. The latter form of activity is by no means a new development, but in the recent gold scare it increased appreciably. Option business in gold is conducted by comparatively few firms and clearly appeals only to a speculative clientele. It was essentially a one-way business during the recent phase, when the prevailing

view was that any change in the currency price of gold could only be upward. Consequently the demand from the public has recently been wholly for call options. Rates naturally tended to vary within fairly wide limits, but a quotation of 5d. per month over the spot price might be taken as representative of much of the business recently done. The firms handling it have, on the whole, adopted the practice of covering themselves to the full extent of the options they have sold. Thus, for a three-months call option for £100,000 of gold the price quoted might be 1s. 3d. The seller would buy the whole of the amount "spot" and finance it for the period of the deal. The practice of the bullion market differs from option dealing in the Stock Exchange, where it is customary to cover operations, by actual purchases or sales to the extent of only 50 per cent. The rates quoted for options in gold were appreciably dearer than those for forward deals. The normal rate recently quoted for forward sales of gold was 3½d. per month over spot. This, on the basis of a spot price of 140s. per ounce, represented an annual interest charge of 3 per cent. out of which the seller must finance the gold during the currency of the operation and pay the costs of handling and storage. It follows that any operator who desired to back his view of a rise in the currency price of gold, and had both the standing and the resources to do so through the forward market, would have confined his operations to this sphere and avoided the more expensive option market.

Bank of British West Africa.—The latest accounts of this bank reveal several marked changes from the previous year's figures. There is again a notable increase in deposits, but the bank has not been able to find employment for all its resources. The result is that cash is twice as large as a year ago, and is now equal to over half the bank's deposits. Conversely, there has been a heavy drop in advances, which is sufficient to explain the falling-off in net profits:—

	(Thousand £)		
	1936	1937	March 31 1938
Deposits	7,373	8,695	9,852
Cash	1,739	2,325	5,866
Investments	3,833	3,062	2,440
Treasury bills	100	80	170
Other bills	614	533	363
Advances	2,559	4,348	2,540
Net profit for year	55	91	60

The report of the directors provides a clue to the year's movements. It ascribes the reduction in profits mainly to recent difficulties in connection with the marketing of the cocoa crop in the Gold Coast Colony and Ashanti. This obviously has affected the demand for credit from customers in those areas. It would be mistaken, however, to conclude that the bank is wholly dependent upon those particular areas; for it does an

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important business in Morocco, Gambia, Sierra Leone and Nigeria. Thus its activities are fairly well spread, though they are confined to primary producing countries.

P. and O. Banking Corporation.—The accounts of the P. and O. Banking Corporation for the year to March 31 last show a further downward trend in profits, which, after the usual appropriations to contingency account and investment reserve, total £85,228 against £102,481 for the previous year. The dividend is reduced from 5 to 4 per cent. The corporation has no doubt suffered from the disturbed conditions in China and from the effect of lower commodity prices on economic conditions in India and the Federated Malay States. At last year's meeting the chairman referred particularly to certain adverse influences, which must needs have continued during the latest financial year. The most important of these was the diminished profitability of exchange operations, owing to the increasing official control of the rupee exchange market. Narrower margins on exchange operations in India and China were cited by Mr Arthur Willis as a direct contributory cause of the falling off in profits. Eastern banks, he added, would have to rely in the future to an increasing extent on the financing of internal trade and local industries—a process which unquestionably has made further headway during the past twelve months. The balance sheet position again shows every sign of strength and liquidity. The main changes have been a switch from British and Foreign Government and municipal securities into Indian and Colonial Government stocks. Bullion in hand and in transit, which at the end of March, 1937, amounted to £495,341, had fallen a year later to £34,503. The figures

afford an interesting commentary on the reduced outflow of gold from India.

Banca d'Italia Meeting.—There are some significant contradictions in the report of the Governor of the Banca d'Italia, presented at the last general meeting of shareholders. The report opens with a review of the setback in world economic conditions which occurred during the latter part of 1937. It goes on to express unexceptionable sentiments about the indispensability of better political conditions and greater stabilisation of currencies as conditions of any lasting improvement in economic affairs. Then, without a break, the report launches into a panegyric of Italy's march towards economic autarky. From this point onwards the international aspects are forgotten, except in so far as they provide a justification for "realising in the shortest possible time the highest degree of independence for the economic life of the country." Import trade in partly or wholly manufactured materials is condemned, not only because it involves the outlay of foreign currencies but because "it implies a state of inferior or incomplete industrial organisation which can and must be rectified by the zealous work of the Italians." The description of the part played in this drive towards autarky by the official control of the foreign exchange market is interesting for its revelation of the extent to which foreign assets of Italian nationals, compulsorily disclosed to the authorities, have been liquidated. It is stated that by the end of last year, some 68 per cent. of the foreign currencies and 59 per cent. of the foreign securities declared by Italian nationals and firms had been taken over and liquidated. As an indication of the pace at which Italy is squandering her reserves this admission is most instructive.

MONEY MARKET NOTES

Foreign Exchanges

WITH the subsidence of the dollar scare, the New York rate has become firmer. After rising to \$4.98½ last week, sterling dropped to \$4.95½ on Wednesday, rising fractionally to \$4.95½ the following day. Swiss francs have followed the dollar, sterling falling from Frs. 21.67½ to Frs. 21.56½, and then rising to Frs. 21.59½. This first movement was helped by covering of open forward positions in Swiss francs. Belgas followed much the same course, the London rate falling from bel. 29.26½ to bel. 29.20½, rising later to bel. 29.22½. All these movements can be attributed to the recovery in the dollar, but the recent weakness of the belga in London is also attributed to the drop in the London gold premium; for the belga is based on gold. The spot Paris rate has been held between Frs. 177.90 to Frs. 177.95. Early in the week when the French Chamber went into recess, francs were bid, and the French Control sold at Frs. 177.92, but later in the week the French Control bought a few francs at Frs. 177.95. Forward francs also strengthened early in the week, but have since relapsed. Saigon piastres have now returned to their parity of Frs. 1,000 per 100 piastres, and speculators who bought at Frs. 1,030 and Frs. 1,065 will have to meet a fairly heavy difference. The Shanghai rate is weak at 8½d., and the Hong Kong dollar is steady at 1s. 2½d.

The Bank Return

This week has witnessed a further return of currency from the hands of the public, and so the note circulation has shrunk by £2.4 millions, while the Reserve has increased by the same amount. Bankers' deposits, however,

have not benefited from this fresh influx of currency, as it has been more than neutralised by a reduction of £4.2 millions in Government securities held in the banking department. It looks as if the authorities are pursuing their usual policy of keeping the total resources of the banking department at a constant level, for the result of these various movements is a net decrease of only £1.3 millions.

	June 23, 1937	June 8, 1938	June 15, 1938	June 22, 1938
	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.:				
Gold.....	326.4	326.4	326.6	326.4
Notes in circulation.....	483.7	490.7	485.7	483.3
Banking Dept.:				
Reserve.....	43.6	36.5	41.5	44.0
Public Depts.....	15.5	11.7	11.6	21.7
Bankers' Depts.....	95.0	111.1	109.1	105.5
Other Depts.....	37.2	35.4	43.2	35.5
Govt. Secs.....	98.0	111.4	114.4	110.2
Discounts & Advances.....	3.8	7.9	5.7	5.5
Other Secs.....	20.2	20.2	20.1	20.6
Proportion.....	29.5%	23.0%	25.3%	27.1%

Last week other deposits had risen by £8.0 millions as the result of the lodgment of the Defence Loan application money in a suspense account pending allotment. Now that allotment is complete, this money has been duly transferred to public deposits, and this explains this week's decrease of £7.9 millions in other deposits and increase of £10.1 millions in public deposits. The point has been raised that the application money amounted to more than £8.0 millions, the reason being that the Defence Loan was over-subscribed. This is correct, but it is necessary to remember that not all the subscription cheques had been cleared by the close of business on the date of last week's Bank return.

The Money Market

Variable conditions have prevailed this week. The clearing banks had

plenty of money to lend, as for the moment they have reduced their bill purchases to a minimum, and so there was practically no calling on any day this week. On the other hand there was some shortage of bond money. The market last week had a 59 per cent. allotment of new Treasury bills, and so there were heavy payments to be made this week. This affected not only the discount houses, but also those banks and other houses who are normally lenders of bond money. Borrowers naturally did not like to go to the clearing banks who charge up to 1 per cent. for loans against bonds, and so ½ per cent. was paid for bond money. Business in bills has been limited as the clearing banks are reluctant buyers. The ruling rate is ½ per cent. for most classes of bills, but there is little demand for July bills, as money is always plentiful during that month.

No pressure for funds is anticipated on June 30th, but there has been some precautionary borrowing over the half year at rates of ½ per cent. early in

	June 24, 1937	June 16, 1938	June 23, 1938
	%	%	%
Bank Rate.....	2	2	2
London Deposit Rate.....	2½	2	2
Short Loan Rates:			
Clearing Banks.....	1½-1	1½-1*	1½-1*
Others.....	1½	1½	1½
Discount Rates:			
Treasury bills.....	2½	9½-58	9½
Three months' bank bills.....	11½-34	58	9½-58

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. from loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

the week and ¾ per cent. later on. Still the main relief will come from the maturity of old Treasury bills and the absence of any payment for new bills. As suggested last week, it is thought

that July 1st will be the more difficult day from the market's standpoint, as the whole of that week's new Treasury bills will have to be paid for, as well as the Defence Loan call. The banks, however, will then be lending and buying bills once more, while the Defence Loan money has enabled next week's Treasury bills issues and payments to be cut down to £5 millions below the week's maturities.

The Bullion Market

As explained in a Financial Note, the dollar scare has now subsided, and about one-third of this week's offerings

at the fixing have consisted of re-sales. There is still, however, a hoarding demand for gold, which suggests that Mr Morgenthau's statement has not wholly reassured the Continent. The premium has now run down to 5d., but the London price is now approximately 1s. per ounce higher than it was in April.

The silver market has been very quiet but the London price has risen in sympathy with the stronger tone of the dollar exchange. There has been practically no offering of silver, even although the price is well up to the American parity, while bear covering has led to the continuance of a moderate demand. Another consignment of Spanish silver, amounting to about

5,000,000 ounces is reported to have passed through Perpignan.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Dis-count	Amt. dealt in	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
June 17	140 10½	12½pm	872	18½	18½
" 18	140 10	11½pm	407	18½	18½
" 20	140 10	12 pm	351	18½	18½
" 21	140 9½	8 pm	498	18½	18½
" 22	140 10	6 pm	450	18½	18½
" 23	140 9	5 pm	775	18½	18½

* Above or below American shipping price. The New York price of silver remained at 43 cents per ounce .999 fine during the week.

Investment

How Far Recovery?—Investment markets in London and New York have this week provided a demonstration of unsuspected life. This change has been sudden, and its causation somewhat complex. Last Saturday, turnover in the New York market amounted to no more than 100,000 shares—the lowest level for some twenty years. On Monday, however, turnover exceeded one million shares, and the Dow Jones industrial index jumped nearly 5½ points. In London, similarly, the markets started with a show of brightness which may have flattered the volume of business, but was regarded in many quarters as significant. The desire of Italy to bring about the implementation of the Anglo-Italian pact was construed as an optimistic political pointer—an inference encouraged in no small degree by the character of certain Press comments. Perhaps the change may best be described as of spirit, rather than of tactics. Gilt-edged stocks, in which alone the bullish operator has been able to find profit in recent times, were neglected, and renewed attention was paid to good quality industrial equities. These trends were continued, both in London and New York, on Tuesday, and the continued irregularity of gilt-edged stocks suggested that London was following New York rather than discounting any far-reaching political appeasement. By the close of business on Thursday (when turnover reached the remarkable total of 2,400,000 shares) the Dow Jones index, at 127.41, had gained 14.18 points, while the rails index, at 24.60, had broken through the "critical" level of 23.50, and thus, according to the chart-readers, had confirmed a "change of trend." The mid-week check to commodities and home industrials in London was accompanied by renewed support for gilt-edged securities, but an all-round advance was resumed on Thursday, in which the new Defence Loan reached 1½ premium, and commodities took on fresh strength.

The manifest willingness of the market to seize upon the semblance of favourable factors in the present industrial and political situation does, of course, represent a modification of outlook. But it would be premature, at present, to regard it as a signpost to a sustained recovery. In New York, the market was ripe for a technical rebound, and it happens that official confidence in an autumn recovery has coincided with a slight improvement in steel output and prospects to support a speculative buying movement. A ten-point recovery in so short a period invites the possibility of profit-taking, and this might go far to offset more bullish views on the economics of "pump-priming." In London, many observers have felt that present share prices discount the assessable effects of moderate trade recession, and might be capable of recovery on any lightning of the political atmosphere. Like the possibility of autumn recovery in the United States, however, this may perhaps be described as legitimate hope rather than reliable expectation. There is, at least, no new economic evidence which suggests that a change of economic trend

is at hand, unless the modest signs of a revival in residential building activity in the United States—so long awaited—prove a reliable harbinger of things to come.

Trustee Act Reform.—Sir John Simon's statement in the House of Commons on Tuesday that he sees no sufficient reason for considering the amendment of the Trustee Act at the present time is not the first rebuff with which would-be reformers of trustee investment rules have been faced. The question, indeed, is perennial, and the answer itself might be described as a hardy annual. In answer to a supplementary question, the Chancellor of the Exchequer reminded Mr Assheton that the Cave Committee which examined this matter "some years ago"—its report, in fact, was presented in 1928—found in favour of the present rules. It is, of course, true that the Trustee Act merely prescribes certain tests for the award of trustee status, and does not proclaim a selected list of securities. In actual fact, during the phase of low interest rates the scope of its rules has been greatly reduced, for certain dated stocks are inadmissible if they stand at a premium of more than 15 per cent., or at any premium if redeemable within fifteen years. The loss of status by many railway stocks, eligible in earlier times, has further reduced the range of investments open to trustees. And critics have no difficulty either in disclosing the dubious investment principles by which certain stocks are included, or in proving the manifest quality of many stocks which, largely by accident of the calendar, remain outside the charmed circle. Parliament must remain the final arbiter of trustee status. But revision of the list under the present system must always be piecemeal and unduly prolonged. We venture, therefore, to revive a suggestion, ventilated in these columns some years ago, that a statutory commission should be set up—consisting, say, of a judge or eminent barrister as chairman, a representative of the Stock Exchange, a banker, an actuary, an accountant, a Treasury official and the Public Trustee—which would undertake the revision of the trustee list as investment conditions changed.

Canadian Investment Prospects.—The annual budget statement presented by Mr Dunnington to the Canadian Parliament last week has attracted no little investment interest. After eight years of very large deficits, the Dominion was only \$13,775,000 short of a balanced budget during the fiscal year to last March. Total revenue amounted to \$516,692,000, and total expenditure (which was necessarily expanded by drought relief) to \$530,467,000. Increases of over \$25 millions in the sales tax (to \$138,054,000) and of \$18 millions in income tax (to \$120,366,000) witness the industrial character of last year's budget progress. For the current year, estimated expenditure is \$524,600,000, and estimated revenue \$501,700,000. The Finance Minister, in fact, appears to be relying upon the present favourable crop prospects in

the Dominion—coupled, perhaps, with hopes of industrial recovery with the assistance of the United States—to cover the estimated deficit. The agricultural outlook in Canada has been described as the best since 1930, and world supplies of hard Northern wheat are low enough to suggest that demand for the Canadian crop should be good despite the prospect of surplus supplies from other countries. The potential effect of a good crop upon the Dominion's credit, its railway finances, and upon domestic industry needs no investment emphasis. Mr Davidson's speech at the British Empire Trust meeting this week, however, underlined the Dominion's economic relationship with the United States to a greater extent than recent trade forecasts from Canada. And he was forced to comment rather sharply on the harm which Alberta's financial policy has wrought upon the whole structure of Canadian credit. It is clear, indeed, that a substantial and sustained recovery will be necessary to provide satisfactory results for the investor during the current year. An index of the present position is provided by the Canadian Pacific Railway traffic, which show a fall of \$4,923,000 for the period to June 14th, compared with the corresponding period of 1937, while net receipts for the four months to April were \$3,743,000 lower at \$1,748,000.

Company Reorganisations.—It is sometimes impossible to conform with the now established principles which should govern capital reorganisations. The equitable balancing of sacrifice between preference and ordinary shareholders is an art rather than a science, and an ounce of expediency may be justifiable if it promises to remove a ton of opposition. These reflections are suggested by this week's batch of capital reorganisation proposals. The plan outlined by the directors of Brazilian Warrant Agency and Finance, however, can have few precedents. It does not represent a reorganisation scheme in the usual sense. Briefly, the board has decided that its present resources are in excess of its trading requirements, for the Brazilian business has been hard hit by depression in the coffee trade and by dire exchange restrictions. It is proposed, accordingly, to repay 7s. 6d. on each £1 7 per cent. cumulative preference share, and to pay the dividend on the £1 shares to the end of this month. Although the full dividend has been regularly paid, in only three years out of the last decade was it fully covered by earnings. The directors proceed, however, to make a proposal which is strictly irrelevant to the return of capital *per se*, under which the dividend on the residual preference capital would be reduced to 5 per cent., with the right of participation, *pari passu* with the ordinary shareholders, to a further 2 per cent. To adjust the capital to accord with current trading conditions is one thing; to propose a permanent change in the status of the preference shares, which would have the gratuitous effect of bringing the ordinary capital much nearer to dividends, is quite another. The proposal, in fact, seeks a unilateral sacrifice from the preference shareholder, without posing the question whether a comprehensive capital rearrangement is desirable, and it should provoke opposition from preference shareholders.

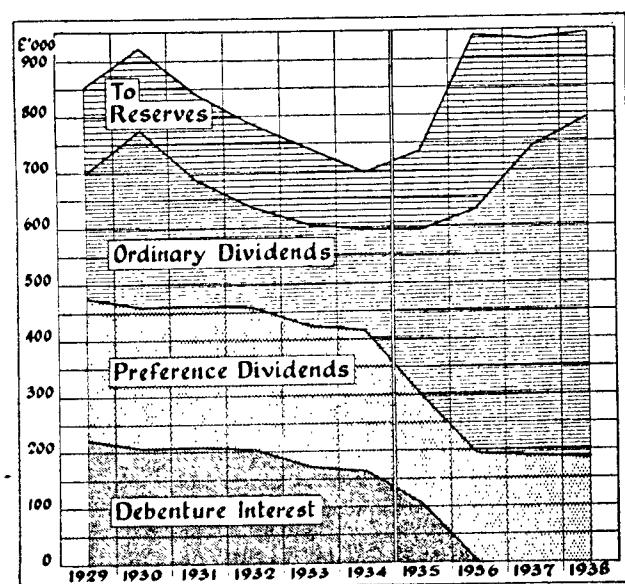
A.B.C. Coupler and Engineering is a small company with a chequered earnings record in recent years. In this instance, the directors propose to cancel seven years' arrears of dividends on the 7½ per cent. £1 preference shares, to reduce their dividend rate to 6½ per cent. non-cumulative, and to allot nearly 37 per cent. of the equity in compensation. These terms appear reasonable. Meanwhile, controversy continues on the subject of the Trust Agency Company of Australasia proposals. The capitalisation of the company, as we described it in our issue of June 11th, scarcely permits the formulation of a scheme which allows more than rough justice to the markedly conflicting interests of ordinary, option ordinary, and preference shareholders. It would surely be difficult to devise a more expedient solution of an almost intractable problem.

Company Notes

General Electric Record.—The announcement of a 20 per cent. distribution by General Electric gratified the market last week, and the full report has further encouraged investment interest. Trading profits and investment income, after allowance for contingencies, reached a new record level of £1,772,181, compared with £1,604,512 for the year to March 31, 1937. After making a substantially increased provision of £400,000 for income tax and N.D.C., and raising the depreciation charge from £343,248 to £368,642, the residual earnings for the ordinary stock amount to £759,404, compared with £745,290. The company's profits trend is set out in the accompanying table and chart:—

	Years to March 31		
	1936	1937	1938
	£	£	£
Trading profits and investment income, after contingencies	1,485,153	1,604,512	1,772,181
Depreciation	298,813	343,248	368,642
Taxation	194,245	275,000	400,000
Pension fund	43,772	45,569	54,008
Fees	4,585	4,836	4,287
Preference dividends	193,725	190,569	185,840
Ordinary stock:—			
Earned	750,013	745,290	759,404
Paid	436,536	551,036	608,764
Earned (%)	25.8	23.7	24.9
Paid (%)	15	17½	20
Reserve	100,000	125,455	100,000
Carried forward	680,495	749,294	799,934

GENERAL ELECTRIC PROFITS, 1929-1938.



Up to March, 1934, the company's accounts showed the dividend distributions before deducting tax. Subsequently, the company has charged the full tax liability, and has shown dividends net. The break in the chart at this date is intended to mark this accounting discontinuity.

The directors show that these profits were earned during a period of "exceptional prosperity," and acknowledge that there were signs of slackened demand during the latter part of the year. Overseas business has evidently contributed to no small extent to last year's heightened activity, while the inflow of orders has continued at a "satisfactory level." Last year's expansion in business called for the liquidation of over £1 million of gilt-edged securities, and corresponding increases in debtors and stocks. Whether this rate of activity will be maintained abroad or at home during the current year is perhaps more doubtful. The company's re-armament interests would scarcely offset the effects of a significant industrial recession, coupled with reduced demand in export markets. At 74s. 3d. the £1 ordinary stock units yield £5 7s. 9d. per cent.

Guest, Keen and Nettlefolds.—The preliminary figures of Guest, Keen and Nettlefolds (discussed in *The Economist* of June 11th, page 616) are confirmed by an impressive report. In the following table we analyse the full figures for the past three years:—

	Years ended March 31		
	1936	1937	1938
	£	£	£
Profit	1,047,720	1,150,525	1,326,735
Depreciation, etc.	125,000	150,000	150,000
Debt service	102,274	101,797	101,268
Preference dividends	326,732	326,732	326,732
Ordinary stock (tax free):—			
Earned	493,714	571,996	748,735
Paid	321,724	386,068	482,585
Earned %	7.7	8.9	11.6
Paid %	5	6	7½
Special allocations	100,000†	150,000†	350,000*
Carry-forward	531,558	567,486	483,636

* £100,000 to investments reserve and £250,000 to reserve fund.
† Written off under works reorganisation scheme.

The report records that although trading conditions were good during the year, raw materials were difficult to obtain, and the company's rolling mills had to accept restricted deliveries. Another manifestation of boom conditions in the heavy industries last year is shown in the delay in completion of the steel bar and hoop mill at Cardiff. The considerable progress actually achieved is marked by net additions to plant totalling £619,827 during the year, compared with £387,930 for the preceding period. The high gross yield of £7 16s. 3d. on the £1 ordinary stock units reflects the less certain outlook for the group during the current year, during which its manifold interests in sheets, constructional steel, wire, screws and bolts are unlikely to fare so well. As a yardstick, rather than a forecast, it might be pointed out that a fall of 50 per cent. in earnings would still cover a 5 per cent. tax-free dividend—which in turn would correspond to a potential gross yield basis of £5 4s. 3d. per cent.

Lancashire Cotton Profits.—The directors of Lancashire Cotton Corporation last week announced a net trading profit of £201,232 for the six months to April 31st. A similar announcement a year ago showed that £176,052 was earned for the half-year to April, 1937, and from the Corporation's full accounts for the year to October 31st, it may be inferred that profits for the second half of the year amounted to £432,778 net. Although the results for the latest half-year thus show a sharp fall in profits, they are more satisfactory than many observers had expected, for the setback in Lancashire gathered rapid force from the early winter. Assuming that a further sum of £155,000 is required this year for depreciation, full earnings' cover for the debenture and preference service would require a profit of slightly less than £100,000 during the current half-year. It is clear, in fact, that the prospects for the ordinary stock must be regarded with reserve, and the 5 per cent. non-cumulative preference stock, now quoted at 14s. 4½d., reflects a cautious valuation of prospects for the ensuing year, even assuming that full dividends are received this year. While the Corporation's stock position is protected by the standardisation of process stock, difficulty has recently been experienced in maintaining profit margins, and despite the recent improvement in cotton prices, a significant increase in demand is nowhere evident.

The Week's Colliery Results.—While many colliery reports show a significant improvement in profits for 1937-38, their record, as a group, is no longer one of consistent progress. Excellent results in 1936-37 were attributed jointly to improved prices resulting from the introduction of the selling schemes in August, 1936, and to rising industrial demand. These conditions continued to prevail during most of 1937, but the latest profits show, in some instances, the effects of rising costs and of the recent slackening in demand. Carlton Main Colliery profits for

the year to March 31st are, however, entirely satisfactory. Total profits of £169,842 compare with £150,082, the latter sum being slightly below the 1935-36 level. Although these profits are the highest in a decade, they probably understate the true progress in earnings, since they are shown after deduction of tax. Virtually the whole of the increase in profits is available for the ordinary shareholders, who receive a dividend of 6½ per cent., against 5 per cent., out of earnings which—as in recent years—cover the distribution with a small margin. The company was able to pay an ordinary dividend throughout the last depression, but a current yield of £8 19s. 6d. per cent. on the ordinary shares at 14s. 6d. shows that investors view with caution the industry's prospects during 1938.

Improvement in 1937-38 is also shown by the increase in the Powell Duffryn Steam Coal dividend from 7 to 7½ per cent., while Welsh Associated Collieries (whose ordinary capital is held to the extent of about one-half by Powell Duffryn Steam Coal) has increased its distribution from 1 per cent. to 1½ per cent. Powell Duffryn Associated Collieries—the merger company—has increased its total dividend from £450,000 to £475,000. Stephenson Clarke (which acts as selling organisation of the group) shows a slight reduction in net profits from £211,710 to £208,908, although trading profits were over £60,000 higher at £589,323. The dividend is maintained at 10 per cent. The experience of the Butterley Company in 1937-38 was less encouraging. Total income was £12,000 lower at £348,759, before charging £69,756 (against £63,535) for depreciation. While the dividend is maintained at 8 per cent., tax free, it is covered by reduced tax free earnings of 9.6 per cent., against 10.9 per cent., and the reserve allocation is cut from £50,000 to £30,000. A current yield of £7 13s. 6d. gross on the shares, however, represents a smaller return than is available from other coal shares.

Allied Ironfounders' Setback.—Although the latest year's results of Allied Ironfounders are presented without comment, various reasons may be suggested for the decline of 15 per cent. which is disclosed. The group chiefly manufactures cast iron goods for the building trades, and while greater diversification is being introduced in the business, the recent slackening in new construction can hardly have left it unscathed. The rising trend of costs may have been more pronounced than in 1936-37, when its first effects were masked by a substantial increase in turnover. Allied Ironfounders is mainly a holding company, but it discloses the trading profits of, and taxation paid by, subsidiaries, and the report now includes a consolidated balance sheet. Real variations in trading profits can therefore be traced in the following table:—

	Years ended March 31		
	1936	1937	1938
	£	£	£
Subsidiaries' trading profits	332,036	354,606	336,736
Subsidiaries' taxation	71,265	78,444	106,995
Parent company's total profits	265,502	282,261	240,372
Tax, interest, etc.	17,438	16,920	10,894
Central depreciation, etc.	15,000	30,901	30,000
Preference dividend	53,521	52,651	51,346
Ordinary shares—			
Earned	179,543	181,789	148,132
Paid	124,818	142,106	123,070
Earned %	14.4	14.4	12.0
Paid %	10	11½	10
Research and general reserves	35,000	36,671	20,000
Income tax refund	Cr. 1,919	Cr. 1,448	Cr. 1,289
Carry forward	146,411	150,871	157,222

The fall of £42,000 in the parent company's profits, it will be seen, is greatly in excess of the £18,000 decline in the group's trading profits, a disparity which is attributable to a substantially increased taxation charge. A reduction of £5,000 in Allied Ironfounders' own provision for income tax softens the blow a little for ordinary shareholders. The distribution is reduced to 10 per cent. by omitting the cash

bonus of 1½ per cent. paid a year ago, and the chief change in reserve allocations is the absence of any provision for research and development. The consolidated balance sheet shows that roughly half the total assets consist of current assets amounting to £1,349,958. An excess of £338,077 in the book value of the shares in subsidiaries over their net tangible assets compares with a total book cost of £2,974,564 in the parent company's balance sheet. Allied Ironfounders continues to extend its interests, for the trade investment item has risen from £23,000 to £35,000, and amounts due from subsidiaries are up from £373,329 to £460,610, with a corresponding reduction in cash. Although the company is seeking increased sales of domestic appliances in houses already built—in order to lessen its dependence on new building activity—the decline in the latter and the possibility of some reduction in general purchasing power limit the immediate prospects for the shares, which yield £9 8s. per cent. at 21s. 3d.

Rolls-Royce Report.—Although the Stock Exchange has raised the quotation for Rolls-Royce £1 ordinary stock units from 91s. 3d. at the date of the dividend announcement (which itself created little stir a month ago) to 96s. 3d. at present, there are few features in the full report which at first sight account for the recovery. Total profits, after making adjustment for contingencies, show a slight advance from £393,498 to £396,378, but the 1937 figures, unlike those of the previous year, include dividends received from subsidiaries. In January it was announced that Bentley Motors (1931) had declared a dividend of 100 per cent., and this would appear to represent an additional sum of £20,000 gross towards the latest year's profits. If this supposition is correct, therefore, the Rolls-Royce group itself was responsible for a smaller amount of distributable profits last year. Our analysis of the latest profits below shows that the 22½ per cent. dividend is covered by earnings of about 25 per cent.:—

	Years to December 31		
	1935	1936	1937
	£	£	£
Total profits, after contingencies	353,302*	393,498*	396,378†
Income tax and fees	73,500	93,261	103,119
Pension fund	30,000	30,000	30,000
Ordinary stock:			
Earned	249,802	270,237	263,259
Paid	191,146	223,296	242,959
Earned (%)	31.6	26.8	25.1
Paid (%)	22½	22½	22½
Reserve funds	50,000§	35,000§	22,266
Carried forward	81,972	93,913	91,947

* Includes no profits from subsidiaries. † Including subsidiaries' profits to extent of divs. received. § 25 per cent. capital bonus declared January, 1937, on which 15 per cent. final dividend paid. ¶ To dividend equalisation: £50,000 in 1935 and £5,000 in 1936.

The unknown extent of directorial discretion in striking disclosed profits naturally prevents any hard-and-fast interpretation of these results. But it may be surmised either that the car section of the business has experienced more difficult trading conditions, or that the aero engine side has not yet shown its full earnings possibilities. While the aero engine business has expanded, the board has always emphasised the continued importance of the car business. But fuller recognition of the long-term implications of the aircraft programme appears to be implicit in the extension of the Derby works and the erection of a new factory at Crewe. Moreover, the substantial increase in debtors, which amounted to £650,981 at the end of 1937, compared

with £158,894 two years earlier, may be associated with the large increase in aero engine turnover. Despite the uncertain outlook in the motor industry, prospects for the company seem reasonably assured, although a yield of £4 13s. 6d. per cent. on the ordinary stock perhaps assumes that a more generous distribution policy may be adopted at some future time.

Montague Burton Profits.—After a period of stable earnings, Montague Burton last year achieved an increase of 10 per cent. in total profits. It would appear that the company was able to reap the benefits of expanding turnover and efficient organisation without being greatly hampered by sharply rising costs and falling stock values. The fall in wool prices has seriously affected some companies, but it would seem that the forward purchasing policy pursued by the company has again served it well. There is, in fact, no hint in the value of stocks, as disclosed in the balance sheet in recent years, to indicate that fluctuations in material prices have played an important part in the determination of profits. These satisfactory results, however, have not filtered through to the ordinary shareholder, as we show in the following comparative table:—

	Years ended March 31		
	1936	1937	1938
	£	£	£
Total profit	861,241	861,928	947,449
Depreciation	129,820	155,094	178,199
Taxation	125,926	135,076	202,207
Other expenses	41,733	44,799	39,659
Debt interest	159,391	162,680	162,680
Preference dividends	155,000	152,500	150,000
Ordinary shares:—			
Earned	249,371	211,779	214,704
Paid	109,778	111,232	111,729
Earned %	15.9	13.3	13.5
Paid %	7	7	7
Capital bonus %	3	3	3
General reserve	130,000	100,000	100,000
Carry-forward	223,521	224,068	227,043

Taxation, including a provision of £35,000 for N.D.C., absorbs a large part of the increase in total profits, and the balance, in effect, is applied to depreciation. The net result is that the 7 per cent. dividend is covered by earnings which are only fractionally higher than for 1936-37, though the ordinary capital has been slightly increased in the meantime. Dividend policy has been consistently conservative. From 1929, in which year the company became public, until 1933 no dividends were paid, although substantial earnings were available, and subsequently about half of the available earnings, on the average, have been distributed. The part played by profits in financing the expansion of the business has been underlined by the declaration, in each of the past four years, of a small capital bonus. The justification for this policy is emphasised by the fact that stocks amount to £1,384,000, compared with surplus liquid assets of £1,225,000. At 14s. 1½d. the 10s. ordinary shares yield £5 5s. per cent.

British Sugar Corporation.—The trading profits of the British Sugar Corporation, in its second year of operation, are at first sight disturbing, for they show an apparent setback from £1,245,123 to £672,626 for the year to March last. That the comparison appears so adverse, however, is due more to the exceptional profits realised during the previous year, than to any defect in the past year's trading results. Having secured windfalls during its first year of operation, the company set aside no less than £434,318 out of earnings of £584,318 for various reserves and provisions for preliminary expenses. The comparable figure for ordinary earnings during the past year is £218,052, of which the dividend of 4½ per cent., against 4 per cent. in the initial year, absorbs £163,125. A sum of £210,000 (against £240,000) has been charged for depreciation, and net expenditure on factories amounts to £269,817. It will be recalled that

under the "Incentive Agreement" between the Corporation and the Treasury, the Corporation may retain the benefits of realised economies in proportions which vary according to the lapse of time and to the extent of the economies obtained. The basic ordinary dividend on the ordinary capital is 4 per cent., and it has been estimated that economies ultimately amounting to £300,000 may be envisaged in the first six or seven years of the Corporation's operations. Such savings would permit an average total dividend of 5½ per cent. per annum up to 1947, and in the absence of further economies would provide dividends of slightly below 5 per cent. in subsequent years. The £1 ordinary shares are quoted at 18s. 6d.

Oil Company Prospects.—The chairmen of the Anglo-Iranian and "Shell" Transport companies permitted themselves a moderate degree of optimism at this week's meetings. Both speeches were in part based on expectations of a continued secular increase in the consumption of petroleum products—an increase which continues despite the exigencies of Chancellors of Exchequer and Finance Ministers. Both speeches, necessarily, qualified these hopes by reference to the position in the United States where, until recently at any rate, the stock position was becoming increasingly serious. Evidence of greater control in the United States oil industry, therefore, should be welcomed by all oil shareholders. But oil politics are no less important than oil economics. Lord Cadman referred with satisfaction to the relations of the Anglo-Iranian company with the Iranian authorities—the latter, indeed, are sharing substantially in the company's prosperity under the royalty arrangement. This happy situation, as Mexican Eagle shareholders know to their cost, is exactly reversed in Mexico, and Lord Bearsted showed at the "Shell" Transport meeting that the Mexican Government's policy utterly lacked justification. Fortunately, the "Shell" direct financial interest in Mexican Eagle is small, although the management agreement is highly important. In Venezuela, where a large exploration programme is being undertaken, the company's relations with the Government were described by Lord Bearsted as "very happy." While it would be optimistic to expect the full maintenance of last year's oil profits, current share levels appear adequately to discount any setback which is at present apparent.

Lobitos Oilfields.—The full results of this Peruvian oil company for 1937 are even better than the increase in dividend from 12½ to 15 per cent. had led shareholders to expect. Total profits on revenue account are more than doubled at £347,419, although profits on sales of investments (which for 1937 are put to investments reserve) are about £13,000 lower at £31,180. Various factors have contributed to this satisfactory improvement. The Peruvian subsidiary produced 342,032 tons—an increase of 8 per cent.—and thanks to this larger output as well as better prices, it was able to pay 15 per cent., representing £138,000 for the parent company. The refinery at Ellesmere Port showed a profit for 1937, against a small loss in the previous year, and although the accounts no longer disclose the tanker profits separately, the report reveals that, thanks to improved freights, the fleet contributed substantially to the trading profit of £139,782, whereas in 1936 it yielded a mere £91. In addition, dividends and interest from other sources contributed 31 per cent. more at £69,430, and after providing £70,000 (against £30,000) for taxes, there remains £255,067 earned for dividend, compared with £120,105, representing 29.5 per cent. against 15.8 per cent. on the ordinary capital. Shareholders, however, will readily approve the increased conservatism implicit in the dividend announcement, which provides £100,000 against plant obsolescence and extensions. The company has already done much to extend its refinery plant; additions, which required £32,592 in 1936, amounted to no less than £83,131 in 1937. At the current price of 35s. 7½d., the £1 units yield £8 8s. 3d. per cent.

Recent Tea Company Results.—The impression of consistent recovery provided by tea company profits earlier this year is broadly confirmed by recent results. Results for 1936 were variable and largely unsatisfactory, but it has been exceptional to find instances of declining profits and dividends among the 1937 reports. In the following table we give a selection of crop statistics and profits of some of the more important companies' recent reports:—

Company	Crop 000's	Lon. price per lb.	Total income	Earned for Ord.		Div.	Current	
				Amt.	Rate		Price*	Yield
Neddeem:	Lbs.	d.	£'000	£'000	%	%		%
1935	5,603	12-30	255.8	11.9	5.5	5	22½	8.9
1936	5,495	13-09	248.9	14.5	6.7	6		
1937	5,901	13-99	301.8	34.6	16.4	10		
Doom Dooma:							40/-	8.7
1935	3,659	16-11	228.1	43.3	16.3	15		
1936	3,566	16-32	221.0	36.3	13.7	12½		
1937	3,919	17-08	255.4	50.8	19.2	17½		
Galaha Ceylon:							22½	7.1
1935	2,365	12-32	155.3	26.3	9.5	7½		
1936	2,528	12-03	161.6	20.9	7.4	6½		
1937	2,479	13-91	181.9	28.3	10.3	8		
Assam Consol.:							8½	11.9
1935	2,824	12-56	129.0	Nil	Nil	Nil		
1936	2,732	12-96	133.8	†	†0.9	†		
1937	2,967	14-65	162.0	16.1	9.2	5		
Pabbojan:							42½	8.0
1935	1,637	16-66	105.3	20.9	16.7	20		
1936	1,614	16-28	99.3	16.7	13.3	15		
1937	1,877	15-27	118.4	23.4	19.4	17		

* All £1 shares. † Earnings equal to 0.9 per cent. on reduced capital, after preference rights.

Most of these companies earned less in 1936 than in 1935, though crops were not uniformly lower. Dividend increases, however, have lately been the rule, although distributions are on a slightly more conservative basis. Prices contributed more to the 1937 recovery than output, which under the Regulation scheme has not fluctuated so frequently nor so violently as that of commodities used industrially. For the years ended March, 1936 and 1937, the regulation percentages were identical at 82½ per cent., but they were increased by 5 per cent. for 1937-38 and again for 1938-39. An increase of this order now represents an addition to annual output of 40 million lbs. While the value of restriction is recognised, there is almost complete agreement that the tea-growers' real problem is to increase consumption.

Propaganda to this end is being financed by means of a cess, and a total expenditure of £570,000 in the current year has been reported for this purpose. Although there was a slight fall in British absorption of tea in 1937, a satisfactory increase has occurred in other European countries, and especially in the United States. The outlook, however, has become less favourable since the beginning of the year. Auction prices have recently ruled lower than a year ago, and the additional 2d. on the tea duty is obviously unhelpful. The consequences are the more serious for the producers of high-grade teas, especially as already these qualities had not risen in price to the same extent as lower grades. As Mr B. Langford James pointed out to shareholders of Consolidated Tea and Lands, the concentration of demand upon the cheaper teas diminishes the inclination for tea-drinking generally, and so affects consumption of all grades. But while the tea planter's difficulties have lately been increased, the prospects for 1938 are perhaps brighter than those of other commodity producers.

London Tin Corporation.—Comprehensiveness is the keynote of the London Tin report, in the new form which was introduced last year. In terms of profits, it tells a satisfactory story. The year's total income (to April 30th last) amounted to £344,083, compared with £336,356, and the dividend is maintained at 7 per cent., leaving £143,046 to be carried forward, compared with £83,370 brought in. This broad summary, however, obscures the great change in trend which occurred during the past year.

OVER ONE HUNDRED AND TEN YEARS OF SERVICE
SCOTTISH UNION & NATIONAL
 INSURANCE COMPANY
 ASSETS EXCEED £17,000,000
 FIRE LIFE ACCIDENT MARINE
 Edinburgh: 35 St. Andrew Square
 London: 5 Walbrook, E.C.4, and 45 Pall Mall, S.W.1.

Dividends from the Corporation's holdings increased substantially from £227,359 to £291,781, but net profits on investment transactions were reduced by a comparable amount, from £94,294 to £45,111. While the average price for tin amounted to £252 per ton during the first six months of the Corporation's financial year, the latter half saw a rapid fall to £183 per ton, with a reduction in the average rate of quota from 110 per cent. to 81 per cent. In short, dividend income relates to a period of prosperous mining conditions, while share dealings were affected by advance discounting of the fall in earnings which is now in progress. The Corporation, however, has added to its portfolio during the period, for investments, at or below cost (including unquoted securities valued at £632,047), show an increase from £3,357,783 to £3,558,640, and were slightly exceeded by market and directors' valuations on April 30th. Results of the principal interests of the Corporation are summarised in the report, which also includes a consolidated statement of the wholly owned management subsidiary companies. The report records an "intense effort" devoted to the new equipment and reconditioning of plants. Some 45 of the 62 dredges operated in Malaya, Siam and Burma were working during last year, and all 6 sluicing plants. Seven new dredges are in hand, of which five are now in course of erection in Malaya, while five other dredges are being entirely reconstructed. Technically, it is clear that the Corporation's mining interests are being kept up to date. But the level of tin-mining profits, with the quota at 45 per cent. (of which 10 per cent. represents the buffer pool allocation, as described on page 736) and the metal at £186, must be seriously affected at present. The possible success of the buffer pool in raising the price towards £200 is less important to the shareholder than the prospects of an improvement in industrial demand. London Tin 4s. shares, at 3s. 6d., recognise this truth by yielding 8 per cent.

* * *

Bangrin and Siamese Tin.—An expansion of striking extent occurred in the profits of these two companies last year, due primarily to the increase in the tin production quota, and secondarily to higher metal prices. Conversely, costs showed a substantial reduction, and consequently the mine profit of Bangrin amounted to as much as £77 5s. per ton, against £33 5s. for the previous year. Including the final distribution of 10 per cent. which has been announced, the total dividend amounts to 15 per cent., compared with 5 per cent. After allocating £10,000 to taxation reserve, the increased balance of £12,660 is carried forward. During the year the company acquired for £104,000 (found from its own resources) the Sydney Siam property of 1,000 acres, which is rather larger than its original area. This acquisition will, of course, bring a corresponding increase in the company's standard assessment. The parent company, Siamese Tin Syndicate, also secured a greatly increased revenue at a lower average cost. Gross profit amounted to £266,700 compared with £58,050; and after providing special amortisation to the extent of £45,840, a surplus of £148,640 was available for distribution—more than three times the 1936 amount. Payment of a final dividend of 15 per cent. brings the year's total distribution to 65 per cent., compared with 25 per cent. for the previous year. After transferring £41,000 to income tax reserve, a balance of £11,500 is carried forward, compared with £7,140 brought in. That these results have won little recognition in the share market is scarcely surprising, for they are far removed from the sharply reduced price and production conditions of to-day.

HOTEL WESTMINSTER
FULL BOARD
From 27/6
Le Touquet

"Tanks" Report.—The report of Tanganyika Concessions for 1937 is largely of academic interest, for the reorganisation scheme, approved by shareholders in March, has markedly changed the structure of, and outlook for, the company. The effect of the scheme (which was outlined in *The Economist* of March 5th) is, however, revealed in the *pro forma* balance sheet which the directors submit in addition to the statutory accounts. Total income amounted to £186,055 last year, compared with £74,316, and a net profit of £161,093 was realised, against a loss of £78,156. The net credit on profit and loss deducted from advances totalling £542,000 made to the African Railway Finance Company (and treated as irrecoverable), leaves a net sum of £473,069. This sum has been eliminated under the reorganisation scheme, whose "slimming" effect is well illustrated by a reduction in the legal balance sheet total from £11,803,461 at the end of December to £6,876,409 in the *pro forma* account. In future years, the company's accounts will be made up to July 31st, and accounts will be published in due course covering the seven months' period to July 31st next. It will be recalled that the scheme provided for the elimination of irrecoverable advances, for stringent writing down of investments (and in particular of the holding in Benguela Railway) and for the substitution of a capital charge in respect of the guarantee of African Railway debentures, hitherto provided from revenue. Union Minière proposes to distribute a dividend of Frs. 134 per share net for 1937. Tanganyika Concessions will thus receive approximately £160,000 next month on its holding of 177,000 shares, together with a royalty payment of £28,500. Union Minière fortunately has low production costs, for the present situation in the copper market is much less satisfactory than a year ago. A substantial improvement in the net operating results of Benguela Railway from £77,723 to £220,600 is reported, and some £133,884 has been paid to Tanganyika Concessions on account of debenture redemption. Smaller mineral traffic during the current year, however, can only partially be compensated by an improvement in local traffics. While the position of the group has been greatly clarified, therefore, its immediate prospects are less progressive. The £1 preference stock, which now carries a cumulative dividend of 4 per cent. and a non-cumulative further dividend of 2 per cent. (with additional participation rights), is expected to receive a dividend for the seven months' period to July. The units are quoted at 10s.

* * *

De Beers Preference Position.—Although Sir Ernest Oppenheimer had stressed the "extreme quietness" of the diamond market in his speech to De Beers shareholders in Kimberley last month, there was no hint that the position was deteriorating so far that the preference dividend might be endangered. The chairman's announcement this week—at a public function in Kimberley to mark his retirement from public life—that the payment of the dividend on the 40 per cent. cumulative preference shares is to be deferred for the time being, accordingly came as a shock to the London market, which marked down the preference shares from 10½ to 9½, and the deferred from 8½ to 7½. The decision is explained by the depressed condition of the diamond market, and by the need for conserving the company's cash resources. Recovery in the diamond industry has, in fact, proved short-lived. Last year De Beers was able to bring preference dividends up to date by the payment of 2½ years' distributions to December last, while the deferred shares received an interim dividend of 30 per cent. in respect of the year to June, 1937. The company intends, as far as possible, to keep the mines on a two-shift basis, but Sir Ernest emphasised that the immediate outlook is serious. The company's dependence upon conditions in the United States found ironical reflection earlier this week, when diamond issues generally were much firmer on the Wall Street "boomlet."

* * *

The Week's Company Profits.—Our analysis of profit and loss accounts on page 760 contains the results of 71 companies, excluding new concerns and those for

which comparable figures are not available. The latest net profits of these companies amount to £7,358,000, and show an increase of 12 per cent. over the previous year, when they earned £6,592,000. The total profits of 1,419 companies whose results have been analysed this year amount to £209,841,000, representing an increase of 13 per cent. compared with earnings of £186,332,000 in the previous year. The heavy industries and engineering trades are well represented in the week's results, though the reports of tea and rubber companies continue to be numerous. On page 735 we discuss the results under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—In this issue, reports of company meetings begin on page 741. At the *Ottoman Bank* meeting, General the Hon. Sir Herbert A. Lawrence remarked that there was no check to the recovery in the Near East, which was the chief field of the bank's activities and remained relatively insulated from the outside world. Sir James Lithgow, at the *William Beardmore* meetings, declared that the probable earning power, together with the present intrinsic value, of the assets, confirmed in large measure the valuation placed upon them by independent experts. At the *British Electric Traction* meeting, Mr J. S. Austen calculated that an original holding of £100 of deferred stock would be worth £4,500 to-day if every bonus had been kept. Colonel Charles E. Ponsonby explained that the excellent demand for the products of *Forster's Glass* had enabled the company to carry increased costs without serious effect on the business. Mr Harry Marland, at the *Griffiths Hughes Proprietaries* meeting, pointed out that the company had in four years distributed £1,007,500 in dividends to the public and had put £180,000 to general reserve. Addressing *Telephone Rentals* shareholders, Mr Fred T. Jackson attributed a large proportion of the increase of the company's business to sales promotion plans. At the *British Empire Trust* meeting Mr Davidson expressed satisfac-

tion that depreciation had been provided from special resources created in the past and that the trust's investments had been written down to the lowest quoted prices. At the annual meeting of *Willoughby's Consolidated Company* the chairman pointed out that the company still owned a million acres of land, and that the time must come, with a gradual increase in population, when it would be in good demand. At the *Zinc Corporation* meeting, Lord Horne discussed the benefits which could be expected from a working agreement with the new Broken Hill Consolidated Company, in which the Corporation held about 29½ per cent. of the issued capital. The two mines would be served by the new Freeman Shaft, and the ore from both would be treated in one mill. The speeches of Lord Bearsted and Lord Cadman at the "*Shell*" Transport and "*Anglo-Iranian*" meetings are discussed on page 729. Reviewing the company's record since its formation 44 years ago, Mr Claude A. de Bernales informed shareholders of *Great Boulder Proprietary Gold Mines* that the mine had distributed in the form of dividends no less than £6,495,340 since 1895. At the *Bangrin Tin Dredging* meeting, Mr Kenneth O. Hunter gave reasons for believing that the acquisition of the new Sydney Siam property would prove valuable, and would increase the dredging life of the company. At the *Siamese Tin Syndicate* meeting, Mr Hunter reported the satisfactory results of prospecting at the Kopah and the Ngow estates. At the *Edmundsons Electricity Corporation* meeting, Sir Thomas Royden cited figures to show that the corporation's objective in 1933, which was to double the business in five years, had actually been exceeded. The number of consumers, for instance, had risen by 115 per cent. to 378,000. Discussing the trend of costs, Sir Frank Newnes told *George Newnes* members that a substantial reduction in the price of paper was expected towards the end of this year. At the *Holyrood Rubber* meeting, Mr W. Arthur Addinsell reported that in the latest financial year the price of rubber had advanced by about 1d. a lb.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET	ACCOUNT
JULY 5	JULY 7

THIS week's change of investment sentiment (which we discuss more fully on page 725) has brought a welcome improvement in equity prices, at first at the expense of gilt-edged securities, whose net progress has been much less rapid. Wall Street's boomlet and more hopeful political views have provided the spark to kindle a latent disposition, in some quarters, to read the existing levels of equity stocks as low enough. The improvement, however, was not marked by any substantial increase in turnover, and it was already noticeable in mid-week that London required confirmation of its more moderate advance from Wall Street.

If political factors were responsible for the change, it is perhaps surprising that *gilt-edged* at first failed to share in the recovery. For the first part of the week prices were irregular, and some tendency to divert funds into the industrial sections may have been operative. On later days, however, the funds were more active and the Defence Loan jumped to 1½ premium, encouraging similar dated stocks in turn. Recent unsettlement of Australian stocks subsided, and prices proved responsive to cessation of small but persistent selling.

Political factors were responsible for the early improvement in *European*

bonds. German and Austrian issues responded to more hopeful views regarding the debt service. Chinese issues rallied on the payment of the July coupon on the 1913 issue, while renewed speculative buying of Brazilian issues followed further statements regarding the resumption of debt payments.

*

Home rail issues became steadier, and both ordinary and marginal preference issues advanced, unchecked by the poor traffics. Interest in Argentine rails was limited, although Cordoba issues responded to expectations that the purchase of the line will be ratified in the near future.

Encouraged by a more hopeful international outlook the *industrial market* staged a considerable recovery. Turnover was not large at the opening, but prices gathered strength, assisted by the consistent advance in Wall Street. Steel shares were in steady demand at rising prices. Whitehead Iron were firm on the meeting, but Richard Thomas failed to share in the general improvement. Coal shares were a satisfactory market, Powell Duffryn responding to the increased dividend, while more interest was taken in engineering issues. Electrical equipment shares provided one of the best sections of the market; Callenders Cable were in the lead, and General Electric gained further on the report. Some broadening of interest in electric supply shares was evident.

Moderate gains were recorded in

motor shares, led by Leyland. Aircraft shares were active, Blackburn Aircraft rising in anticipation of the results. Rolls Royce were subject to profit-taking after responding to the accounts. Textile issues were firm rather than interesting. Patons and Baldwins rose on the relatively moderate reduction in dividend. Brewery issues became more active, partly on provincial support. Interest was taken in the stores group, though improvement was not consistent. Shipping shares strengthened on the Elder Dempster reports. Leading miscellaneous issues such as Turner and Newall and British Oxygen went ahead, and survived mid-week profit-taking.

*

Oil shares found a more cheerful mood than for some time past. Interest broadened into good investment demand for the leaders and moderate gains in prices were recorded. Rubber shares shared in the general improvement, following the rise in the commodity above 6d. Public interest increased, and a more hopeful view was taken of American business prospects and the ultimate effect of the quota cut.

While business was satisfactory in the *mining markets*, interest shifted from gold mines to the base metals. Prices in the Kaffir market were well maintained, but dealings were subdued in comparison with recent weeks. Copper responded well to the quota cut, and Rhodesian copper issues went ahead, though turnover did not

(Continued on page 734)

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937		Prices, Year 1938 Jan. 1 to June 22, inclusive		Name of Security	Price, June 22, 1938	Change since June 15, 1938	Yield, June 22, 1938	Prices, Year 1938 Jan. 1 to June 22, inclusive		Name of Security	Price, June 22, 1938	Change since June 15, 1938	Yield, June 22, 1938
High-est	Low-est	High-est	Low-est					High-est	Low-est				
841 ¹ / ₂	731 ¹ / ₂	791 ¹ / ₂	71	British Funds	741 ¹ / ₂	...	£ s. d.	13/41 ¹ / ₂	12/-	31 ¹ / ₂	31 ¹ / ₂	...	£ s. d.
111 ¹ / ₂	1053 ¹ / ₂	1013 ¹ / ₂	107	Consols 2½% 1950-70	111	...	3 7 2	53/9	50/-	5 5	5 5	...	3 7 2
101 ¹ / ₂	943 ¹ / ₂	1004 ¹ / ₂	96	Do. 4% (alt. 1957)	99	...	2 12 9	90 ¹ / ₂	75/-	10 6	10 6	...	2 12 9
102 ¹ / ₂	977 ¹ / ₂	1034 ¹ / ₂	99	Conv. 2½% 1944-49	101 ¹ / ₂	...	2 18 6	103 ¹ / ₂	91 ¹ / ₂	10 6	10 6	...	2 18 6
108 ¹ / ₂	105	1067 ¹ / ₂	104 ¹ / ₂	Do. 3½% after 1961	101 ¹ / ₂	...	2 3 6	961 ¹ / ₂	82 ¹ / ₂	6 6	6 6	...	2 3 6
117 ¹ / ₂	1114 ¹ / ₂	1155 ¹ / ₂	112 ¹ / ₂	Do. 4½% 1940-44	104 ¹ / ₂	...	2 12 6	93 ¹ / ₂	88 ¹ / ₂	7 7	7 7	...	2 12 6
92 ¹ / ₂	87 ¹ / ₂	913 ¹ / ₂	87 ¹ / ₂	Fund. 2½% 1956-61	90 ¹ / ₂	...	2 2 0	89 ¹ / ₂	83 ¹ / ₂	8 8	8 8	...	2 2 0
96 ¹ / ₂	89 ¹ / ₂	971 ¹ / ₂	94	Fund. 2½% 1952-57	96 ¹ / ₂	...	2 3 1	93 ¹ / ₂	88 ¹ / ₂	9 9	9 9	...	2 3 1
101 ¹ / ₂	96 ¹ / ₂	1004 ¹ / ₂	98 ¹ / ₂	Fund. 3% 1959-69	97 ¹ / ₂	...	2 3 6	94 ¹ / ₂	89 ¹ / ₂	10 10	10 10	...	2 3 6
106 ¹ / ₂	104 ¹ / ₂	1147 ¹ / ₂	110 ¹ / ₂	Fund. 4% 1960-90	113	...	2 3 6	111 ¹ / ₂	106 ¹ / ₂	11 11	11 11	...	2 3 6
99 ¹ / ₂	96 ¹ / ₂	1011 ¹ / ₂	97 ¹ / ₂	Nat. D. 2½% 1944-48	100 ¹ / ₂	...	2 10 0	97 ¹ / ₂	92 ¹ / ₂	11 11	11 11	...	2 10 0
114 ¹ / ₂	107 ¹ / ₂	1121 ¹ / ₂	107 ¹ / ₂	Victory Bonds 4%	111 ¹ / ₂	...	11 6	108 ¹ / ₂	103 ¹ / ₂	12 12	12 12	...	11 6
101 ¹ / ₂	99 ¹ / ₂	1035 ¹ / ₂	99 ¹ / ₂	War L. 3½% af. 1952	101 ¹ / ₂	...	10 1	101 ¹ / ₂	96 ¹ / ₂	11 11	11 11	...	10 1
90 ¹ / ₂	84 ¹ / ₂	901 ¹ / ₂	84 ¹ / ₂	Austria 3% 1933-53	101 ¹ / ₂	...	2 18 9	99 ¹ / ₂	94 ¹ / ₂	10 10	10 10	...	2 18 9
102 ¹ / ₂	99 ¹ / ₂	102 ¹ / ₂	99 ¹ / ₂	India 2½% 1950-70	101 ¹ / ₂	...	2 16 3	99 ¹ / ₂	94 ¹ / ₂	10 10	10 10	...	2 16 3
72	62	67 ¹ / ₂	63 ¹ / ₂	Do. 3%	79	...	2 16 0	79	74	10 10	10 10	...	2 16 0
85 ¹ / ₂	74 ¹ / ₂	81	75	Do. 4%	92 ¹ / ₂	...	2 15 8	92 ¹ / ₂	87 ¹ / ₂	10 10	10 10	...	2 15 8
98 ¹ / ₂	87 ¹ / ₂	94	88 ¹ / ₂	Do. 5%	115 ¹ / ₂	...	2 8 6	115 ¹ / ₂	110 ¹ / ₂	10 10	10 10	...	2 8 6
119 ¹ / ₂	112 ¹ / ₂	117	114 ¹ / ₂	Dom. & Col. Govts.	115 ¹ / ₂	...	2 8 6	115 ¹ / ₂	110 ¹ / ₂	10 10	10 10	...	2 8 6
109 ¹ / ₂	105	108 ¹ / ₂	104 ¹ / ₂	Austr. 5% 1945-75	105	...	4 3 3	105	100 ¹ / ₂	10 10	10 10	...	4 3 3
105 ¹ / ₂	101	104 ¹ / ₂	100 ¹ / ₂	Canada 4% 1940-60	103	...	3 6 0	103	98 ¹ / ₂	10 10	10 10	...	3 6 0
118	114 ¹ / ₂	115	113 ¹ / ₂	Nigeria 5% 1950-60	115	...	3 9 6	115	110 ¹ / ₂	10 10	10 10	...	3 9 6
110	104 ¹ / ₂	108	107 ¹ / ₂	N. Zealand 5% 1945-60	104	...	4 13 11	104	99 ¹ / ₂	10 10	10 10	...	4 13 11
107 ¹ / ₂	103 ¹ / ₂	107 ¹ / ₂	102 ¹ / ₂	Queens. 5% 1945-60	104	...	3 7 5	104	99 ¹ / ₂	10 10	10 10	...	3 7 5
114 ¹ / ₂	110 ¹ / ₂	112 ¹ / ₂	109 ¹ / ₂	S. Africa 5% 1945-75	110	...	3 7 5	110	105 ¹ / ₂	10 10	10 10	...	3 7 5
103	93	96 ¹ / ₂	89	Foreign Governments	91	...	4 18 9	91	86 ¹ / ₂	10 10	10 10	...	4 18 9
105 ¹ / ₂	97 ¹ / ₂	102	24	Arg. 4½% 1950-70	91	...	4 18 9	91	86 ¹ / ₂	10 10	10 10	...	4 18 9
91 ¹ / ₂	84 ¹ / ₂	89	48	Austria 7% 1957	91	...	4 18 9	91	86 ¹ / ₂	10 10	10 10	...	4 18 9
102 ¹ / ₂	95 ¹ / ₂	99	95	Do. 4½% 1954-59	98	...	4 18 9	98	93 ¹ / ₂	10 10	10 10	...	4 18 9
33 ¹ / ₂	24 ¹ / ₂	34 ¹ / ₂	31	Belg. 4% red. by 1970	33 ¹ / ₂	...	7 1 0	33 ¹ / ₂	28 ¹ / ₂	10 10	10 10	...	7 1 0
89 ¹ / ₂	37	37 ¹ / ₂	16	Bulgaria 7½%	33 ¹ / ₂	...	7 1 0	33 ¹ / ₂	28 ¹ / ₂	10 10	10 10	...	7 1 0
28	15	15 ¹ / ₂	16	Brazil 5% (F. 1914)	18 ¹ / ₂	...	Nil	18 ¹ / ₂	15 ¹ / ₂	10 10	10 10	...	Nil
95 ¹ / ₂	74 ¹ / ₂	74 ¹ / ₂	40 ¹ / ₂	Chile 6% (1912)	17 ¹ / ₂	...	4 13 0	17 ¹ / ₂	14 ¹ / ₂	10 10	10 10	...	4 13 0
101 ¹ / ₂	99	101 ¹ / ₂	94	China 5% (1913)	101 ¹ / ₂	...	12 10 0	101 ¹ / ₂	96 ¹ / ₂	10 10	10 10	...	12 10 0
108 ¹ / ₂	101 ¹ / ₂	105 ¹ / ₂	98	Czechoslovakia 8%	108 ¹ / ₂	...	10 15 3	108 ¹ / ₂	103 ¹ / ₂	10 10	10 10	...	10 15 3
100	92 ¹ / ₂	98 ¹ / ₂	94	Denmark 3%	97 ¹ / ₂	...	3 2 0	97 ¹ / ₂	92 ¹ / ₂	10 10	10 10	...	3 2 0
100 ¹ / ₂	100 ¹ / ₂	100 ¹ / ₂	100 ¹ / ₂	Egypt Unified 4%	101 ¹ / ₂	...	3 18 6	101 ¹ / ₂	96 ¹ / ₂	10 10	10 10	...	3 18 6
18 ¹ / ₂	13	13	12	French 4% (British)	101 ¹ / ₂	...	5 10 0	101 ¹ / ₂	96 ¹ / ₂	10 10	10 10	...	5 10 0
49 ¹ / ₂	35	35 ¹ / ₂	32	Ger. 7% 1924	48	...	15 6 0	48	43 ¹ / ₂	10 10	10 10	...	15 6 0
40 ¹ / ₂	30	34 ¹ / ₂	25	Do. 5½% Young Ln.	32 ¹ / ₂	...	15 6 0	32 ¹ / ₂	27 ¹ / ₂	10 10	10 10	...	15 6 0
88 ¹ / ₂	47 ¹ / ₂	58 ¹ / ₂	30	Greek 6% Stab. Ln.	32 ¹ / ₂	...	8 12 3	32 ¹ / ₂	27 ¹ / ₂	10 10	10 10	...	8 12 3
94 ¹ / ₂	57 ¹ / ₂	60	38	Hungary 7½%	43 ¹ / ₂	...	8 12 3	43 ¹ / ₂	38 ¹ / ₂	10 10	10 10	...	8 12 3
121 ¹ / ₂	110 ¹ / ₂	124	115	Japan 5½% 1936-65	121 ¹ / ₂	...	10 11 6	121 ¹ / ₂	116 ¹ / ₂	10 10	10 10	...	10 11 6
61 ¹ / ₂	40 ¹ / ₂	50	36	Do. 6% (24) red. 1959	52	...	11 3 8	52	47 ¹ / ₂	10 10	10 10	...	11 3 8
83	56	72	54	Norwegian 4% 1911	117 ¹ / ₂	...	3 8 0	117 ¹ / ₂	112 ¹ / ₂	10 10	10 10	...	3 8 0
20 ¹ / ₂	15	15	11	Peru 7½% 1922	45	...	8 4 2	45	40 ¹ / ₂	10 10	10 10	...	8 4 2
96 ¹ / ₂	88 ¹ / ₂	94	78	Poland 7%	67	...	8 4 2	67	62 ¹ / ₂	10 10	10 10	...	8 4 2
118	111 ¹ / ₂	115 ¹ / ₂	110 ¹ / ₂	Roum. 4% Con. 1922	121 ¹ / ₂	...	14 2 0	121 ¹ / ₂	116 ¹ / ₂	10 10	10 10	...	14 2 0
118 ¹ / ₂	112 ¹ / ₂	117	112	U.K. & Arg. Con. 3%	81	...	3 14 1	81	76 ¹ / ₂	10 10	10 10	...	3 14 1
95 ¹ / ₂	82 ¹ / ₂	87 ¹ / ₂	83	Corporation Stocks	112 ¹ / ₂	...	3 4 9	112 ¹ / ₂	107 ¹ / ₂	10 10	10 10	...	3 4 9
101 ¹ / ₂	95 ¹ / ₂	97 ¹ / ₂	94	Br. Ham. 5% 1946-56	112 ¹ / ₂	...	3 4 9	112 ¹ / ₂	107 ¹ / ₂	10 10	10 10	...	3 4 9
104 ¹ / ₂	100 ¹ / ₂	105 ¹ / ₂	101 ¹ / ₂	Bristol 5% 1948-58	114 ¹ / ₂	...	3 5 6	114 ¹ / ₂	109 ¹ / ₂	10 10	10 10	...	3 5 6
				L.C.C. 3%	86	...	3 9 9	86	81 ¹ / ₂	10 10	10 10	...	3 9 9
				Liverpool 3% 1954-64	96	...	3 5 0	96	91 ¹ / ₂	10 10	10 10	...	3 5 0
				Middx. 3½% 1957-62	104	...	3 4 9	104	99 ¹ / ₂	10 10	10 10	...	3 4 9

(a) Interim dividend. (b) Final dividend. (c) Dividends for full year. (d) Paid in £N.Z. (e) Allow for exchange. (f) Flat yield. (g) Yield on 3½% basis. (h) Yield on 4% basis. (i) Yield on 4½% basis. (j) Yield on 5% basis. (k) Yield on 5½% basis. (l) Yield on 6% basis. (m) Based on payment of 2½%. (n) To redemption at par, in year shown. (o) Yield on 15½% basis. (p) Yield based on 40% of coupon. (q) Yield based on 45% of coupon. (r) Yield worked on a 5½% basis. (s) Yield based on a 4½% basis. (t) 1% paid free of income tax. (u) 1% paid free of income tax. (v) 1% paid free of income tax. (w) 1% paid free of income tax. (x) 1% paid free of income tax. (y) 1% paid free of income tax. (z) 1% paid free of income tax.

Prices, Year 1938 Jan. 1 to June 22, inclusive				Last two Dividends		Name of Security	Price, June 22, 1938	Change since June 15, 1938	Yield, June 22, 1938	Prices, Year 1938 Jan. 1 to June 22, inclusive				Last two Dividends		Name of Security	Price, June 22, 1938	Change since June 15, 1938	Yield, June 22, 1938
High-est	Low-est	(a) %	(b) %	(c) %	High-est					Low-est	(a) %	(b) %	(c) %	High-est	Low-est				
25/3	20/9	Nil	Nil		21/3	Nil				26/4 1/2	17/-	10 c	11 1/2		Fairley Aviation 10/-	26/-	+1/-	4 16 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Finlay (Jas.) & Co. Ltd.	26 1/2	+1/3	4 19 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Gallagher Ltd. Ord. £1	26 1/2	+1/4	4 19 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Gaumont-Brit. 10/-	26 1/2	...	4 16 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Gen. Refract. 10/-	26 1/2	...	12 16 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Gestetner D. (5/-)	26 1/2	...	6 6 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Harris & Cros. Dr. £1	26 1/2	+7 1/2	5 (d)	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Hawker Siddeley (5/-)	26 1/2	+1 1/2	7 8 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Imp. Airways £1	25/-	...	7 4 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Imp. Chem. Ord. £1	31/3	+1/3	5 15 3	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Imp. Smelting £1	...	...	11 8 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Imp. Tobacco £1	...	+5 1/2	3 14 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Int. Nickel Ord. £1	26 1/2	+2	4 7 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		International Tea 5/-	10/-	+6d	6 10 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Lever & Unilever £1	37/6	...	5 6 8	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		London Brick £1	50 7/12	...	7 18 3	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Lyons (J.) Ord. £1	59 1/2	-1 1/8	4 4 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Marks & Spen. A. 5/-	59 1/2	-1 1/8	4 4 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Murex £1 Ord.	4 1/2	+1 1/2	4 19 9	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Phillips (Godfrey) £1	33 1/12	+7 1/2	7 3 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Pinchin Johnson 10/-	28/-	-6d	6 3 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Prater Trust Ord. 5/-	55/-	+3/9	6 8 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Reckitt & Sons Ord. £1	55/-	+1/3	5 18 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Sears (J. Ord.) 5/-	11 1/2	+6d	5 15 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Smithfield & Arg. Mt. £1	9/3	...	8 2 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Spillers Ord. £1	53/9	+1/3	5 11 6	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Swed. Match, Bkr. 25	21 10/12	-1/3	Nil	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Turner & Newall £1	58 1/2	+3/10	1 6 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		United Dairies £1	46	+6d	4 13 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		United Molasses 6/-	22 1/2	+1/10	2 13 3	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		W. Lippar Mrs. Df. £1	35/-	...	7 2 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Wiggins, Teape Ord. £1	35/9	-6d	5 12 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2		Woodward Leed. 5/-	62 1/2	+1/3	4 16 0	
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil		21 1/2	Nil				26 1/2	17 1/2	10 c	11 1/2						
26 1/2	20 1/2	1 c	Nil																

(Continued from page 731)

improve to the same extent. Rhokana was one of the brighter spots, on the company's increased assessment. Tin shares were also very firm, but turn-over showed only a small increase.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
June 17	5,335	7,500	81.7	128.3
June 20	5,690	8,005	82.2	128.1
June 21	6,440	7,520	83.4	128.0
June 22	6,030	6,810	84.1	128.2
June 23	6,015	6,795	84.8	128.3
1938 High...	...	...	97.2 Jan. 12	131.0 Feb. 4
Low...	...	...	79.4 Mar. 16	128.1 Mar. 17

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

ACTUARIES' INVESTMENT INDEX

More pronounced recovery than in the previous week is shown by the Actuaries' index of 151 industrial ordinary share prices, which on Tuesday last (June 21st) stood at 64.3, against 63.4 a week ago, and 65.3 a month ago. The corresponding average yield, however, has also risen, to 6.02, against 5.99 and 5.79 per cent., respectively. A selection of the component indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			
	May 24, 1938	June 14, 1938	June 21, 1938	Prices 1938 High
Build. mats. (6)	79.1	76.7	77.3	87.1
Coal (9)	85.3	79.9	81.6	106.7
Elec. Mfg. (12)	116.4	112.4	113.0	129.7
Motors (6)	33.3	32.0	33.1	39.0
Oils (4)	78.7	78.6	81.5	84.9
Home Rails (6)	54.1	48.1	49.7	71.0
Stores, etc. (18)	58.7	56.1	57.7	66.4

Group	Yields (%)			
	May 24, 1938	June 14, 1938	June 21, 1938	Prices 1938 Low
Building mats.	7.01	7.21	7.16	75.0
Coal	6.51	7.03	6.89	77.9
Elec. Manufg.	5.77	6.05	6.09	111.1
Motors	7.15	7.43	7.17	72.0
Oil	6.45	6.51	7.31	67.1
Home Rails	6.11	6.94	6.74	49.2
Stores, etc.	5.57	5.85	5.76	56.1

New York

ON Saturday last week, Wall Street could muster a turnover of no more than 100,000 shares—the lowest level recorded for twenty years. On Monday, trading jumped spectacularly from the first hour, breaking through the million mark for the first time since early April. To the accompaniment of a rising turnover, stock prices have advanced on a wide front, the Dow Jones index leaping by 14.18 points in the brief space of four days. The recovery appears to have sprung from a renewed estimate of the effect of "pump-priming" on industrial recovery, coupled with greater confidence in the prospect of an autumn improvement. The advance in steel output from 26 per cent. to 28 per cent. of capacity (according to *Iron Age*) is also accompanied by a rise in scrap prices and by small but urgent buying to replenish consumers' reduced stocks. Steels, pivotal issues like Allied Chemical and Johns-Manville, and utilities shared fully in the week's advance. Rail stocks, depressed

to extremes a week ago, recovered appreciably, partly owing to chart operations, but also to the reported willingness of the Brotherhoods to negotiate on wage questions, although the apparent exclusion of wage cuts from the discussions temporarily checked the market in mid-week. Second-grade rail bonds improved sharply, but Treasury issues remained easy.

New York Prices

	Close Latest		Close Latest	
	June 16, 1938	June 22, 1938	June 16, 1938	June 22, 1938

1. Ralls and Transport		4. Manufacturing	
Atchafalpa	25 315	Briggs	17 22
Balt. & Ohio	5 62	Chrysler	42 52
B.M.T.	9 91	Elec. Autolite	15 19
Can. Pac.	55 61	Gen. Motors	29 35
Ches. & Ohio	22 28	Hudson Mtr.	5 7
G.N. Ry. Pl.	14 18	Nash Kelynt	7 8
Illinois Cent.	7 10	Packard Mtr.	3 4
N.Y. Central	9 14	Bendix Avin.	10 12
Norfolk Pac.	7 10	Boeing Airplan ..	23 24
Pennsylv. R.	14 17	Douglas Air.	44 46
Southern Pac.	10 14	United Aircr.	26 27
Southern Ry.	6 9	Air Reduction	47 56
Union Pac.	61 73	Allied Chem.	149 167
Greyhound	9 14	Col. Carbon	70 79
		Dupont	112 117
		U.S. Carbide	65 74
		U.S. Ind. Alc.	17 18
		Alvis Chalm.	40 42
		Gen. Electric	34 38
		West. Elec.	76 87
		American Can	87 96
		Addressograph	18 20
		Caterpillar	41 44
		Cont. Can.	38 44
		Ingersoll Rad	74 83
		Int. Harvester	52 59
		Johns Manvle	70 71
		Am. Radiator	10 13
		Corin Prod.	67 69
		Int. Case & Co.	76 86
		Glidden	16 20
		G.M. Trans.	37 43
		Celanese of A.	12 14
		Ind. Rayon	15 18
		Colgate Pack.	19 21
		Stanton's Kalk	150 165
		Guillette	6 8
		Lambert Co.	11 13
		Loews	41 48
		20th Cent. Fox	20 23

2. Utilities and Communications		3. Extractive and Metal	
Am. W'orks	8 10	Am. Rol. Mill	15 19
C.W. & S.	14 16	Beth. Steel	44 53
Con. Edison	23 24	Beth. Steel P.	81 90
Col. Gas & Eic	6 7	Republic St.	12 16
El Bond & Sh.	6 7	U.S. Steel	41 54
Nat. Pwr. & Lt.	6 7	U.S. Steel P.	96 102
N. American	26 28	Alaska P.	10 10
Pac. Gas & Eic	26 28	Am. Metal	29 31
Pac. Lighting	38 39	Am. Smelting	36 42
Pub. Serv. N.J.	27 30	Anaconda	24 29
Stan. Gas & El.	31 34	Bohn Alum.	18 22
United Corp.	21 23	Cerro de Pas.	34 42
Un. Gas Imp.	10 14	Int. Nickel	43 48
Amer. Tel.	129 141	Kennecott	29 36
Internat. Tel.	8 10	Patino Mines	9 10
Westn. Union	21 25	Tex. Gif. Sul.	31 32
Radio	51 68	U.S. Smelt.	60 64
"B. Pref.	47 53	Vanadium	14 17

5. Retail Trade, etc.		6. Finance	
Mont. Ward	32 38	Comd. Credit	30 33
W. G. Penney	62 71	Atlas Corp.	64 73
U.S. R. Co.	56 63	Com. Inv. Tr.	35 41
United Drug	4 5		
Walgreen	14 15		
Woolworth	42 44		
Borden	19 21		
Gen. Foods	29 31		
Kroger Grey	13 14		
Nat. Biscuit	23 24		
Nat. Dairy	13 15		
Stand. Brands	7 7		
Am. Tob. B.	70 77		
Lig. Myers B.	96 99		
Lorillard	16 16		
Reyn. Tob. B.	37 41		
Nat. Distillers	19 21		
Schenley Dis.	15 16		

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

	WEEKLY AVERAGES			
	Low Mar. 30	High Jan. 12	June 8, 1938	June 15, 1938
347 Ind'ls.	75.9	101.5	84.4	93.5
32 Ralls	19.0	31.4	20.0	19.6
40 Utilities	57.7	78.8	68.3	75.2
419 Stocks	63.7	86.4	71.4	71.5
Av. yield %*	8.35	4.78†	5.37	4.78

* 50 Common Stocks. † June 22nd.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)					
June 16	June 17	June 18	June 20	June 21	June 22
95.9	95.0	95.0	100.3	103.1	105.7

1938 High: 116.9 January 11th. Low: 83.6 March 31st.

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
June 16	340	4,870	62
" 17	330	5,080	62
" 18	104	2,150	27
" 20	1,090	5,910	141
" 21	1,460	7,010	191
" 22	1,710	8,240	203

* Two-hour session.

Capital Issues

DEBENTURE offers have monopolised the new issue market this week, and all are of high quality. An offer for sale of *B. C. and H. Power Station Company* 3½ per cent. first mortgage debenture stock at £99 per cent. was considered attractive. The stock is dated 1953-63, and thus had an appreciably shorter life than many comparable electricity stocks, including those of the Central Electricity Board, on whose behalf the station will be operated, and also the Kent Electric Power 3½ per cent. issue. The stock ranks virtually as a rent charge on the revenues of the Central Electricity Board, and is of first-class investment calibre. The re-financing operation of *Stanton Ironworks*, by which the existing 4½ per cent. guaranteed debenture stock will be replaced by 4 per cent. stock, is being accompanied by a cash offer of similar new 4 per cent. stock, issued at £102½ per cent., to provide for the erection of modern coke ovens. The company has an excellent dividend record, and its debenture issues are well covered by assets and profits. The company reserves a wide redemption option from 1948 to 1978, but repayment before 1968 can only be effected at a premium over the issue price. The stock is a high-class industrial debenture. Particulars have been published this week for information only of a placing of £300,000 4½ per cent. first debenture stocks of *Kemp Town Brewery, Brighton*.

CAPITAL ISSUE TOTALS			
Week ending June 25	Nominal Capital	Conversions	New Money
To the Public	2,650,000	533,700	2,116,300
To Shareholders	Nil	Nil	Nil
By S.E. Intro.	350,000	...	685,000
By Permis. to Deal ..	167,803	...	170,731
Sav. Certs. w/e	Dr. 100,000	...	...
Year to date	176,232,350	161,464,297	288,495,094
1938 (New Basis)	334,613,254	134,498,895	200,114,359
1937 (Old Basis)	228,548,469	184,857,244	...

Year to date	Destination (Excluding Conversions)		
	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1938 (New Basis)	139,059,206	19,975,862	2,429,229
1937 (New Basis)	242,788,156	44,513,478	1,193,460
1938 (Old Basis)	116,457,026	15,642,745	2,399,124
1937 (Old Basis)	170,908,521	13,948,723	Nil

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	123,951,256	7,365,910	30,167,131
1937 (New Basis)	150,303,021	19,171,646	119,020,427
1938 (Old Basis)	115,165,223	2,678,496	16,655,176
1937 (Old Basis)	136,714,103	12,664,731	35,478,410

NOTE.—"Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

PUBLIC OFFERS

Stanton Ironworks.—Issue at 102½ of £466,300 4 per cent. debenture stock, redeemable at 102½ in June, 1978, or from 1948, on notice at various rates or

by drawings at 102½ from 1940. (Part of £1,000,000 authorised, balance being in conversion of 4½ per cent. guaranteed debenture stock). Earned for debenture service, years to March 31: 1936, £471,972; 1937, £436,377; 1938, £632,391. Net assets (before deducting existing debentures), £5,396,409.

BY OFFER FOR SALE

B. C. & H. Power Station Co..—Offer for sale of £1,650,000 3½ per cent. first mortgage debenture stock at 99. Redeemable at par by June, 1963, by drawings from 1943, or from 1953 on notice. Service will be covered by payments from C.E.B. Until latter's liability begins, interest payable out of capital. Owned by a subsidiary of Edmundsons Electricity Corporation. To build generating station at Little Barford (60,000 kilowatts; later, 120,000 kw.). Lazard Bros. and Company take issue at 96½, or 98½ including expenses.

BY STOCK EXCHANGE INTRODUCTION

Kemp Town Brewery, Brighton, Ltd..—Particulars of issue £300,000 4½ per cent. first mortgage debenture stock. Redeemable at par, October, 2008, or, at 103 from April, 1948, on notice. Proceeds to discharge various deposits and to reduce bank loan. Directors take issue for £303,624, the company paying expenses: £124,800 sold at 102 less ½ to Messrs Rowe and Pitman.

SHORTER COMMENTS

Company Results of the Week.—Although *BARCLAY PERKINS AND COMPANY* have experienced a small drop in profits, from £314,194 to £307,479, the 8 per cent. dividend is maintained, and is covered by earnings (after depreciation) with a margin of 1½ per cent. *TRUST HOUSES* have made a slightly larger trading profit than in 1936-37, but increased taxation has resulted in a decline in net profits. The provision of substantial sums for various improvements to the properties continues. *BRITON FERRY STEEL COMPANY* report that conditions in the first half of the year ended April 2nd last were exceptionally good, and net profits are £49,000 higher at £212,194. A remarkable

recovery is shown by *FAIRBAIRN, LAWSON, COMBE & BARBOUR*. Total profits amount to £111,079 against £32,553, and after meeting debenture interest and preference dividend, the carry-forward increased by £49,000. *GREENWOOD AND BATLEY* have doubled their net profits, which amount for 1937-38 to £104,361. Although provision for depreciation has also been doubled, and the dividend raised from 7 to 15 per cent., the distribution is covered with a more generous margin than in recent years. Trading profits of *WHESOE FOUNDRY AND ENGINEERING COMPANY* total £136,320, compared with £77,955, and although taxation requires half as much again as in 1936-37, the dividend is raised from 20 to 30 per cent. While the very high rates of improvement shown by rubber companies are not generally maintained, *MALACCA RUBBER* have earned £88,069 against £71,050, but the 7½ per cent. dividend is unchanged. The more important of the week's trust company results include *GLOBE TELEGRAPH AND TRUST*, whose tax-free dividend is raised from 5½ to 7½ per cent., payable from earnings of £264,747 against £219,557. Thanks to the 50 per cent. increase in the dividend from *ELDER DEMPSTER LINES*, the Holding company is paying 9 per cent. against 5.9 per cent. The operating company's total profits of £1,035,502 are as much as 63 per cent. higher than in 1936, for an increased volume of cargo was carried at higher freight rates. Towards the end of 1937, however, the company's business was affected by the cocoa "hold-up" in West Africa, though increased timber shipments provided partial compensation. Having achieved a new output record, *METAL BOX COMPANY* show earnings of £331,956 against £285,641, and pay 17½ per cent. against 15 per cent. Earnings on the ordinary stock are equivalent to nearly 30 per cent. Substantial progress is recorded by *EDGAR ALLEN AND COMPANY*; net profits of £72,928 compare with £54,756. Extensions to property and plant have been made and are still proceeding.

MISCELLANEOUS

Rhokana Corporation.—It is announced that arrangements have been made between the co-operative producers that the Corporation will produce (in addition to its basic quota of 6,338 short tons per month) as from July 1, 1938, a further 952 short tons of copper per month at 100 per cent. production of basic quota. This additional tonnage is subject to same percentage changes as is basic quota.

Industry and Trade

The Cotton Trade Enabling Bill.—There have been misgivings in Lancashire during the last few months concerning the probable effects of the proposed Enabling Bill on the export trade. Some members of the Manchester Chamber of Commerce, which represents the merchant section of the industry, have suggested that the directors of the Chamber should convene a special meeting in order that the policy of the Chamber towards the Bill might be discussed. The directors have now sent a circular letter to the members stating that they have decided not to call such a meeting until the publication of the details of the projected legislation. When the draft Bill becomes available, the Chamber's special Committee will be able to consider how far the contemplated measures safeguard the export trade and are likely to prevent abuses of monopolistic powers; the directors of the Chamber will then convene a special meeting to discuss the draft Bill and the Committee's report. Meanwhile, the export trade continues to shrink; exports of yarn and piece goods in the first five months of the current year were 25 per cent. smaller than in the corresponding period in 1937, and exports of cloth have fallen to lower levels than have been recorded during the past 86 years.

Survey of East Anglian Farming.—The Farm Economics Branch of the Cambridge School of Agriculture have already issued a number of informative surveys of farming conditions in the Eastern counties of England. East Anglia cannot, of course, be taken as representative of the agriculture throughout Britain, but the changes in production and in methods recorded on the farms included in these surveys give an indication of the trends in this mainly arable district since the beginning of the depression. Two main changes have been noted in the previous reports in this series. There has been a very considerable increase in the volume of crops sold from the farms, an increase



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which is due both to an expansion in the acreage of such crops as wheat, potatoes and sugar beet, and to the fact that a larger proportion than before of the crops grown were sold. Thus the acreage of wheat grown on the farms recorded increased by 43 per cent. between 1931 and 1936, but the proportion of the total crop sold rose from about 70 per cent. in 1931 to about 95 per cent. after 1932, due to the stimulus given by the Wheat Act. The other main trend has been the steady increase in the output of livestock products by about 3 per cent. per annum after 1931; the increase was caused by a rapid expansion in dairying and in pig-keeping, though the latter activity was checked in 1936, when the difficulties arose which led to the breakdown in the pigs marketing scheme in December of that year. During the whole period covered by these reports there has been a steady fall in the number of labourers employed, but owing to the more efficient methods of working, and to the shift towards more intensive forms of husbandry, the volume of output per worker increased by about 20 per cent. between 1931 and 1936. But the survey just published,* which covers the financial years 1936 and 1937, reveals a check to these general trends. The rising cost of feeding stuffs was responsible, together with the uncertain market, for the decline in the number of pigs, and also resulted in a higher proportion of the crops grown being used on the farm. For the first time since 1931 the returns for 1937 show a fall in both the volume and the value of output per worker, the former falling by 5 per cent. between 1936 and 1937 and the latter by 1 per cent. Profits were also reduced in 1937 compared with previous years, due mainly to the poor crop yields and to the rising costs of feeding stuffs. These two factors of reduced output per worker and of falling profits show that the rise in agricultural incomes which has taken place since the depression has now been checked.

* * *

The Tin Buffer Pool.—Last Monday the International Tin Committee decided to fix the buffer pool quota for the third quarter of this year at 10 per cent. of the basic output. As the quota for that period was fixed at 45 per cent. on June 2nd, the quota for the free market will be only 35 per cent., which will reduce new supplies well below the level of current requirements. In addition to the fixing of the pool quota, the I.T.C. accepted and signed the new buffer pool agreement. Although the details of the scheme have not yet been made public, it is learned that there will be "no material variations as compared with the original draft." In this draft it was apparently agreed that attempts should be made to keep the price of tin between £200 and £230 per ton; these limits are believed to have been maintained in the final negotiations. During the past few days prices have risen sharply owing to substantial speculative purchases. While the pool decisions have been accepted with enthusiasm by many of the tin producers, there is a danger that a price as high as £200 or more will disturb the normal price relation between tin and its competitors amongst raw materials. In times of a trade recession, such as the present, a relatively high price for tin may have serious repercussions on consumption.

* * *

Copper in America.—Stocks of copper in the United States have increased from 108,585 tons at the end of May, 1937, to 369,809 tons at the end of last month. The rate of increase, however, has tended to slow down

* Changes in the Economic Organisation of Agriculture. Report No. 26. University of Cambridge, Department of Agriculture, Farm Economics Branch.

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since the beginning of the year; in February the increase was 9 per cent. over January, in May just under 4 per cent. over April. It is believed that one of the objects of the recently announced cuts in output is to induce an absolute reduction in stocks of between 5,000 and 10,000 tons per month. Owing to the conditions under which the Customs smelters work, it seems probable that exports of American copper will be maintained for the next few months at a relatively high figure. If it be the fact that consumption is somewhat in excess of deliveries, and if production is reduced to 30,000 tons per month, then, making an allowance for the output of scrap, it is conceivable that the much-desired reduction in stocks may in due course take place. There seems to be no doubt that the response to an improvement in American industrial conditions would be marked and immediate, but this desirable event is, perhaps, the most uncertain element in the situation. Outside the United States consumption has been running ahead of production, and any continuance of exports of American copper at recent levels would in such circumstances have been a lesser evil than allowing these supplies to depress the weak American market. In May, however, non-American consumption fell by 21,000 tons, reducing the margin over production to 1,400 tons. To this is doubtless due the decision under the restriction scheme to reduce output from July 1st from 105 to 95 per cent. of basic output, or by about 5,000 tons per month, as some measure of insurance against American exports. As to the American stocks themselves, it is believed that a large proportion is strongly held. Nevertheless, despite the drastic steps taken to reduce them and the 10 per cent. cut in the quota, a well-sustained revival of prices depends ultimately on an improvement in consumption in the United States and its maintenance in the rest of the world.

* * *

The International Coke Convention.—The International Coke Convention has just completed its first year of activity. Provisionally formed in the autumn of 1936, the final agreement was concluded in the middle of June, 1937, for a period of three years, between coke producers in Great Britain, Germany, Belgium, Holland and Poland. The object of the agreement was to ensure an equitable distribution of the export trade by means of quotas and a uniform price policy, but owing to the sharp increase of demand in the early months of 1937, competition had ceased before the understanding was reached, and the limitation of exports was not applied. The following table shows the course of coke exports and the share of each of the Cartel participants in the total shipments.

	COKE EXPORTS (Monthly average, long tons)					
	1936	Per cent.	1937	Per cent.	Jan.-April, 1938	Per cent.
Great Britain	192,835	17.5	204,202	16.1	144,134	15.8
Germany	599,208	53.4	721,200	57.1	440,826	48.3
Poland	29,262	2.7	30,195	2.4	19,893	2.2
Belgium	102,549	9.3	108,231	8.6	104,064	11.4
Holland	189,085	17.1	200,000	15.8	202,874	22.3
Total	1,102,939	100.0	1,263,828	100.0	911,791	100.0

Germany was the only country which increased her share of the aggregate exports of these countries between 1936 and 1937, but in the first four months of the current year the German proportion has been substantially lower, whereas that of Belgium and Holland has increased. The shares of Great Britain and Poland in total shipments show a persistent fall. This year's sharp fall in total exports reflects the deterioration on coke markets; prices have also been affected by the shrinkage of demand. Whereas the average value of British coke exports (gas coke and other sorts) rose from 19s. 4d. per ton in 1935 to 21s. 9d. in 1936 and to 28s. 6d. last year, the average value for May, 1938, has fallen back to 26s. 10d. per ton. The time has now come for the Convention to prove that it is able to stabilise the market under adverse trade conditions.

Dairy Research.—Farmers and their representatives are often heard to complain of the favours received by other industries from the Government, which so unaccountably neglects the sad state of British agriculture. But one favour the State does bestow on agriculture, in a greater degree than to any other trade in the country; it provides the finance not only for continuous research into the practice and the basic sciences of agriculture but also for the services of local advisers to assist farmers to make the best use of the new knowledge. The extent and scope of such activities is well illustrated in the report recently issued by the Agricultural Research Council on the dairy research now being carried out in this country. The report reviews the work of the two institutes for dairy research, at Reading and at Kirkhill, near Ayr, and describes also the work which is carried out at agricultural and veterinary colleges, at the London School of Hygiene and Tropical Medicine, and by the United Dairies, Limited, on matters affecting the dairy industry. The research now in hand on the physiology of lactation, the influence of various foods and methods of feeding on milk yield, the causes and prevention of various animal diseases, particularly mastitis, contagious abortion and bovine tuberculosis, is of immediate importance to dairy farmers; the Hannah Research Institute at Kirkhill has been the centre of efforts which have successfully eradicated tuberculosis from a number of dairy herds in the neighbourhood. One of the major problems, now being investigated, is to find efficient, speedy and simple tests for ascertaining the chemical and bacteriological composition of milk, so that grades and standards can be established which can command the confidence of the consuming public. Work is also in progress on the factors which determine the keeping qualities of milk and the flavour of milk products such as cream, butter and cheese. The report also reviews the work of the Dairy Bacteriological Service and its connections with the clean milk regulations of the local authorities.

* * *

Wholesale Prices Recover.—The past fortnight has witnessed an increase in British wholesale prices, which, though small, is the biggest fortnightly rise this year. *The Economist's* complete British index has advanced by only 0.2 per cent., but those for primary products have risen by 1.3 per cent. in England and 2.6 per cent. in the United States. The complete Irving Fisher American index number has also risen.

THE announcement that the European Steel Cartel is to be prolonged until the end of 1940 has given iron and steel markets a brighter tone in some districts, but there is still little increase in new orders. The heavy sections of the industry are still fairly busy and our Glasgow correspondent reports prospects of regular employment for a long period ahead. Activity in the lighter sections is slowing down, and is slackening in the coal industry, but this is mainly seasonal. There has been some improvement in the cotton textile trade. Less favourable weather reports from America have led to an increase in prices and in sales of yarn and piece goods. More detailed reports of recent developments in the main branches of industry are given in the *Trade Supplement* which accompanies this issue of *The Economist*.

Coal

Sheffield.—In most sections business is quiet, although collieries are working fairly regularly. Demand is steady for industrial steams, but quiet for house and gas coal. Production of

INDUSTRIAL REPORTS

soft coal is at about the summer level. Small coal is moving well to electricity works, and consumption is good at coke and brick works. There is little request for prompt or forward blast-furnace coke, and patent oven and graded coke are affected by the quietness of some sections of local industry. Very little interest is shown in the export market, and full supplies are available for export and bunkers.

Newcastle-on-Tyne.—The situation to-day is most disappointing and the immediate future does not appear to be bright. The Northumberland steam section is feeling the lack of home trade, and contracts made abroad last year are not being implemented. Stocks are increasing and idle time is frequent. Less Continental demand is having a serious effect upon Durham coking trade. Patent oven coke is receiving a little more attention from abroad, but the market generally is quiet.

Workington.—The situation gives rise to no immediate anxiety. Demand in the Irish and local land-sale markets

SEPTEMBER 18, 1931=100

Date	The Economist Indices			Price of Gold (sterling)	U.S.A., Irving Fisher	France, Statistique Générale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsamt
	British Complete Index (sterling)	Primary Products						
		British (sterling)	American (dollar)					
1936								
Dec. 30th 1937	131.3	163.9	187.3	166.7	128.8	113.0	116.3†	95.4
Jan. 27th 1937	134.2	164.2	184.5	167.0	131.0	115.9	...	95.7
Feb. 24th 1937	136.3	168.2	185.5	167.4	131.8	116.8	124.3	96.2
Mar. 31st 1937	144.3	181.9	199.7	167.4	137.3	121.8	126.2	97.5
Apr. 28th 1937	142.0	169.9	183.5	165.4	135.6	120.5	128.7	97.0
June 2nd 1937	142.7	170.2	178.9	165.6	134.3	119.8	133.2	97.5
June 30th 1937	139.5	165.9	176.8	165.7	134.1	119.8	134.2	97.5
July 28th 1937	140.2	167.1	171.8	164.5	133.8	130.8	137.1	97.9
Aug. 25th 1937	137.9	164.4	165.3	164.2	133.0	133.3	137.1	98.1
Sept. 22nd 1937	136.0	164.0	166.3	165.1	133.7	133.4	137.7	97.6
Oct. 20th 1937	133.6	156.2	152.3	165.4	129.5	135.8	141.6	97.3
Dec. 1st 1937	127.5	145.4	138.9	164.8	125.1	134.0	143.3	97.0
Dec. 29th 1937	127.8	147.4	135.3	164.2	120.5	135.8	143.8	97.0
1938								
Jan. 5th 1938	128.9	148.2	136.8	164.5	120.6	137.4	143.6	96.9
Jan. 19th 1938	127.8	146.5	137.7	164.3	120.9	138.1	143.5	96.9
Feb. 2nd 1938	126.6	144.4	135.4	164.5	119.8	137.9	142.9	97.0
Feb. 16th 1938	125.0	141.7	136.8	164.3	119.5	138.1	142.4	96.9
Mar. 2nd 1938	125.1	143.1	138.7	164.5	120.3	138.1	142.5	97.2
Mar. 16th 1938	123.9	140.8	134.8	164.5	119.3	139.9	142.5	97.2
Mar. 30th 1938	122.7	137.0	129.3	164.6	117.7	139.4	141.7	97.1
Apr. 12th 1938	122.6	137.8	130.6	164.6	117.6	139.9	141.5	97.0
Apr. 27th 1938	121.4	137.8	127.5	164.3	116.9	139.9	142.8	97.0
May 11th 1938	121.3	137.0	126.1	164.6	117.1	145.3	143.4	96.9
May 25th 1938	119.6	132.2	121.9	165.5	117.2	145.6	...	96.3
June 8th 1938	119.1	131.5	121.6	165.4	117.0	145.8	...	96.8
June 22nd 1938	119.3	133.2	124.8	165.8	117.4*	...	...	96.9*

* These figures relate to June 15th.

† Monthly average.

The following table shows the movement of the various groups comprised in *The Economist* index number:—

	The Economist INDEX (1927 = 100)			
	Sept. 18, 1931	June 16, 1937	June 8, 1938	June 22, 1938
Cereals and meat...	64.5	92.0	88.3	87.0
Other foods	62.2	67.7	58.1	57.8
Textiles	43.7	70.5	51.1	51.5
Minerals	67.4	104.9	89.3	91.7
Miscellaneous	65.8	86.3	75.1	75.0
Complete index	60.4	84.2	71.9	72.0
1913 = 100	83.1	115.8	99.0	99.1
1924 = 100	52.2	72.7	62.1	62.2

Wheat and flour are higher in price than a fortnight ago, but there has been a sharp drop in maize. In the other food group tea is cheaper, but butter is dearer. There has been some recovery in cotton, but wool, flax and jute are lower than a fortnight ago. Non-ferrous metals have all risen in price. In the miscellaneous group, hides and leather are cheaper, but there have been recoveries in rubber and linseed oil.

has diminished, but the coking plants are working to capacity for the iron smelters of the district, and needs of industrial fuel are accordingly as heavy as ever. Prices are steady.

Glasgow.—The market remains dull, with a diminishing demand in all the principal outlets. To some extent this is a seasonal movement, but the effect is more noticeable since the recession in trade has found consumers, particularly abroad, with heavy fuel stocks on hand. Polish and German competition for business is also keen, and the result of all these factors is a reduction of 946,000 tons in Scottish shipments this year compared with last. Scotland did, however, secure a small share in the Swedish Railways' contract. On the home market the needs of industry and the utility undertakings are less active, and the recent price reduction in house coal has not yet stimulated a stocking movement by the depôts.

Cardiff.—The position on the market is practically unchanged. Con- (Continued on page 740)

BRITISH WHOLESALE PRICES

	June 15, 1938	June 22, 1938
CEREALS AND MEAT		
GRAIN, etc.—		
Wheat—		
No. 2, N. Man. 496 lb.	45 3	45 3
Eng. Gaz. av., per cwt.	8 0	7 10
Liv. July, per cental	6 7	6 5
Flour, per 280 lb.—		
Straights, d/d London	32 0	32 0
Manitoba, ex store	34 0	34 0
Barley, Eng. Gaz. av.	9 8	10 8
Oats	8 4	8 10
Maize, La Plata, landed, 480 lb.	8 7 1/2	8 7 1/2
Rice, No. 2 Burma, per cwt.	8 7 1/2	8 7 1/2
MEAT		
Beef, per 8 lb.—		
English long sides	4 10	4 8
Argentine chilled hinds	4 5	4 2
Mutton, per 8 lb.—		
English wethers	4 4	4 0
N.Z. frozen wethers	4 2	4 2
Lamb, per 8 lb.—		
N.Z. frozen	4 10	4 10
Pork, English, per 8 lb.	5 4	5 0
BACON (per cwt.)—		
English	98 0	98 0
Danish	98 0	98 0
Dutch	95 0	97 0
Irish	90 0	93 0
HAMS (per cwt.)—		
Canadian	102 0	102 0
United States	95 0	96 0
OTHER FOODS		
BUTTER (per cwt.)—		
Australian	115 0	122 0
New Zealand	118 0	124 0
Danish	122 0	127 0
CHEESE (per cwt.)—		
Canadian	78 0	78 0
New Zealand	80 0	80 0
English Cheddars	67 0	68 6
Dutch	51 0	45 0
COCOA (per cwt.)—		
Accra, g.f.	22 6	22 0
Trinidad	38 0	37 0
Grenada	46 0	45 0
COFFEE (per cwt.)—		
Santos sup. c. & f.	29 6	29 6
Costa Rica, medium to good	42 0	42 0
N.Z., greasy, half-bred 50-56	62 0	62 0
Kenya, medium	45 0	45 0
EGGS (per 120)—		
English (15-15 1/2 lb.)	12 6	14 0
Danish (15 1/2 lb.)	12 9	14 6
FRUIT—		
Oranges, Jaffa	13 6	11 6
Lemons, Malaga	18 9	18 9
Sicilian	14 6	12 9
Apples, Amer. (var.)	23 0	22 0
Grapes, Almeria	10 9	10 9
LARD (per cwt.)—		
Irish, finest bladders	56 0	56 0
U.S.	48 3	48 0
PEPPER, per lb.—		
Black Lampung (in Bond)	0 23 8	0 21 4
White Muntok (in Bond)	0 33 4	0 37 3
POTATOES (per cwt.)—		
King Edward	8 6	9 0
SUGAR (per cwt.)—		
Centrifugals, 96°, prpt. shipm.	5 3	5 3
Refined London	18 6	18 6
Yellow Crystals	22 9	22 9
Cubes	23 3	23 3

* Weeks ended June 9th and 16th

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

	June 15, 1938	June 22, 1938
SUGAR (per cwt.)—cont.		
Crushed	21 0	21 0
Granulated	18 10 1/2	18 10 1/2
Home Grown	18 9	18 9
TEA* (Auction Average) (per lb.)—		
N. India	13 43	13 43
S. India	13 77	13 77
Ceylon	14 43	14 43
Java	12 49	12 49
Sumatra	11 07	11 07
Africa	11 93	11 93
Total	13 64	13 64
TOBACCO (per lb.)—		
Virginia stemmed and unstemmed, common to fine	0 8	0 8
Rhodesian stemmed and unstemmed	0 9	0 9
Nyasaland stemmed and unstemmed	0 7	0 7
East Indian	0 6	0 6
Unstemmed	0 5	0 5
TEXTILES		
COTTON (per lb.)—		
Raw, Mid-American	4 61	4 84
" Sakellaridis, F.G.F.	7 35	7 77
Giza, F.G.F.	6 75	7 17
Yarns, 32's Twist	9 14	9 38
40's Twist	9 14	9 38
60's Twist (Egyptian)	17 17	17 14
Cloth, 32 in. Printers, 116 yds.	17 0	17 0
16x16, 32's & 40's	23 0	23 3
38 in. ditto, 38 yds.	9 9	9 10
39 in. ditto, 37 1/2 yds.	8 10	8 11
16x15, 54 lb.	8 10	8 11
FLAX (per ton)—		
Livonian ZK	61 10	61 10
Pernau HD	62 10	62 0
Slanetz Medium, 1st sort	64 0	64 0
HEMP (per ton)—		
Manilla, June-Aug. "J2"	70 0	70 0
JUTE (per ton)—		
Native 1st mks., c.i.f. H.A.R.B.	16 10 0	16 17 6
June-July	16 5 0	16 10 0
Sisal, (per ton)—		
African, June-Aug.	16 0	15 10
SILK (per lb.)—		
Canton	7 3	7 3
Japan	7 0	7 3
Italian, raw, fr. Milan	8 0	8 0
WOOL (per lb.)—		
English, Scourdown, greasy	11 11	11 11
Queensland, scd. super combg.	23 22 1/2	23 22 1/2
N.S.W. greasy, super combg.	13 12	13 12
N.Z., greasy, half-bred 50-56	13 12 1/2	13 12 1/2
Top—		
Merinos 70's average	26 1/2	26 1/2
64's	25 1/2	25 1/2
Crossbred 48's	16 16	16 16
46's	15 1/2	15 1/2
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	22 6	22 6
Durham, best gas, f.o.b. Tyne	20 0	20 0
Sheffield, best house, at pits	22 0	22 0
IRON AND STEEL (per ton)—		
Pig Cleveland No. 3, d/d	109 0	109 0
Bars, Middlesbrough	265 0	265 0
Steel rails, heavy	202 6	202 6
Tinplates	21 6	21 6
NON-FERROUS METALS (per ton)—		
Copper—		
Standard cash	33/18/9	36/3/9
Three months	34/0/0	36/6/3
Three months	34/2/6	36/8/9
Lead, soft foreign	34/3/9	36/10/0
Cash	175/0/0	187/5/0
English, pig	171/10/0	187/15/0
Spot	172/0/0	188/5/0
Aluminium, ingots and bars	172/5/0	188/10/0
rolling billets	13/6/3	14/16/3
Nickel, home and export	13/7/6	14/18/9
Antimony, Chinese	15/5/0	17/0/0
Wolfram, Chinese	12/6/3	13/8/9
Platinum, refined	12/7/6	13/10/0
Quicksilver	100/0/0	100/0/0
180/0/0	180/0/0	180/0/0
55/0/0	53/0/0	53/0/0
56/0/0	54/0/0	54/0/0
57/0/0	57/0/0	57/0/0
58/0/0	58/0/0	58/0/0
59/0/0	59/0/0	59/0/0
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100/0/0	100/0/0	100/0/0

	June 15, 1938	June 22, 1938
GOLD, per fine ounce		
140 7 3	140 10	140 10
SILVER (per ounce)—		
Cash	1 6 9	1 6 15 1/8
MISCELLANEOUS		
CEMENT, best Eng. Portland, d.d. site, London area in paper bags 20 to ton (free, non-returnable)		
4-ton loads and upwards	42s.	per ton
CHEMICALS—		
Acid, citric, per lb., less 5%	1 0 1/4	1 0 1/4
" Nitric	0 2 0	0 2 0
" Oxalic, net	0 5 0	0 5 0
" Tartaric, English, less 5%	1 1 1/4	1 1 1/4
Alcohol, Plain Ethyl	12 0	12 0
Ammonia, carb.	20/0/0	20/0/0
Sulphate	21/0/0	21/0/0
Arsenic, lump	35/0/0	35/0/0
Borax, gran.	13 6	13 6
" powder	15 0	15 0
Nitrate of soda	8 0	8 0
Potash, Chlorate, net	0 4 1/2	0 4 1/2
Sulphate	10 0	10 0
Soda Bicarb.	11 0	11 0
Crystals	5 0	5 0
Sulphate of Copper	17/0/0	17/0/0
COPRA (per ton)—		
S.S. Surats, c.i.f.	10/18/9	11/0/0
HIDES (per lb.)—		
Wet salted, Australian	0 4 1/4	0 4 1/4
West Indian	0 2 3/4	0 2 3/4
Cape	0 4 3/4	0 4 3/4
Dry and Drysalted Cape	0 6 1/4	0 6 1/4
Market Hides, Manchester	0 4 1/2	0 4 1/2
Best heavy ox and heifer	0 6 0	0 6 0
Best cow	0 3 3/4	0 3 3/4
Best calf	0 4 1/4	0 4 1/4
INDIGO (per lb.)—		
Bengal, g.d. red-vio. to fine	5 0	5 0
LEATHER (per lb.)—		
Sole Bends, 8/14 lb.	1 0	1 0
Bark Tanned Sole	2 0	2 0
Shoulders from DS Hides	0 5 1/2	0 5 1/2
" Eng. or WS do.	0 7 1/2	0 7 1/2
Bellies from DS do.	0 4 1/2	0 4 1/2
" Eng. or WS do.	0 6 0	0 6 0
Dressing Hides	1 1	1 1
Ro. Eng. Calf, 20/35 lb. per doz.	3 6	3 6
PETROLEUM PRODUCTS (per gall.)—		
Motor Spirit No. 1, London	1 6	1 6
Petroleum, Amer. Std. btl. Lond.	0 10	0 10
Fuel, oil, in bulk, for contracts	19 9	19 9
Ex. instal. Thames	0 3 1/4	0 3 1/4
Furnace	0 4 1/2	0 4 1/2
Diesel	0 4 1/2	0 4 1/2
ROSIN (per ton)—		
American	13/0/0	13/0/0
RUBBER (per lb.)—		
St. rubber smoked sheet	0 5 3/4	0 6 1/4
Fine hard Para	0 6 0	0 6 0
SHELLAC (per cwt.)—		
T.N. Orange	37 0	37 0
TALLOW (per cwt.)—		
London town	18 0	17 6
TIMBER—		
Swedish u/s 3x8	21/15/0	21/15/0
" 2 1/2 x 7	21/5/0	21/5/0
" 2 x 4	18/15/0	18/15/0
Canadian Spruce, Dis.	22/15/0	22/15/0
Pitchpine	11 0 0	11 0 0
Rio Deals	35 0 0	35 0 0
Teak	27 0 0	27 0 0
Honduras Mahogany logs	0 12 0	0 12 0
English Oak Planks	0 6 0	0 6 0
English Ash Planks	0 7 0	0 7 0
VEGETABLE OILS (per ton net)—		
Linseed, naked	22/2/6	22/15/0
Rapeseed, refined	33/0/0	33/0/0
Cotton-seed, crude	17/0/0	17/0/0
Coconut, crude	15/12/6	15/10/0
Palm	12/17/6	12/12/6
Oil Cakes, Linseed, Eng.	9/5/0	9/2/6
La Plata, June	11/2/6	11/7/6
Calcutta	11/17/6	12/10/0
Turpentine	31 3	31 3

COMMODITY STATISTICS

Coal				
COAL OUTPUT ('000 tons)				
District	Week ended	Jan.-May		
	June 4, 1938	June 11, 1938	1937	1938
Northumberland	256.0	215.2	5,828.0	5,909.7
Durham	643.4	521.7	13,426.6	14,353.4
Yorkshire	823.0	424.1	19,339.5	19,890.6
Lancs, Cheshire and N. Wales	338.5	235.1	7,510.5	7,690.6
Derby, Nottingham and Leicester	560.7	307.6	14,802.1	15,181.1
Staffs, Worcs, Salop & Warwick	382.1	198.8	8,686.5	8,936.8
South Wales & Monmouth	735.0	464.2	15,227.3	16,266.3
Other English districts*	104.5	64.4	2,228.0	2,412.9
Scotland	572.1	529.1	13,594.6	13,424.3
Total	4,415.3	2,960.2	10,064.3	10,406.7

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton				
RAW COTTON delivered to Spinners (’000 bales)				
Variety	Week ended	Total Deliveries		
	June 10, 1938	June 17, 1938	Aug. 1, 1936	Aug. 1, 1937
American	11.4	17.6	1,082	1,100
Brazilian	1.7	3.7	331	252
Peruvian, etc.	0.8	1.0	128	103
Egyptian	1.7	9.9	368	313
Sudan Sakel	1.3	2.4	146	128
East Indian	1.6	7		

(Continued from page 737)

tract engagements are the mainstay of the collieries, and with favourable items the shipments have been well maintained. Last week the foreign and coastwise exports at the South Wales docks totalled 428,200 tons, compared with 431,849 tons in the corresponding week last year, and up to June 19th the year's total volume of traffic was 9,098,039 tons, as against 9,242,656 tons during the same period of 1937. Production, however, is in excess of the effective current demand, and pits are working irregularly in many parts of the coalfield. The Finnish Railways are inquiring for 28,000 tons and the Alexandria Electricity Works for between 2,000 and 8,000 tons of peas and beans. Prices are nominally unchanged.

Iron and Steel

Sheffield.—Business continues to be on a limited scale, with no indication of early improvement, particularly as business normally declines about this time of the year. Forge and foundry iron are neglected, and forward business is lacking, consumers being able to secure adequate supplies at any time they choose to come into the market. A little buying of hematite is reported, mostly of special qualities. Business in finished iron is quiet, common bars being the best feature.

A fairly good demand exists for basic billets, acid qualities and wire rods; business in stainless steel sheets is unabated.

Industrial conditions in this district have not deteriorated and in some branches activity is improving. The heavy engineering and electrical branches have plenty of work on hand, but the re-rolling and lighter sections are less busy. Output of basic steel is dropping, but stainless and the costlier alloy steels are reaching record figures.

★

Glasgow.—There is an increased demand for steel from Scottish works and plants will be taxed to capacity to meet the requirements of consumers who are pressing for deliveries before works close for the holidays in mid-July. There is also some business being placed for more distant delivery dates and every prospect of regular, if not intensive, employment at the steel plants for a long period ahead. Shipbuilding contracts have been placed by the Soviet Government with two Clyde yards during the past week and several of the yards are now exceedingly busy. There is no falling off in demand for finished material and many establishments have several months' work already on their books.

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Cardiff.—Conditions in the South Wales tinplate industry continue depressed. The current rate of production represents roughly only about one-third of capacity. For the twenty-four weeks ended June 16th, the Great Western returns of exports show a decrease of about 80,000 tons, or 40 per cent. The persistent contraction in the steel bar requirements of the tinplate factories is affecting the heavier branches of the industry, and there are now in blast only four pig iron furnaces compared with seven at the beginning of the year. There has been a proportionate de-

crease in the number of melting furnaces and rolling mills in operation. There is little competition, however, and prices are nominally unchanged.

Tinplate Industry Statistics

	Week ended		
	June 12, 1937	June 4, 1938	June 11, 1938
Production—per cent. of capacity	74.37	38.77	27.09
Week ended			
June 15, 1937 June 9, 1938 June 16, 1938			
Tons Tons Tons			
Shipments	5,762	4,403	3,002
Stocks (warehouse and in vans)	5,499	6,259	6,207
Twenty-four Weeks ended			
June 15, 1937 June 16, 1938			
Tons Tons			
Shipments	197,895	118,746	

Textiles

Cotton (Manchester).—There has been some improvement in the amount of business passing, largely due to the hardening tendency in raw material prices. Sales in yarn and piece-goods have been rather more encouraging, with an increased demand for raw cotton. Rates in Liverpool and New York have been dearer. Values of the American staple are now over 3d. per lb. higher than the low figure touched on the last day of May. Less satisfactory weather reports have been received from the American belt and owing to excessive rains, chiefly in the Eastern section, there are distinct fears of the plants being damaged by insect pests, especially the boll weevil. Supplies of raw cotton, however, remain abundant and world consumption continues disappointing.

There has been a slight improvement in the turnover of small lots in the yarn market. Rather freer operations have taken place in coarse American counts. There has not been any general activity in Egyptian descriptions, but further buying has occurred for Germany in tyre yarns. Manufacturers of cloth have reported an increased inquiry and it is a long time since so many quotations were given out. Some very fair lines have been booked in light whites and prints for Calcutta, mulls and similar cloths for Karachi and dyed fabrics for the up-country markets. Occasional sales have been put through for Java, the Straits Settlements and Egypt. Rather more business has been done for South America in sateens and sheetings. There has been increased support from the Dominions, principally South Africa and Australia. Home trade buyers have been more active, and some fairly substantial contracts have been arranged in standard makes.

THE COMMODITY MARKETS

THE temporary scare of a further devaluation of the dollar has now subsided, but the American markets and Wall Street have shown a better tone during the week than for some time past. The improvement in prices, however, is still due mainly to speculative buying.

Metals rose in price during the week, tin and copper prices being assisted by the recent cuts in the production quotas. Cotton and rubber prices also showed a further advance, and wheat

prices were firmly held, with a more hopeful market.

Moody's index of staple commodities in the United States rose from 135.3 (December 31, 1931 = 100) to 137.2 during the week ended last Wednesday; this compares with 135.0 a month ago and 201.0 a year ago.

Metals

Copper.—Standard cash copper rose this week by £2 5s. to close at £36 3s. 9d. per ton, the best level since May 19th. There was a substantial amount of bear covering and a fairly large demand from speculators; consumers, however, have not returned to the market to any large extent. The rise in price was due partly to the better tendency in Wall Street and to the decision of the copper producers outside the United States to reduce their output from 105 per cent. to 95 per cent. of the standard tonnages as from July 1st. This action will reduce the monthly output of the restricting companies by about 6,330 tons per month.

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Tin.—Tin prices rose sharply by £16 to £187 5s. per ton, the highest level since February 24th, on the news of the I.T.C.'s decision to fix the buffer pool quota for the third quarter of this year at 10 per cent. The decision and its effects are discussed in a special industrial note in this issue. Although the London tin turnover reached very high levels during the last few days, consumers have bought only small quantities and the great bulk of the demand came from speculators.

★

Lead and Spelter.—Both metals were naturally affected by the rises in the price of copper and tin; lead rose by £1 10s. to £14 16s. 3d. per ton, while spelter improved by £1 2s. 6d., to close at £13 8s. 9d. per ton. In the United States, the lead output declined from 39,300 short tons in April to 33,000 short tons in May, while deliveries remained stationary at 26,000 short tons. American lead stocks, therefore, increased further from 156,700 short tons on April 30th to 163,700 short tons on May 31st, the highest level since January 31, 1937.

Grains

THE wheat market was steady during the early part of the week, but prices advanced somewhat at the close, in sympathy with the firm market in North America. Reports of the deteriorating quality of the American winter wheat owing to bad weather conditions indicate that the last official forecast of 761 million bushels may be on the high side. Italy has now completed the purchases of wheat necessary to tide her over until the coming harvest. Demand for maize has been small and the margin between Plate and American has widened; Plate is 7½d. to 9d. per quarter dearer on the week, while American is slightly lower. Not much business has been done in barley, and with larger supplies due shortly from the Persian Gulf and from North America, buyers are cautious in their purchases.

(Continued on page 753)

COMPANY MEETINGS

OTTOMAN BANK

DIVIDEND OF 3s. PER SHARE MAINTAINED

DIFFICULT WORLD TRADING CONDITIONS

CONTINUED RECOVERY IN THE NEAR EAST

PROGRESS AND DEVELOPMENT IN TURKEY

SIR HERBERT LAWRENCE'S ADDRESS

The annual general meeting of shareholders of the Ottoman Bank was held, on the 21st instant, at Winchester House, Old Broad Street, London, E.C.

General the Hon. Sir Herbert A. Lawrence, G.C.B., presided.

Mr W. Stewart McKim (secretary to the committee) having read the notice convening the meeting,

The Chairman said:—Ladies and gentlemen, I have been informed that this meeting is properly constituted, and I presume it is your pleasure that the report and balance sheet circulated among you should be taken as read. (Agreed.)

First of all, it is my sad duty to pay a last tribute to the memory of Monsieur Raoul Mallet, who died suddenly very shortly after our last general meeting. Though in failing health during his last years, he continued up to the day of his death to take the greatest interest in our affairs. His devotion to the bank, which has been a tradition in his family since our foundation, dates from the beginning of the century. He sat on our committee for 35 years and presided over the Paris group since 1928. I am sure that in expressing our profound regret at the loss of our colleague I am speaking for all of you.

RETROGRADE MOVEMENT IN WORLD ECONOMIC SPHERE

The year 1937 opened under relatively good conditions, but the promise of the earlier months was not fulfilled. The international political situation was disturbed, and public opinion was faced with new causes for anxiety by the conflict in the Far East, added to the situation in Europe. In the middle of the summer a retrograde movement appeared in the economic sphere, starting in the United States and quickly extending to all the important commercial and financial markets.

It is open to question whether we are passing through a momentary reaction to a speculative boom in primary commodities or are standing on the threshold of a crisis. Views differ, and it is not for me to express an opinion here.

What is certain is that the atmosphere has not been such as to encourage in their efforts to recovery those nations which had not succeeded in regaining their balance after the last depression.

France, for example, was obliged to accept a new depreciation of her currency, with the result that the franc, which had already been lowered by the devaluation of 1936 from 75 to 105 to the pound sterling, was detached from gold and weakened by stages to 147 at the end of 1937. That makes a loss of nearly 50 per cent. in two years, and the further depreciation to 178 since the end of the year naturally increases the difficulties. Although precautions were taken long in advance to limit, so far as possible, our risks in this currency, there is, nevertheless, a part of our assets which must remain subject to this risk, if only for the reason that most of the banks and companies which we control have a capital expressed in francs.

NO CHECK IN RECOVERY IN NEAR EAST

In the countries of the Near East which provide the chief field of our activities, the Customs and currency barriers by which most of them are surrounded have at least the advantage of rendering their internal economy apparently less susceptible to the unfettered movements of the outside economic world. For this reason, no doubt, one notices there no check to the movement of recovery which was already in evidence.

You will be able to see in the survey which it is our custom to

make of these countries that our branches and associated institutions have all continued to benefit from this state of things, and the results obtained by them now may rank with those of the years before the crisis. They have also completed the liquidation of various doubtful debts which were the result of this long period of difficulty.

COMMITTEE'S SOUND FINANCIAL POLICY

You may be surprised that the profit balance of the accounts presented to you does not more fully reflect this encouraging state of affairs. The reason is to be found in the fact that your committee has considered it wise to make provision from the year's profits for the greater portion of the depreciation of currencies and investments which ensue from the new adjustment of the value of the franc and the fall in British Government stocks, especially as it was possible to do so while maintaining the dividend at the figure which has continued to be paid during, and notwithstanding, the economic crisis.

It is a good sign for the future that it has been possible in this way to avoid weakening to any appreciable extent the provisions which a prudent policy, consistently approved by you, has enabled us to constitute during prosperous years to meet eventualities of this nature.

PROGRESS IN TURKEY MAINTAINED

Among our various groups that of Turkey is, as you know, the most important from many points of view. Istanbul is the headquarters of a general management for Turkey. Its relations with the Government and the various State departments are the natural result of the Convention of 1933. But beyond all contractual engagements those relations are rendered more useful and cordial by reason of the mutual esteem and confidence displayed. I have no hesitation in confirming what I said last year about the very satisfactory spirit of collaboration which has been established since these agreements were signed. My distinguished colleague Lord Goschen recently encountered striking evidence of this in the course of a private visit to Ankara.

The Direction-General for Turkey is also in charge of the banking exploitation of the central office and the 29 branches which form the group. The progress, of which I have previously told you, was maintained, and with the rapid economic development of the country our profits also show a new advance.

INTERNAL ASPECTS OF ECONOMIC DEVELOPMENT

With regard to the internal aspects of this economic development, it will be enough if I mention that the crops have been as good in 1937 as in 1936, if not better; that, on the industrial plane, the first Five-Year Plan, chiefly concerned with textiles, is being carried out in accordance with programme; that another plan—the Three-Year Plan—has been worked out for the development of mining activity; that the public authorities are occupied also in acquiring a merchant fleet; that the operations of the Clearing House of Istanbul, which reflects commercial dealings, rose in one year from three hundred and six to four hundred and forty-two millions of Turkish pounds; and, finally, that the revenues for 1936-37 exceeded the Budget estimate of two hundred and thirteen million Turkish pounds by some twenty-eight millions.

The problem of trade relations with foreign countries is a very complex one, and one which is a matter of grave concern to the

Government. So far as imports are concerned, this policy consists not only in the abandonment of the quota system and the adoption in future of the principle: "I buy from my customer," but also in the encouragement of exports to buyers in countries with a free exchange.

LIFE OF TEMPORARY CREDIT EXTENDED

With a view to relieving the balance of external payments in the meanwhile, the Turkish Government requested us to extend by some years the life of the temporary credit of £1,250,000 which the bank granted to the Treasury on the renewal of its concession. We agreed to this and, as a corollary, the date for the redemption of our bank notes has been deferred for a corresponding period.

The Turkish Government has also approached the French and the British Governments. To the former it announced its intention to effect the entire service of the debt in Turkish pounds, to be used in the purchase of goods, whereas hitherto, in accordance with the Franco-Turkish Agreement of 1936, the operations entrusted to the Société Commerciale Franco-Turque, and carried out by the latter under satisfactory conditions, covered one-half only of these payments. Negotiations on this matter are now in course.

AGREEMENTS BETWEEN TURKEY AND UNITED KINGDOM

As regards the United Kingdom, agreements have just been concluded between Turkey and his Majesty's Government under which, besides a credit to facilitate the purchase by Turkey in Great Britain of material necessary for her national defence, a credit of £10,000,000 has been arranged by the Export Credits Guarantee Department to enable Turkey to develop its national equipment and resources and to promote commercial relations with the United Kingdom. Turkey thus obtains valuable assistance in the execution of the development programmes to which I have already referred, and is to be heartily congratulated on the successful conclusion of its negotiations.

So far as the bank is concerned, it has fortunately been able to co-operate with both the Turkish and the British Governments in the recent negotiations and is called upon to play an important rôle in the arrangements to carry out the terms of these agreements, and I need hardly say that we welcome this further opportunity given to us to take part in the development of Turkey's national resources and the promotion of her external trade relations.

IMPROVED POSITION OF EGYPT

In Egypt the past year was noteworthy for the accession of his Majesty King Farouk. The Budget figures for 1938-39 provide for total receipts of 39 million Egyptian pounds and an expenditure of 40 millions. There was a large increase in the foreign trade of Egypt during the year, imports amounting to 38,037,000 Egyptian pounds, as against 31,516,000 in 1936, while exports totalled 39,759,000 Egyptian pounds, as against 32,979,000 in the previous year. The balance of trade in favour of Egypt increased from 1,463,000 Egyptian pounds in 1936 to 1,722,000 in 1937.

Cotton exports represented 29,002,000 Egyptian pounds—an increase of nearly four millions for the year. The 1937-38 cotton crop is estimated at 10,500,000 cantars and constitutes a record. America also had a record crop in 1937, and as a consequence there has been a considerable fall in prices from March, 1937, onwards. Spinners were reluctant to purchase beyond their immediate requirements, and growers unwilling to sell at the reduced prices. A large amount of the new crop remained up-country in an unginned condition until late in the season, and the legal date for ginning cotton was extended from April 30th to May 10th. Up to May 26th, 7,134,000 cantars of cotton have been exported this season as against 7,793,000 to the same date last year, while on the same date the stock in Alexandria was 3,011,000 cantars as against 1,391,000 last year.

Our branches in Alexandria and Cairo have been able to increase their clientèle and to improve their earning capacity. Under reasonably favourable conditions, one may look forward with confidence to a continued improvement.

SITUATION IN PALESTINE

The economic situation in Palestine continued to be unsatisfactory throughout 1937 as the result of political tension, terrorism, and uncertainty. Imports of 16,000,000 Palestine pounds show an increase over 1936 of 2,000,000 Palestine pounds, while exports also increased from 3,600,000 to 5,800,000 Palestine pounds. Currency in circulation stood at 4,829,134 Palestine pounds at December 31, 1937, as compared with 5,741,134 Palestine pounds at December 31, 1936, a drop of roughly 900,000 Palestine pounds.

The orange season of 1936-37, which began satisfactorily, continued and ended disastrously, owing to bad climatic conditions which affected the quality of the fruit. It was the worst season ever experienced. The 1937-38 season opened with prices which barely covered cultivation and shipping expenses, but prices improved considerably during the last half of the export season. The grain crop was the most successful for seven years, and considerable quantities of barley and millet were exported.

Our Palestine branches have exercised a policy of caution and reserve, and in spite of adverse conditions results have been satisfactory.

ANOTHER PROSPEROUS YEAR FOR IRAQ

Iraq had another prosperous year in 1937, though in some directions early hopes were not fulfilled owing to the fall in world prices for certain products of the country. The increased prosperity affected all classes, whose purchasing power was greater. Currency in circulation rose from 4,641,312 Iraq dinars to 5,003,307 Iraq dinars; the dinar, as you know, is practically equivalent to one pound sterling.

Total exports, exclusive of oil, amounted to 5,570,000 Iraq dinars, as against 3,480,000 in 1936, while imports rose from 7,177,000 to 9,566,000. The export of crude oil by the Iraq Petroleum Company amounted to 4,113,000 tons as compared with 3,894,000 tons in 1936. The apparent adverse trade balance is balanced largely by royalties from these oil exports, by money spent in the country by the oil companies, by Royal Air Force expenditure, and Basrah port dues.

Date exports from Basrah showed an increase over the previous year with rather disappointing results for the growers and packers. It is clear that some form of control of growing, packing, and marketing is necessary, in order to put the date trade on a sound basis. Various proposals have been put forward for the establishment of a Date Monopoly Board, and are still under consideration.

During the year the Iraq Government raised in London its first loan of one million pounds sterling (out of three million pounds authorised by Parliament); and this was successfully issued on the market. The proceeds of the loan are earmarked in part for the linking up of the Iraq railways with the main line from Europe at the Turkish frontier.

Our branches continued to handle a large proportion of the commercial business of the country, and the increased prosperity is shown in the results they obtained.

CONDITIONS IN IRAN

In Iran there was some relaxation in the Government control of foreign trade. Carpets, dried fruits, lambskins, and furs were freed from the monopoly. Control of foreign exchange, however, remains extremely rigid. The Government is proceeding with its industrialisation plans. The northern section of the new State Railway is open to traffic from Tehran to the Caspian Sea.

Though the budget has risen by about 50 per cent. between 1936 and 1937, it is still balanced by ordinary revenue. The cost of living shows a continuous increase, and weighs heavily on certain sections of the population.

Our branches, though unable to undertake any operation involving foreign exchange, continue to have a satisfactory share of the home banking business.

GREATER PROSPERITY FOR CYPRUS

The year under review was one of greater prosperity for the Island of Cyprus. Climatic conditions were favourable, the prices for agricultural products satisfactory, and there was an increase in mining activity. During the year several new factories were opened.

Exports amounted to £2,180,048, imports to £2,219,429, increases of 36.7 per cent. and 49.38 per cent. over figures for the previous year. The apparent adverse balance of trade is covered by the expenditure of mining companies and by the tourist trade. It is estimated that the mining companies paid some £400,000 in wages and £21,000 in royalties.

The revenue of the Colony amounted to £967,935 and expenditure to £863,830, giving a surplus of £104,105, as against £63,889 in 1936. Prospects for 1938 appear to be good.

During the year negotiations with the Government for the reorganisation of the Agricultural Bank of Cyprus, Limited, which was formed by us in 1925, were completed. The result will be a closer collaboration between the Government and the Ottoman Bank in the activities of the Agricultural Bank, and it is hoped that this result will be of considerable benefit to the agriculturists of the Colony.

Our offices in London and Paris made their usual contribution

to the profit and loss account, within the limits imposed by the conditions ruling in their respective money markets.

FAVOURABLE YEAR FOR AFFILIATED BANKS

It remains for me now to say a few words with regard to our affiliated banks. Generally speaking, they found the year 1937 a favourable one.

The Banque de Syrie et du Grand Liban has not as yet held its general meeting. I am, nevertheless, authorised to inform you that the dividend proposed by the board will work out at 14.118 per cent., as compared with 11.4 per cent. for 1936. In the year the number of its notes in circulation increased from 423,300,000 francs to 474 millions. This was due to increased production and to a rise in prices caused in part by the higher level of foreign currencies. The tourist and summer traffic, to handle which our *filiale* long since organised itself, is now beginning to provide an invisible export to balance the chronic deficit in the trade balance.

The Banque Franco-Serbe has been in a position to raise its dividend from 5 to 6 per cent. The reserve fund has again been strengthened and, as a result of substantial amounts recovered on old debts for which provision had been made, this fund now figures in the balance sheet for a total in excess of seven million francs, compared with a capital of twenty millions.

In view of the share taken by us in the reorganisation of the bank, it is satisfactory to see that Yugoslavia shows itself more and more clearly to be a country full of possibilities for the future in agriculture, forestry, and also in mining. As regards the pre-War Serbian loans, of which the Banque Franco-Serbe and the Ottoman Bank are paying agents, I am able to report that, owing to the progress already realised, a recent agreement has been made possible by which the conditions of service to the bondholders are considerably improved.

BRITISH-FRENCH DISCOUNT BANK

The British-French Discount Bank, Limited, is still unable to enter the dividend-paying stage, for, although results in Athens and the Piræus have been satisfactory, severe exchange restrictions continue to make it impossible to transfer profits made on the capital invested in Greece. After large provisions have been made, these profits reach a sum in drachmae which represents 8 per cent. of the paid-up capital. Conditions in the country continue to be comparatively favourable. Agricultural and industrial production progresses consistently, and foreign trade is not unduly affected by the difficulties which hamper international trade.

In spite of a bad tobacco season, the Thessaloniki office of the Ottoman Bank continues to make progress.

The activities of our subsidiary in Roumania, the Bank of Roumania, Limited, are influenced to-day by the political events in Europe, particularly in the Danubian countries. The better conditions which were evident early last year have not continued. Reduced business has followed the disturbed political situation and no immediate improvement can be expected.

THE BANK'S BALANCE-SHEET

The balance sheet at December 31, 1937, which is submitted to your approval, shows a total, in round figures of £25,740,000, as compared with £22,818,000 on the previous December 31st, that is to say, nearly £3,000,000 more than last year, owing chiefly to the increase in sight and fixed deposits. On the assets side you will notice an increase of a little more than £2,000,000 in the facilities placed at the disposal of our clients in the form of current accounts and advances. Our acceptances, though still modest in amount, have risen to a certain extent from the very low level to which they had fallen owing to the decline in international trade.

This extension of our business has been accomplished without infringing in any way the principles of prudence proper to your establishment, and, as you may observe, without affecting its liquidity in any way. I may say, in fact, that two-thirds of the investments consist of British Government securities, which are easily realisable.

After deduction of all costs and charges the accounts show a net balance of £79,349, which, with the amount brought forward from last year, makes a total of £112,498 at our disposal. Your committee proposes to distribute the same dividend of 3s. as for the past few years. If you are so good as to follow our recommendation this dividend will be payable on June 27 in Istanbul, London, and Paris, free of all tax in Paris.

THE DIRECTORATE

To fill the two seats left vacant, one by the resignation of Monsieur Horace Finaly and the other by the death of Monsieur

Raoul Mallet, our general committee nominated Monsieur Charles Rist, honorary vice-governor of the Bank of France and an administrator of the Banque de Paris et des Pays-Bas, who, by reason of his wide reputation as an economist and an authority on financial affairs, needs no further introduction, and Monsieur Philippe Mallet, son of the late Monsieur Raoul Mallet, and, like him, a partner in the house of Mallet Frères et Compagnie. I have no doubt that your ratification of these appointments, which will be invited after the dividend resolution, is already assured, and also that you will renew the mandates of those members of the committee who have to retire this year in the ordinary way in accordance with the Statutes.

Monsieur Rist has, moreover, been elected president of the Paris group of the committee as successor to Monsieur Raoul Mallet. Our new colleague is with us to-day, and I beg to thank him in your name, as in ours, for his acceptance of a task in which his wide authority will be of the greatest value.

TRIBUTE TO COLLEAGUES

Before ending, I should like in your presence to express to all our colleagues of every rank our satisfaction and thanks. Just in connection with that I should like to say that for the first time for 40 years our colleague and friend, Mr Barry, is not able to be with us. The bank owes a great debt of gratitude to Mr Barry for assisting to steer it through most stormy and difficult times, and I believe that our French colleagues will endorse what I say about Mr Barry and his relations with them.

I now beg to move, ladies and gentlemen:—

"That the report and accounts now read be received and adopted; that the dividend for the year ended December 31, 1937, be fixed at the rate of 3s. per share, and that this dividend be payable in Istanbul, London and Paris on June 27, 1938."

Before I put this resolution I shall be happy to answer any questions.

M. Charles Rist: I second the resolution.

No questions being asked, the Chairman put the resolution to the meeting, and it was carried unanimously.

The Chairman: I have also to move:—"That Monsieur Charles Rist and Monsieur Philippe Mallet be and they are hereby elected members of the general committee."

Sir John P. Hewett, G.C.S.I., K.B.E., C.I.E.: I have the honour to second this resolution.

The motion was carried unanimously.

The Chairman: I have also to move:—"That Sir John P. Hewett and Monsieur Philippe Mallet be and they are hereby re-elected members of the general committee."

M. Anathase Roudy: I have pleasure in seconding that motion.

The resolution was carried unanimously.

VOTE OF THANKS TO CHAIRMAN, DIRECTORS, MANAGEMENT AND STAFF

Mr A. Bradbery: Ladies and gentlemen, we have had the pleasure of listening to a most interesting address by our chairman, in which I could detect a note of optimism as to the future. In spite of the troubles all over Europe and in other parts of the world, the policy of the board has resulted in the dividend for the year 1937 being maintained at the same rate as for several preceding years, and I think you will agree this is a matter for congratulation and appreciation by all concerned. But for the depreciation of currencies and securities there might have been a little bit more dividend.

You have heard that Monsieur Rist has accepted a seat on the board, and I am sure it is the wish of this meeting that we heartily concur in the chairman's remarks on his appointment, and I know you will be with me when I say that we hope that Mr Barry will be here in 12 months' time. On behalf of the shareholders I propose a very hearty vote of thanks to our chairman, to the members of the board of directors, and also to the management and staff.

Mr J. E. Rosselli: I have much pleasure in seconding that.

The vote was unanimously accorded.

The Chairman: Mr Bradbery, Mr Rosselli, and gentlemen, I am very much obliged to you for your kind vote of thanks, which very much appreciated by myself and my colleagues and by all members of the staff. Mr Bradbery is quite correct when he says that I have tried to impress upon this meeting a sense of optimism. The position of the bank is excellent; the bank is making good profits, but, as you know, these profits are very often made in currency which cannot be transmitted. We therefore have rather accumulate funds; it is impossible to follow any other policy. I thank you, gentlemen.

The proceedings then terminated.

ZINC CORPORATION, LIMITED

SATISFACTORY RESULTS — INCREASED PROFITS

RECORD OUTPUT AND RECOVERIES

VISCOUNT HORNE ON THE PRESENT POSITION AND OUTLOOK

The twenty-seventh ordinary general meeting of the Zinc Corporation, Limited, was held, on the 22nd instant, in the Hall of the Chartered Insurance Institute, 20, Aldermanbury, London, E.C.

The Rt. Hon. Viscount Horne of Slamannan, P.C., G.B.E. (chairman of the corporation) presided.

The secretary (Mr F. A. Crew) having read the notice convening the meeting and the report of the auditors,

The Chairman said:—Ladies and gentlemen,—The directors' report and accounts have been circulated as usual and with your consent I will take them as read.

In many ways 1937 was for us a bumper year. Record mine output, record mill recoveries, high prices for products and substantially increased profits—these were its main features. The amount of ore milled showed an increase of over 25,500 tons at 390,360 tons. Moreover, lead recoveries were notably improved and we produced the highest grade of lead concentrates we have yet obtained. The outputs of recoverable lead and silver—and it is on these metals and not on zinc that we chiefly rely—were both substantially higher than in the previous years and constituted records in the history of our operations.

METAL PRICES

The average prices of lead and zinc on the London Metal Exchange during the year 1937 showed considerable increases, but silver was fractionally lower.

Starting in January, 1937, with an average of £27 4s. 2d. the price of lead rose to an average of £33 in March (touching momentarily £36 7s. 6d.), and from that point there was a gradual drop in the monthly average price to £15 18s. 11d. in December. As regards zinc, the average monthly price in January was £21 4s. 4d. rising to £33 5s. 11d. in March (touching one day £37) and falling from that figure to £15 7s. in December. The average price for lead in 1937 was £23 6s. 1d. and that for zinc £22 6s. 11d. The gain in the lead average compared with 1936 was £5 13s. 7d. per ton, and in zinc £7 6s. 3d. Unfortunately gravely disturbed shipping conditions—in part arising from the withdrawal of Japanese tonnage from normal trade, and in part from efforts of European countries to secure reserves of raw materials against possibilities of international trouble—both augmented costs and prevented the full benefit from price increases being obtained by producers.

REVENUE AND COSTS

What may be termed the value of our mine production—that is to say the actual receipts from products sold out of stock or output plus the valuation placed on the quantities in stock or transit at the close of the year—reached £1,741,815, or about £534,000 more than in 1936.

As stated in our report we have been more than usually conservative in valuing that portion of our production which is on hand or in course of realisation at the end of the year. Violent fluctuations in metal prices and irregularities in supply, together with high costs of freights make a special call for prudence.

Our receipts from interest and dividends on investments plus small items of sundry revenue were increased by £10,500 to over £89,000 for the year. The Corporation's total revenue from mining, smelting, and refining, plus investments, interest, etc., was £1,830,841, against £1,286,212 in the previous year.

The cost of mining and milling at Broken Hill as well as smelting and refining at Port Pirie, etc., was substantially increased by the sliding scale of bonuses based on lead prices payable to all employees under existing industrial agreements. In addition, much higher freights and substantial increases in the delivered costs of all supplies added greatly to the expense of working. Eliminating factors beyond the control of the management it is safe to say that the net costs incurred in 1937 compared favourably with those of previous years. Nevertheless, the total expenditure on mining and treatment of ore, transport, smelting, refining and realisation of products was over £223,000 higher at £1,001,886. Expenditure on mine development, both ordinary and special, and on shaft sinking

increased by £63,000 to £146,000. Royalties and taxation, including for the first time National Defence Contribution, absorbed £161,300, or over £89,000 more than in the previous year. Administration cost rather more as a result of the increase in output.

The new hospital at Broken Hill—an urgent necessity—is being financed by the Government of New South Wales, the City of Broken Hill, the Labour unions and the mining companies and we believed it to be desirable to provide for our proportion while our revenue was abnormally high. This, together with other necessary social services, takes £25,000. We have also taken advantage of the substantial profit of last year to transfer £16,000 sterling (i.e. £20,000 Australian) to an employees' provident fund. This we consider necessary in view of the increasing number of long service employees.

Directors' fees in both London and Australia, as a result of the expansion of profits and its effect on the percentage payable under the articles of association, have increased by £3,450.

DIVIDENDS

Subject to your confirmation to-day, a participating dividend of 4s. 6d. per share, absorbing £202,237, will be paid on July 1st next. This, together with £179,767 paid on January 1st last, and the preference dividend of £49,138, will make the total distributions from the profits of the year £431,142, and leave the sum of £57,124 to be carried forward. For the previous year the distributions in dividends totalled £318,787 and the carry-forward was £55,357.

It is worthy of remark that the total royalties and taxation paid or to be paid to Governments from last year's profits will be in the neighbourhood of £240,000, or approximately 35 per cent. of the whole.

BALANCE SHEET

The balance sheet reflects our heavy expenditure on property and plant, the total for the year being nearly £322,000. Here, again, costs were substantially increased by the conditions imposed by industrial awards, higher freights, etc. Against this expenditure we have received £100,000 from New Broken Hill Consolidated, Limited, as a provisional payment in connection with the joint working scheme to which I will refer later. Stores are over £31,000 higher than in 1936, but as the surface reorganisation and new equipment scheme approach completion this account should be reduced.

British and Dominion Government securities, cash at bankers and in hand and advances against security and loans at call total nearly £852,000, against approximately £630,000 in the previous year. During a period of falling security prices we have, as a result of our conservative financial policy, no loss to record on the value of our investments. This I feel sure you will regard as very satisfactory. Our investment reserve now stands at £109,835. (Applause.)

The fall in metal prices by the end of the year and a more conservative basis of valuation are responsible for the reduction in the value of products on hand or in course of realisation.

We have set out in our report details of the more important enterprises which are associated with us. These represent about £400,000 out of the total of approximately £485,000 which we have invested in associated or related enterprises. You will be interested to learn that last year the revenue from these holdings was equivalent to about 16½ per cent. on the conservative value at which they stood in our books on December 31st. Our interests benefited substantially from the widespread prosperity in Australia during 1937.

On the liability side of the balance sheet, reserve accounts, all of which are used in the business of the Corporation, stood at the end of 1937 at £750,995, against £640,392 in the previous year.

The balance sheet, as I hope you will agree, reflects a thoroughly sound and satisfactory position.

It is worthy of note that while expenditure on capital account during 1937 was large, revenue was high. During the current year we have still a great deal of capital expenditure to meet, while

revenue from production has been seriously reduced in the last six months. These movements will, of course, be reflected in the accounts for 1938.

OPERATIONS

The reports of our technical managers and consulting engineers—Messrs Bewick, Moring and Company—and of the mine manager—Mr A. J. Keast—which have been circulated to you, deal with the large amount of work carried out underground and on the surface at Broken Hill. The plans and photographic reproductions appended thereto serve to supplement the text of these reports.

The development of the lead lode has again been attended by satisfactory results. Owing to the sinking of the New Main or Freeman Shaft and other special work, the footage of normal developments was less than in 1936, whilst the tonnage mined was greater; nevertheless, the ore reserves at the end of 1937 stood at the same figure as at the end of the preceding year, and the indications from diamond drilling at the No. 14 level, which is at a vertical depth of 1,962 feet—the greatest now being driven—augur well for the future. Certain departures from former mining practice are mentioned in the report of our technical managers and consulting engineers, for example, the opening up of the ore body at and below the No. 14 level by footwall drives, and an increase in the distance between levels from 130 feet to 160 feet. Above the No. 14 level the main haulage ways were driven in the lode, thus opening up immediately large tonnages of ore, but we are now driving these in the footwall for greater security, and this practice will necessarily open up ore only at a later date when the crosscuts enter the lode. I would particularly call your attention to the temporary slowing down effect which this procedure may have on the estimate of the ore reserves at the end of the current year, and I would ask you to bear in mind that, though the estimate will show a reduction, it will in no way indicate any decrease in the size of the ore body at increasing depth. In confirmation of this fact, we already have highly satisfactory data from close boring by diamond drill now being carried out on the No. 14 level. Mention is also made in the managerial report of the investigation made into the various economic factors which affect stoping practice, especially the effect of dilution of value by the stoping of low-grade selvages of the ore body. The first result of control of dilution must be to reduce the tonnage of ore estimated to be in reserve, but it will improve the grade. It is important that you should understand that none of these factors lessen the potentialities of the ore body, the great vitality of which shows no signs of impairment. On the testimony of your managing director, who has recently arrived from Australia, your mine never looked better than it does to-day. (Applause.)

The high recoveries of metals in the mill recorded in 1937 have been more than maintained in 1938, and a further improvement has been made in the grade of the lead concentrate. The improvements in the last four years provide ample justification for the milling practice developed by your efficient mill staff.

Good progress is being made with the work necessary to reach and open up the ore resources of New Broken Hill Consolidated, in which we hold over 600,000 shares, or approximately 29½ per cent. of the issued capital.

JOINT WORKING ARRANGEMENT

We have agreed a basis and most of the details for a joint working arrangement with the New Broken Hill Consolidated Company. Under this agreement the two mines will be served by the new main, or Freeman Shaft, now being sunk on our lease, and the ore from both will be treated in one mill. This prevents duplication of engineering, repair and other shops, stores, etc., and obviates the necessity of completely separate staffs. The scheme is being considered in detail by both the English and Australian auditors and solicitors of the two companies, assisted by independent advisers. It is now in provisional operation, and, as our accounts show, we have received from New Broken Hill Consolidated a payment of £100,000 on account of expenditure incurred. We are justified in expecting very considerable economies, both in capital and working costs as a result of this agreement, which I have no hesitation in saying is in the best interests of the two companies. The capital cost involved will, over a period of years, be redeemed by debits against the production of the two mines.

PROGRAMME OF WORK

A large portion of the activities of the manager and staff during the year was devoted to the programme of underground and surface equipment designed to serve both the Zinc Corporation and New Broken Hill Consolidated Mines. Accompanying the directors' report

is a longitudinal section of the Zinc Corporation mine and the adjoining portion of the New Broken Hill Consolidated mine, showing the intimate connection of the two properties and the means to be taken for their joint operation. That you may have a clearer idea of the significance of this longitudinal section, it is well to remember that the areas coloured grey in the Zinc Corporation section have been responsible up to date for an output of nearly 6,000,000 tons. Taking this fact into account and remembering that diamond drilling has shown a continuation of values and dimensions well below the deepest workings, we may well feel assured regarding the potentialities of both companies. I would remind you that the dotted lines indicating the extension of the lead lodes beyond the actual workings must necessarily be founded on assumptions, to be verified or amended later in actual operations.

THE NEW MAIN SHAFT

Rapid progress has been made with the sinking of the new main (Freeman) shaft, which has been advanced to a vertical depth of 1,720 feet, the contemplated initial depth being 2,315 feet. Bearing in mind that, as regards size and capacity, this shaft is, so far as we know, the largest yet sunk in Australasia, I feel that all concerned with this work may well be congratulated on the excellent progress made in 1937. Recently, heavier ground has been encountered, which will entail some delay, but we believe that by January, 1938, the sinking will be completed to the No. 15 level. Before that, however, perhaps by the end of June of this year, the shaft should be in commission to the No. 11 level, as the erection of the headgear and the powerful electric winders is practically complete. The sooner it is in commission the better, for the strain on the old main shaft is severe, and the cost of maintaining it at full capacity makes it uneconomical.

Equally good progress has been made with the provision of an independent sand-filling winze and distributive drive in the footwall on the No. 8 level. Like the No. 14 and deeper main haulage drives, this has been located in the footwall away from the lode, with the object of minimising the risk of movement attendant on the extension of stoping in depth. This scheme has been designed to be of joint service at a lower depth for stope filling in both mines.

NEW BUILDINGS COMPLETED

The aerial photograph accompanying the directors' report will give you some idea of the progress made in the construction of buildings at the New Main (Freeman) Shaft. Already the new workshops, offices, change house, stores and messroom are complete and occupied. The equipment of the new shaft will soon be in commission, and the progress made with the construction of the new mill indicates that its completion may be expected in September.

The termination of this extensive programme of construction and centralisation will afford facilities for the economic development and operation of the properties of the two companies. The closest possible consideration has been given to the simplification of the handling of ore; to the equipment of the new workshops with precision tools and all arrangements for speedy and effective repair work; to the equipment and design of the mill; to office layout; to change-house conveniences for employees and to the general improvement of the mine surroundings. This work has made heavy demands on Mr A. J. Keast, the manager, and his staff, all of whom deserve our commendation. (Applause.)

You will have noticed from the periodical mine reports that our output is still increasing. Provided that there are no unforeseen stoppages, the production for 1938 should exceed 400,000 tons of ore. When the new main shaft is completed and in full operation the output will be further increased, if market conditions then justify this being done.

LEAD CONCENTRATES

All our lead concentrate production as you know goes to the smelters and refinery owned by Broken Hill Associated Smelters at Port Pirie, South Australia. Under the able control of Mr Donald Yates and his staff these works continue to operate at a very high level of efficiency, and contribute a very important element to the successful working of our property. (Applause.)

ZINC CONCENTRATES

Last year we produced about 63,900 tons of zinc concentrates, or slightly less than in the previous twelve months. These concentrates contain about 53½ per cent. zinc—very close to the theoretical maximum for our type of ore—and are in part sold for treatment

in Australia and, in part, for treatment in the United Kingdom. This division of our production dates back to the Great War and the policy then laid down by the British and Australian Governments. This policy aimed at supporting a domestic zinc smelting industry in the United Kingdom as well as in Australia and to the extent that zinc concentrates were smelted in England it naturally placed a restriction on the extension of treatment-works in Australia. The policy has been loyally supported by the big concentrate producers in Australia, though there have been periods when it would have been substantially more profitable to extend the treatment-works in Australia than to continue to ship to this country. Recently there has been a serious deterioration in the position of the zinc-smelting industry in the United Kingdom which, apart from the effects of the collapse in metal prices, has found itself in the impossible position of being left to carry on a heavy industry—a great labour, coal and transport user—in a protectionist country without reasonable protection for itself.

OUTSIDE PROPERTIES

Our staff keep in close touch with the development of the mining industry in Australia in case opportunities occur for the profitable extension of our activities. A number of propositions have been examined recently and two at least appear to justify some preliminary investigation by diamond drilling.

No considerable expense is involved in these operations. If, fortunately, our exploratory testing appears to justify more extensive operations calling for any important finance, the shareholders in the Corporation will be immediately advised and given the opportunity of providing the capital required, as in the case of New Broken Hill Consolidated. For convenience, we have registered in Australia a company with the title of Australian Mining and Smelting Company, Limited, which will handle all outside properties. This company has but a nominal capital at present, but if occasion arose it would be enlarged and would be utilised for financing any property outside Broken Hill which justified development and equipment.

METAL PRICES

While the prices of metals during 1937 were eminently satisfactory I regret to say that the markets up to date this year have been definitely adverse. Compared with the average for 1937, the first five months of the year showed a decline of £7 15s. 9d. in the price of lead and £8 4s. 6d. in the price of spelter. The declines have been greatest during the past few weeks, although there has been a modest upturn in the last 48 hours, and current prices until yesterday have been nearly £10 per ton less for lead and zinc than the averages for 1937. The price of silver also is about 1½d. per ounce lower. Declines of this magnitude have a grave effect on our revenues. Fortunately there are possibilities of some improvement. Reasonable co-operation amongst producers on the one hand and the overdue expansion in demands from consumers on the other would quickly be reflected in better prices. A year ago metal producers were being criticised for profiteering out of the re-armament scheme. Experience must since have proved conclusively to the critics that the interference with normal trade caused by purchases for armament purposes has a serious and adverse effect on general consumption. At a time when everyone is talking of arming against the possibility of war, nobody is inclined to embark on new enterprises or even to continue courageously the risks of those already launched.

THE OUTLOOK

World trade, which commenced its recovery in 1935, rapidly improved in 1936, and during the early part of 1937. Expanding consumption reduced stocks of most commodities, and especially of lead and zinc. Prices quickly increased, and the speculative boom on the Stock Exchange spread to commodities. In the wake of political portents both in Europe and in the United States—a partial reversion to a policy of deflation by some Governments and rumours of a reduction in the price of gold in America—the boom suddenly collapsed. Then followed increasing apprehensions of international trouble and world markets became "fear infected." Deflation having once been started quickly got out of control. Trade throughout almost the entire world and particularly in the United States contracted sharply. Prices for commodities slumped to levels which in many cases were quite out of accord with current costs. Altogether it has been a serious period for industry in every country, and if it were to continue much longer its national—and international—consequences would be grave. If we could but remove the effect of fear from the markets—in Europe the fears of war and of more deflation and in the United States the fear of political repression of industry—

I am confident that all markets would enjoy a healthy recovery. Much depends on the United States. There the political conflict with industry, measured by its damage to the well-being of the world at large, has indeed been disastrous. Its continuance would tend to eliminate all prospects of anything important in the way of an Anglo-American Trade Agreement and threaten even the much-advertised currency arrangements.

CONCLUSION

Since I last addressed you our secretary, Mr F. A. Crew, has spent a considerable time in Australia and particularly at Broken Hill in connection with the organisation and control of the Corporation offices. He has also given attention to the joint working arrangement with New Broken Hill Consolidated. From his visit we have derived great benefit, and I warmly commend his services. Two of your directors, Sir Clive Baillieu and Captain Oliver Lyttelton, also made special visits to Australia, and gave a close examination to our interests in all their aspects, for which we are greatly indebted to them. The managing director has, as usual, given his unstinted attention to our affairs on the spot over a period of many months and has earned our gratitude not merely by his services in the detail of administration but by the wisdom of his planning. (Applause.)

We continue the practice of sending members of our staff abroad, so as to keep in close contact with all the latest mining, metallurgical, and engineering developments in other countries. I am deeply impressed by the treatment our representatives have received everywhere they have gone—in Canada, the United States, Yugoslavia, the Rand and Rhodesia. I wish time permitted me to mention all those who have so freely placed their staff and works at the disposal of our representatives. As it is, I can only offer a general acknowledgment of their kindness and add that we shall be only too happy to reciprocate their hospitality if and when any of their staff visit us in Australia.

A GREAT MINE

You have a great mine, well equipped and efficiently managed, a substantial interest in the adjoining property of New Broken Hill Consolidated, which promises to develop into a profitable producer; large interests in lead smelting refining works and investments of importance in metal manufacturing and the like. These, with your loyal and efficient staff and employees, provide you with all but one of the essentials to success, viz., prices for your products showing a reasonable margin over costs. In the current year the margin has been steadily dwindling and cannot now be regarded as satisfactory. Unless metal prices recover, you must expect results for 1938 considerably below those of 1937, though I need hardly tell you that the strictest economy is being exercised both in Australia and here, and nothing is being left undone to counteract the effect of depressed markets. Given reasonable prices for metals, you need have no fears as to the prospects of your business.

TRIBUTE TO MANAGEMENT AND OFFICIALS

I cannot conclude without thanking our technical managers and consulting engineers—Messrs Bewick, Moreing and Company—and their chief representative in Australia, Mr Victor Edquist for their efforts on our behalf. Mr A. J. Keast, the manager of the mine, and his staff at Broken Hill have had an exceptionally busy and difficult year. Our warmest thanks are due to them for their efficient and enthusiastic efforts to further the interests of the Corporation. The work done underground, at the mill and in the surface workshops calls for the highest commendation. We must also express our appreciation of the results obtained by the Melbourne office under the management of Mr J. Fitzgerald. (Applause.)

The Chairman concluded by moving the adoption of the report and accounts.

The resolution was seconded by Mr. Robert W. Skipworth (the vice-chairman), and carried unanimously.

The retiring directors, Viscount Horne of Slamannan and Captain A. H. Moreing were re-elected, and the auditors, Messrs. Monkhouse, Stoneham and Co., were re-appointed.

The meeting ended with a hearty vote of thanks to the chairman, directors, and staff.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to the Reporting Manager of THE ECONOMIST, 8 Bowyer Street, Fleet Street, London, E.C.4.

EDMUNDSONS ELECTRICITY CORPORATION, LIMITED

BUSINESS MORE THAN DOUBLED IN FIVE YEARS

SUCCESS OF CO-ORDINATED CONTROL

SIR THOMAS ROYDEN'S REVIEW

REMARKABLE RECORD OF EXPANSION

During the year under review the figures are as follows:—
Number of consumers has increased from 176,000 to 378,000, or 115 per cent.
Number of units sold per year has increased from 321,027,000 to 735,933,000, or 129 per cent.
Load connected has increased from 496,000 kw. to 1,060,000 kw., or 114 per cent.

The overhead and underground mains have increased by 5,200 miles; 1,235 villages and townships, with a population of 425,500, have been connected, and £9,633,000 of additional capital has been expended. During the same period the company has received gross revenue from the sale of current of £16,305,922; paid in income tax and local rates £1,945,556; and paid in salaries and wages to its employees (who now number 8,488) the sum of £5,576,328. The distribution in dividends (less income tax) to Edmundsons ordinary shareholders has been £1,169,351.

In view of the above, surely it must be conceded that your company is meeting with a reasonable degree of success its obligations to the public it has the privilege to serve, and we see no reason why, during the next five years, the company's business, if left alone, should not again be doubled.

During the past year alone 45,000 new consumers have been added, an increase of 14 per cent; 165,800 kw. of new load connected, an increase of 19 per cent; an increase in output of 104,350,000 units, or 17 per cent; in addition to which 80,616,000 units were exported to the Central Electricity Board.

ADDITIONAL GENERATING CAPACITY

Under the direction of that Board we are now engaged in the installation of considerable extensions to the steaming and generating capacity of the three selected stations operated by the Edmundson group. In the Shropshire company the Stourport station is being increased by 90,000 kw., which will give this station, when completed, a total capacity of 170,000 kw. In the South Wales company the Upper Boat Station is being increased by 60,000 kw., which, likewise, when completed, will give this station a capacity of 123,000 kw., and in the Hayle station of the Cornwall Electric Power Company there is to be an increase of 15,000 kw., thereby making the total capacity of this station 32,500 kw.

Also under direction of the Central Electricity Board, an entirely new Selected station is in the preparatory stages of construction at Little Barford (Bedfordshire), which is in the area of the Bedfordshire, Cambridgeshire and Huntingdonshire Electricity Company, and which, when completed, will be operated by that company. The initial capacity of this station is to be 60,000 kw., which will eventually be expanded by another 60,000 kw., giving a total capacity of 120,000 kw.

The confidence of the Central Electricity Board in the Edmundson group's ability to construct and operate this large amount of additional generating capacity will be noted with satisfaction.

BILL PROMOTED BY OXFORD CITY

During the present session of Parliament the Corporation of the City of Oxford promoted a Special Bill to give to the city compulsory powers to purchase the order and undertaking formerly belonging to our Oxford company, but now acquired by, and consolidated with, our Wessex company.

When our Wessex Bill was promoted last year it was opposed by the City of Oxford, which attempted to prevent absorption of the company by the Wessex company. It was also attempted to introduce into the Bill a stipulation preventing the Oxford or Wessex companies from opposing, except in matters of detail, a Bill to be promoted at a later date by the Corporation of the City of Oxford giving it compulsory powers for the acquisition of the undertaking in question. This petition against the Wessex Bill was refused by a Committee of the House of Lords.

The questions at issue in the petition of Oxford against the Wessex Bill were, in the opinion of the company's counsel, precisely the same

The forty-first ordinary general meeting of Edmundsons Electricity Corporation, Limited, was held on 23rd instant at Thames House, Millbank, London.

Sir Thomas Royden, Bt., C.H. (the chairman) in the course of his speech, said: The year under review has produced results of exceptional importance to this Corporation. To enable you to view the situation in proper perspective over a period of time I will revert for a moment to the year 1933, when the executive management then in control of this highly complex business adopted a carefully considered plan for its future development and operation.

It has been mentioned to you on the occasion of two previous annual meetings that it was at that time there was initiated a policy of co-ordinated control of all the companies in the Edmundson group. This policy was predicated upon three basic principles, which may be defined as physical integration, corporate simplification, and a fixed objective of commercial achievement and physical growth.

The desirability of physical integration and corporate simplification may be accepted as a truism. Obviously integration is a sound course. So is simplification of corporate structures, which permits of intelligent investment, sound financing, and efficient management.

In the realm of achievement, definite objectives decided upon after careful consideration of all the possibilities give to the organisation and its personnel a standard of measurement by which it can be determined whether or not the expected and hoped-for progress and growth of the business is being achieved.

The accomplishment of the 1933 programme has presented many complex problems in that it requires that the interests of the consumers served, the moneys of the investor, and the company's interests generally, should all have fair and equitable treatment.

NUMEROUS CONSOLIDATIONS EFFECTED

The numerous consolidations that have been effected of various subsidiary and sub-subsidiary companies into larger and more scientifically controlled and operated units has advanced according to plan, and as rapidly and completely as statutory limitations made possible.

Six direct subsidiary and twenty-six sub-subsidiary companies have been put into liquidation, and when the liquidations now in progress or in immediate contemplation are completed, as they will be within the next year or two, the sub-subsidiaries will be entirely eliminated and the group will consist of Edmundsons as the parent company and ten or twelve directly-owned operating subsidiaries only.

It will be recalled that the Report of the Committee on Electricity Distribution issued in 1936, and commonly known as the "McGowan Report," strongly recommended this policy of amalgamation, and in this respect at least it is obvious the policy of your company has been, and will continue to be, in complete accord with one of the most important recommendations of that carefully considered document.

COMMERCIAL AND PHYSICAL DEVELOPMENT

From what has just been told to you you will, I hope, agree that reasonable and satisfactory progress has been made in accomplishing the first two basic principles of the company's development programme. As to the commercial and physical development, I think you will also agree, after hearing the following figures, that this too has been satisfactory. Our objective in 1933 was to double the business in five years, and though at that time this may have appeared to be more of an ambitious hope than a possibility, the results actually obtained are all the more remarkable, because they have not only attained, but satisfactorily exceeded, the objective which we then set before us.

as those presented in a somewhat different form in the Oxford City Bill just referred to. For all practical purposes the recent Bill promoted by the city may be regarded as an effort to have a Committee of the House of Lords reverse a former decision of another Committee of the same House.

IMPORTANT QUESTIONS OF PRINCIPLE INVOLVED

Wessex opposed the Oxford Bill, and was successful in this opposition. The questions of principle involved were of vital importance, not only to this company but to other companies within the United Kingdom which are charged with the responsibility of rural distribution and within whose areas of supply there happen to be important urban centres. Had Oxford City been successful in its efforts, and if the precedent thereby established had been followed by the many other urban centres which could quite properly have expected to be granted the same privileges of compulsory acquisition, this company certainly, and probably many other companies, would have lost such a large proportion of its consumers and load as to have made the continuation of rural development and supply economically impossible.

Oxford City's efforts would, if successful, have been highly anti-social. It is only by a combination of urban and rural supply that electricity can be brought to the homes of people living in sparsely populated districts at a price which they can afford to pay, and it follows as a logical conclusion that any successful effort on the part of urban authorities to acquire for themselves the advantages and economies of supplying electricity in highly concentrated centres of population, to the exclusion of the rural areas, is highly selfish—to say the least—and entirely disregards the rights to reasonable consideration of people living in sparsely populated rural districts.

UNCERTAINTIES CAUSED BY PENDING LEGISLATION

During the two years that have passed since the issuance of what is now commonly known as the "McGowan Report" the public in general, and the electrical industry in particular, have been awaiting the introduction by the Government of legislation. This legislation is confronted with what might be described as a psychological blockade, which is caused by an effort to solve an economic problem of vital importance by the application of political considerations. While it would be idle to speculate upon, or attempt to envisage, the form of the Bill which may be introduced next autumn, it is unfortunately true that the uncertainties surrounding the whole situation are daily becoming more acute.

The satisfactory development of the electric supply industry requires the adoption of plans and policies looking well into the future, and the expenditure of very large sums of money in carrying them out. It must be obvious that these sums of money cannot be economically or safely provided, and plans and policies cannot be soundly formulated, while the interests concerned—whether they be municipal or company—are hedged about by disturbing uncertainties. The industry as a whole must get on with its job, and if the Government see difficulties in the situation which are such that they desire additional time for consideration, it would be a help if legislation were introduced as soon as practicable under which the present *status quo* of both municipal and company interests—without prejudice to either—could be maintained for a period of, say, not less than five years. This would enable many of the interests concerned voluntarily to work out by mutually satisfactory agreements many of the problems which are at present in a state of complete uncertainty.

THE DIVIDEND

You will observe from the report that the balance available for distribution is £355,446. The board propose to utilise this in placing £30,000 to reserve account, in providing for the balance of the preference dividends for the year, absorbing £32,662, and it is recommended that a final dividend at the rate of 5 per cent. on the ordinary stock which participated in the interim dividend should be paid. This sum will involve a distribution of £187,000, and makes the total distribution for the year 9 per cent. In addition, the new ordinary shares issued at the beginning of January are entitled to a dividend at the rate of 2½d. per share for the period to March 31st, and this distribution requires £7,600. If these proposals meet with your approval there will remain to be carried forward to the next account £98,184.

CAPITALISATION OF RESERVES

In the report it has been stated that the directors recommend that there should be capitalised £2,250,000 out of the existing reserves,

by distributing new ordinary stock credited as fully paid, in the proportion of £1 of new stock for every £2 nominal of ordinary stock now held. Resolutions to approve of this recommendation will be submitted to you to-day. Before that is done, however, it will be necessary to increase the capital of the company to take care of this issue, and a proposal that 3,000,000 new ordinary shares of £1 each be created will first be submitted to you. The ordinary capital, as it will be after these changes are approved, will much more nearly represent the true equity capital, though it will in no way affect the earning power of the Corporation.

The report and accounts were unanimously adopted, and the proposed capitalisation of reserves was approved.

GEORGE NEWNES, LIMITED

The forty-first annual general meeting of George Newnes, Limited, was held, on the 23rd instant, at the company's head office, Tower House.

Sir Frank Newnes, Bart. (the chairman), said that the profits for the year amounted to £117,868 13s. 6d., as compared with £145,853 14s. 5d. for the previous year. The reduction was mainly due to increased costs of paper and printing and to lower earnings derived from the Newnes and Pearson Printing Company.

The directors proposed to allocate to the employees' sick and pension fund £4,000, and to development fund £20,000. They recommended a final dividend on the ordinary shares of 5 per cent., making 10 per cent. for the year, leaving to be carried forward to next year's accounts £51,021 12s. 7d., against £48,425 19s. 11d. last year.

There were few changes in the balance sheet, and the statement of combined assets and liabilities printed at the end of the directors' report showed a sound financial position. The combined cash balances of the company and its subsidiaries amounted to the substantial sum of £313,249, although during the year Pearson's and Country Life had invested £75,000 in gilt-edged securities. Investments outside the business had been increased by this amount and now stood at £193,907.

The earnings of Pearson's and Country Life had both been affected by heavier costs of production, and, in the case of Pearson's, also by a lower income received from the Newnes and Pearson Printing Company. But for these factors the Pearson business would have shown better profits than for several years, as their periodical business had done well.

Commencing January this year, paper costs rose heavily. Recently there had been a marked fall in the price of pulp and a substantial reduction in the price of paper was expected towards the end of the year.

THE PUBLICATIONS

Regarding the publications, with a list of over fifty it was not possible to refer to more than a few. Old friends like "Tit-Bits," "The Strand Magazine," "Wide World Magazine," "Home Notes," "Smallholder," and others continued in the front rank. "John O' London's Weekly" had just published its thousandth number. "Country Life" and "Homes and Gardens" maintained their great prestige in their particular field, and "Amateur Gardening" was still the leading horticultural paper. "Modern Woman," "Modern Home" and "Miss Modern" and "Woman's Sphere" were among the best known and most popular of the illustrated monthlies. More than a year ago "Woman's Own" had been transformed into a new all-gravure super-weekly. Printed in fine colours, it gave remarkable value for twopence. The large expenditure on its development had all been borne out of the resources of the company. Its high circulation justified the confidence placed in it by its large body of advertisers. A new twopenny weekly had recently been launched, produced in the same attractive new style and original make-up, this time appealing to the family circle. The title was "To-Day." As an example of new enterprise in the publishing field he felt sure that every shareholder would be interested in this publication, to which doubtless they would wish to draw the attention of their friends.

The position of the company had been strengthened in recent years by the development or acquisition of a greater variety of publications. A group of technical and semi-technical papers had been established, and through the company's investment in the National Trade Press, Limited, an important group of trade papers had been added. There was now no section of the community which advertisers could not reach through one or other of the company's publications. The advertisement revenue this year in the aggregate had been as high as it had ever been, and the reputation of the publications stood high among advertisers.

The report was unanimously adopted.

WILLIAM BEARDMORE AND COMPANY, LIMITED

CAPITAL SCHEME APPROVED

The annual general meeting of William Beardmore and Company, Limited, was held, on the 17th instant, in the Council Room of the Federation of British Industries, 21 Tothill Street, Westminster, London.

Sir James Lithgow, Bt., M.C., D.L. (chairman), in the course of his speech, said:—As to the financial results for the year, you will observe that the actual trading profit has again shown an increase, but it is clear that no payment of interest on the 5 per cent. interest certificates can be paid, and the credit must be carried forward and set against the existing debits. Immediate prospects are clearly satisfactory, but there are very definite indications of a substantial recession in the demand for commercial products.

The report was unanimously adopted.

REORGANISATION SCHEME

The chairman, before dealing with the scheme of reorganisation, referred with appreciation to the sacrifices by the late Lord Invernairn. He then continued: The need for a scheme giving effect to a revaluation of the assets has been recognised and referred to from this chair for many years. But until the revival in trade set in no useful basis for such a valuation existed.

You will observe from the documents that your board have committed themselves to very definite figures both as to the present value of the various shares and as to the future earning prospects of the company. These latter figures are put forward with a full appreciation of the difficulties of an accurate forecast. I can only say that they are the result of very careful thought and much study of the past as well as consideration of the future.

BASIS OF VALUATION

The accompanying circular is intended to make clear to you the method adopted in arriving at a true value of the assets side of your balance sheet. The board have also considered the company's probable earning power as compared with its present intrinsic value: our expectations in this regard justify and confirm in large measure the physical value placed upon your assets by the experts whom we have consulted. We have, therefore, some assurance that the basis upon which we are proceeding is a sound and justifiable one.

The vital feature in the scheme, from your point of view, is the apportionment of the issued capital to present interests. Existing debentures and other prior charges far exceeded the new debenture issue. It was, therefore, necessary to take existing prior charges one by one and obtain the agreement of their holders to modification either of their amount or their priority.

After the completion of the negotiations on the foregoing matters there remained to be adjudicated the proportion of the new shares which should be allocated between the holders of the first, second and third preference shares. As already indicated, the future earning power of the company is extremely difficult to forecast. We therefore adopted the principle of allocating to each of the preference shareholders some part of the equity in inverse proportion to their existing priority. The first preference shares are in a very few hands. It was therefore obviously expedient, as well as necessary, to determine their value by discussion and negotiation. I am advised that the result can be regarded as reasonable from the point of view of the remaining shareholders. The final allocation as between the second and third preference shares has been the result of careful weighing of the possibilities under the present scheme in consultation with admitted experts in such matters.

The results of those consultations have been submitted to an outside body for advice, and I can only say, on behalf of the board, that the proposals put before you are not only the result of much anxious thought on my own part and on that of my colleagues, but embody the outcome of the best advice and assistance which the wide ramifications and associations of the company have placed at our disposal. I have every confidence that when the time comes for our later meetings you, ladies and gentlemen, may be found to be in agreement that the scheme should be passed forthwith.

At class meetings of the holders of the first mortgage debenture stock; interest certificates; "A" income debenture stock; first, second and third preference shares; and of the ordinary shares the scheme was approved, after the chairman had replied to questions, by overwhelming majorities. At an extraordinary general meeting resolutions approving the scheme and the adoption of new articles of association were, after questions had been answered, carried by the requisite majorities on a show of hands.

The proceedings ended with a vote of thanks to the chairman.

ANGLO-IRANIAN OIL COMPANY, LIMITED

LARGELY INCREASED PROFIT

The twenty-ninth ordinary general meeting of the Anglo-Iranian Oil Company, Limited, was held, on the 20th instant, in London.

The Rt. Hon. Lord Cadman, G.C.M.G., D.Sc., LL.D. (the chairman), said: Ladies and Gentlemen,—Last year I drew your attention to the remarkable increase in the profit on trading account, but 1937 profits have exceeded those of 1936 by almost £3,000,000. This result is due to a large increase in the volume of sales and a further rise in values. Royalty and taxation payable to the Iranian Government are greater by nearly £1,000,000, and I feel sure that you will be as pleased as I am to see the Iranian Government thus sharing substantially in the company's welfare, which they are doing so much to promote. Income tax is naturally greater, on account of the larger profits. We have placed £546,872 to general reserve, thus bringing the total to £1,200,000.

EXCELLENT DRILLING RESULTS

The well-known fields at Masjid-i-Sulaiman and Haft Kel have produced with their customary regularity and their output has been supplemented by that from the smaller fields at Naft-i-Shah and Naft-Khaneh. In the aggregate, the net crude oil production from the company's fields in Iran and Iraq amounted during 1937 to 10,289,000 tons. In addition, we received 1,220,000 tons from the Iraq Petroleum Company.

I mentioned last year that oil had been proved at Gach Qaraghuli—a field which has now been renamed Gach Saran. Drilling on this field has been continued with excellent results. In addition to the original producing well, two others—on the north-east and south-west flanks—were drilled into the limestone and yielded production rated at 4,500 and 4,000 tons a day respectively. Further wells are being drilled at Gach Saran to define the extent of the field; and the apparent size of the structure, coupled with the thickness of the limestone, indicates that Gach Saran is a field which is even larger than Masjid-i-Sulaiman.

In addition to Gach Saran, I have to inform you of a further discovery, on the structure adjacent to Haft Kel, known as White Oil Springs or Naft-i-Safid. This area has been mentioned to you on former occasions. As long ago as 1913-19, wells were drilled there, but with negative results. In consequence, however, of developments at Haft Kel and of indications given by geological and geophysical work, a new test drilling programme was adopted at White Oil Springs. The first two wells of this programme proved the existence of high-pressure gas and the third struck oil. I cannot yet hazard any views as to the potentialities of this structure. It is, however, established that White Oil Springs is not an extension of Haft Kel, but is a separate structure whose extent can only be revealed by further drilling. White Oil Springs is in close proximity to the existing pipeline system connecting Haft Kel with Abadan.

With regard to marketing, the prices of products were, on the whole, maintained at higher levels than those of 1936. As a result of the non-fulfilment of optimistic forecasts of consumption in the United States, stocks of motor spirit and fuel oil accumulated considerably in excess of market requirements and prices suffered accordingly. At the moment, prophecy regarding future trends is difficult; but it is not too late for the balance between supply and demand to be restored. In Great Britain—our principal market—the upward trend of industrial activity has not been maintained; and, in addition, motor spirit and diesel oil for road vehicles have been subjected to increased taxation.

These conditions are among the unfavourable. Fortunately, however, they are counterpoised by others. There is, for example, steady progress in the numbers of oil-consuming machines in virtually all parts of the world, and notably in the great consuming centres. It appears, therefore, that the demand for petroleum products is still on the up-grade, which should benefit the industry as a whole.

POSITION AND OUTLOOK

So far as the company itself is concerned, we have good reason for satisfaction with the present position and with the outlook. Our relations with H.I.M. the Shah and the Iranian Government were never more cordial, and the considerable programme of work in Iran, which is necessitated by our expanding operations, is proceeding smoothly.

I have already told you of the satisfactory situation of the company in respect to its reserves of oil, its equipment and its staff. Our position is, in fact, very sound; and, provided there is no further serious drop in prices, I feel that you will have no reasonable cause to be disappointed in the results of the current year.

The report and accounts were unanimously adopted.

"SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

SOUND POSITION—INCREASED PROFIT SITUATION IN MEXICO

The annual general meeting of the Shell Transport and Trading Company, Limited, was held, on the 21st instant, at Southern House, Cannon Street, London.

The Right Hon. Viscount Bearstead, M.C. (chairman and one of the managing directors), said that the balance of profit and loss account was £5,954,000, against £5,565,000 in the previous year, which enabled a final dividend of 2s. 6d., tax free, to be paid, making a total tax free dividend of 4s. per £1 unit on the increased capital. The soundness of the financial position was shown by the fact that with assets worth £53,000,000 creditors amounted to £204,000. During the year their tanker fleet worked to full capacity, and they had a large building programme in hand which was materially benefiting British yards.

OIL INDUSTRY AND TAXATION

After referring to the need for Government action in modernising the road system and to the growing importance of agriculture as a market for petroleum products, the chairman mentioned the success that had attended the introduction of their new motor lubricating oils. Shell motor spirit had continued to maintain its pre-eminent position. He had previously spoken of the steadily increasing antiquity which the oil industry had to pay to Governments in taxation. The import duty in this country had been raised to 9d., and in France increases had also been imposed. There were some countries enlightened enough to use surplus balances in encouraging road transport by remission of duty, among which South Africa stood out as a most pleasing example, while Southern Rhodesia has reduced the duty on petrol to 2d. per gallon, and Northern Rhodesia had abolished the duty altogether. In several countries attempts had been made to force the oil companies to carry for emergency purposes stocks largely in excess of commercial requirements. No industry could bear such a burden, and the cost of such special stocks must be a charge to the country as a whole. In U.S.A., in spite of the industry as a whole having shown improved over-all results, the general level of profit in 1937 must be regarded as a disappointment, and the outlook was uncertain, although there had recently been some improvement in bringing crude production in line with consumption. The Shell Union had increased its net operating income and paid dividends on its common stock totalling \$1.00 per share.

POSITION IN MEXICO

Continuing, the Chairman said: You will expect me to make some reference to the oil situation in Mexico. Your company's financial interest in the Aguila Company is comparatively small. We have, however, a very serious responsibility in that this group manages the affairs of the company. The interest of the company and with it the prosperity of Mexico and its people have been the sole guiding influence in the minds of those directly responsible for its management. The accusation that the Mexican Eagle Company has been operated to its disadvantage and to the advantage of its so-called twin company, the Canadian Eagle Company, is fantastic, as an unbiased examination of the affairs of the two companies clearly proves. There is also not the slightest truth in the rumour that the oil companies have interfered in domestic politics in Mexico, even to the extent of financially encouraging revolution. The Aguila Company has never in any way stepped outside the bounds of its legitimate commercial task.

ATTITUDE OF COMPANIES

I will not burden you with the origin of the troubles in Mexico; it has already been made public. I will say this, however, that in trying to reach agreement I am satisfied that the companies went to the utmost limits in endeavouring to avoid a breakdown, and that the final offer which they made would certainly have resulted in a serious annual loss to the companies had it not been coupled with the condition that hereafter the companies would need to be placed in a position properly to control their own administration and secure a fair return in work for a fair rate of pay in accordance with modern labour practice. Herein lies the chief difficulty of recent years. You are aware of the present position. By Government decree the properties have been expropriated; the companies have applied to the courts for an annulment of this decree; their application has been dismissed, but they have appealed, and the Appeal Court's decision has yet to be handed down. What this decision will be I cannot foretell, but the Aguila Company—as, indeed, I believe, all the other companies involved—are ready and

anxious to continue their operations in Mexico. A reversal of the decision would be the just and fair way of righting a very serious wrong, but I must point out that any kind of satisfactory co-operation between the Mexican Government and the oil companies, which has always been and continues to be the company's sincere desire, can only be attained if there is present on the Mexican side a genuine desire to co-operate on the protection of the oil industry, its workers, and the capital which has been legitimately invested in it to the great advantage of the country. I hope the problem will eventually be satisfactorily solved, but I cannot disguise from you the fact that the situation is very grave.

GOOD RELATIONS IN VENEZUELA

In contrast with the rather dismal picture of Mexico which I have had to give, I must refer to the very happy relations which exist between the Governments of other Latin-American countries and the companies with which we are associated. In this respect I would particularly mention Venezuela, since it is in this country that our group has developed such substantial production of oil.

SITUATION IN IRELAND

I must mention, with more than a passing regret, the state of affairs in Ireland. Our association with Ireland goes back many years, and we—and more especially our Irish staff—have done a great deal to encourage there the development of those mechanical methods and appliances which play such an important part in modern industry and transport. Our relations with the authorities were always cordial, but when they indicated a desire to erect a refinery for producing the greater part of their requirements from crude petroleum we thought it our duty to advise them against the scheme. We felt then, as we feel now, that the proposal was uneconomic and must inevitably result in excessive costs to the consumer and in failure to provide him with the highly specialised products which to-day are necessary. Shortly after we learned that others, who had never hitherto played any part in the development of the Irish market, had offered to erect a refinery in return for a monopoly of supply of the crude oil to be treated in it. It was suggested that we and other companies already working there should be the distributors of the products of this refinery. You will, I am sure, agree that we could never be parties to distributing products carrying our world-famous brand names under conditions which gave us no control over their quality. Equally, we have a natural hesitation to associate ourselves with a scheme which we believe would prove generally unsatisfactory to the Irish consumer and thereby react against those associated with it.

The report was unanimously adopted.

TELEPHONE RENTALS, LIMITED

RECORD NEW BUSINESS

The annual general meeting of Telephone Rentals, Limited, was held, on the 20th instant, at Southern House, London, E.C.

Mr Fred T. Jackson (chairman and managing director) said that all subsidiaries had traded at a profit for the year under review. The operating companies had made considerable progress, and the new rentals secured by these companies constituted a record. Trade generally during the year was most satisfactory, and it was logical that part of the increase in the rent roll should be attributed to the satisfactory industrial conditions prevailing throughout the country. However, they were also entitled to attribute a big proportion of the increase to the development of their sales promotion plans, and the directors were gratified with the present position, as it indicated that their policy had been proved to be sound and progressive.

Their Australian associated company had earned a substantial profit and continued to make satisfactory progress. During the first five months of the current year earnings were running at a higher level, and so far there was no indication of anything in the way of depression.

This time last year he was able to report that the year under review had been one of expanding trade in nearly every direction. The same remarks applied to the year 1937, but he did not anticipate that this time next year he would be able to report so favourably on general industrial activities. Reports from their operating companies all over the country indicated a falling off in general trade, but their experience during the first five months of 1938 was that, although it was a little more difficult to secure new contracts, the new business secured was little less than that secured in the first five months of 1937. Unless, therefore, the international political situation cleared up, it was hardly likely that they could anticipate another high record in new business for the current year. This did not indicate, however, that there would be any falling off in profits earned. In fact, the monthly revenue and expenditure accounts for the first five months of the year enabled him to fore-

ast a satisfactory 1938, as their profits showed an increasing tendency.

It was proposed to increase the authorised capital to £1,000,000 by the creation of 800,000 additional ordinary shares, although these further shares would not be issued at present.

Gross dividends showed a small increase on last year, amounting to £113,672, as compared with £112,897. There was a decrease in expenses, with the result that the net profit amounted to £110,492, as compared with £108,254. The increase in profits was greater than was apparent from the figures, as in the previous year they brought into profit and loss account the sum of £6,146, being reserve created out of past profits no longer required. A sum of £30,000 has been appropriated to general reserve account, raising it to £140,000, and the directors recommended a final dividend of 6 per cent., less income tax, making 10 per cent. for the year.

The report was unanimously adopted, and the proposed increase of capital was approved.

WILLOUGHBY'S CONSOLIDATED COMPANY, LIMITED

SATISFACTORY RESULTS OF A DIFFICULT YEAR

The ordinary general meeting of Willoughby's Consolidated Company, Limited, was held, on the 20th instant, at Winchester House, Old Broad Street, London.

Col. H. T. Fenwick, C.M.G., M.V.O., D.S.O. (Chairman), in the course of his speech, said:—

The issued capital now stands at £560,251 4s., divided into 1,400,628 shares of 8s. each, whereas before it consisted of the same number of shares—1,400,628 shares of 10s. each. This leaves 474,372 shares of 8s. each still unissued. This difference having been effected by the return of 2s. per share, I may perhaps be permitted to say that I have received many letters from shareholders expressing their appreciation of the transaction.

The profit for the year 1937 amounts to £31,465 7s.

From this the board have placed £2,000 to reserve account, bringing it up to £50,000, and recommend the payment of a dividend of 5d. per share, equal to 5.2 per cent., and to carry forward a sum of £6,485 13s. 9d., which is £280 more than was carried forward last year. Next, taking the credit side of the profit and loss account, you will observe that the profits secured in Rhodesia were £3,000 less than in the previous year. This is accounted for by a small loss on ranching—owing to an abnormal drought—compared with a profit for the previous year.

Profit on realisation of shares shows a considerable drop on the previous year, but, as you are all aware, the markets of the last eighteen months have precluded the possibilities of much good being effected in this direction. Dividends and interest at £25,916 0s. 1d. stood up well considering the times.

As to shares and debentures in companies, you will observe that these amounted to £307,101 6s. 1d. and showed on December 31st an appreciation of £41,254 13s. 4d. at market price over the amount at which they stood in the books of the company. Since the end of 1937 there has been further shrinkage in market values, but at the present date there is still a fairly satisfactory appreciation.

I would like to say a few words about the general situation in Southern Rhodesia. The country is gradually forging ahead. The returns of imports and exports—a good index—are gradually improving, helped, of course, by the better mining returns. The tobacco growers in the neighbourhood of Salisbury have had a good year, and, although the cattle industry suffered from an abnormal drought, owing to higher prices it is gradually recovering. At the present moment a Royal Commission is sitting and inquiring into the advisability of the amalgamation of Northern and Southern Rhodesia. I will not, of course, attempt to anticipate their finding or to give any opinion of my own, but will be content to say that I shall accept their judgment without question.

Before sitting down I would like to say a few words about the general position of Willoughby's. Our principal business for which we were formed is the development of Southern Rhodesia, and that part of our business is gradually improving. We still own a million acres of land, and the time must come when with a slow, but sure, and gradual increase of population there must be a good demand for this. We have never sold any land under 5s. an acre, and at that price it makes a big hole in our property and outlay valuation. Our stands and buildings are certainly worth more than they stand in our books. Another asset is our investment portfolio. This, as you may imagine, in these times is somewhat difficult. Taking, however, all our assets and liabilities, I have no hesitation in telling you that the capital is well assured.

The report and accounts were unanimously adopted.

THE GREAT BOULDER PROPRIETARY GOLD MINES, LIMITED

GOOD RESULTS AND PROSPECTS

The forty-fourth ordinary general meeting of the Great Boulder Proprietary Gold Mines, Limited, was held, on the 22nd instant, in London.

The chairman, Mr Claude A. de Bernales, in the course of his speech, said:—After charging all relative expenditure and writing off £30,719 18s. 11d. for depreciation, the profit for the year amounts to £73,553 6s. 8d., compared with £87,065 19s. 9d. for the previous year. The difference is due to the increased expenditure incurred in reconditioning existing shafts to levels which had previously fallen into disuse, and to the provision for depreciation of plant installed during the year but which did not come into operation until 1938.

Two dividends of 12½ per cent. each were distributed out of the profit for the year, and absorbed £62,500. To make full provision for Australian taxation it was necessary to draw on the previous year's carry-forward to the extent of £3,317 13s. 7d.

A substantial expansion in profits is already foreshadowed for the current year, and a first interim dividend of 12½ per cent. was declared on June 14th, and will be paid on July 21, 1938.

The development policy of the mine during the past year has been directed with two primary objects in view:—

1. To develop known ore bodies to such an extent that the tonnage of ore available in reserves at the end of the year would stand at a figure exceeding three years' requirements of the plant at the increased rate of milling.
2. To explore possible new ore bodies, whose existence had been indicated by diamond drilling and geological examination, and from which subsequent ore reserves might be obtained.

YEAR'S PROGRESS

In reviewing the company's operations for the past year, I think it will be generally recognised that but for the energetic handling the mine has received under the present management the position to-day would have been very different from that which I have been able to place before you. In the comparatively short space of two years the ore reserves have been increased from 781,081 short tons of an average grade of 6.1 dwt. per ton to 1,062,200 short tons of an average grade of 6.9 dwt. per ton; working costs have been reduced from 31s. 11.41d. to 29s. 6.63d. (Australian) per short ton; and within the next few months production will have increased from 148,000 short tons to 336,000 short tons per annum. Developments underground have been particularly encouraging, especially in the Conroy's and Robertson's lodes section of the mine, and the discovery of a caunter lode of considerable width at the 2,650 ft. level showing free gold and telluride adds strong support to the belief that important ore bodies of good grade still lie at depth awaiting development.

The current year's operations have so far been attended with most satisfactory results, and there is every indication that the grade of the ore reserves will be fully maintained. The mine has every indication of many years of profitable life ahead of it, and the achievements of the past year have brought the prospect of increased dividends appreciably nearer, so much nearer that I hope my colleagues on the board will be able to support the payment of a third dividend of 12½ per cent. during the current financial year. This is no promise, but there is a reasonable prospect in that direction.

REVIEW OF THE COMPANY'S RECORD

This company, as you know, was formed by Mr John Waddington in the year 1894, or 44 years ago, and the Great Boulder Proprietary is the premier Westralian mine floated in London. It will, no doubt, be of interest to the shareholders to have a short digest of its record. When originally floated the critics of the day, although they were more times than enough proved wrong, did, through unwarranted and vindictive criticism, an irreparable amount of damage. The board, however, under Mr Waddington, stuck to its belief and its work, with the result that the mine since 1895 has distributed in the form of dividends no less a sum than £6,495,340.

The position to date is that by October 31, 1938, we should have paid for everything in connection with the development of the mine and the new plant, will have increased the crushing capacity from 148,000 short tons per annum to 336,000 short tons per annum, have kept up our dividends at 25 per cent., with a reasonable prospect that for the year ending December, 1938, the annual dividend will have reached 37½ per cent., and the prospect for 1939 being further advance in the rate of dividend. I consider that these figures speak eloquently for the board.

The report and accounts were adopted.

BANGRIN TIN DREDGING

IMPROVED RESULTS

The eighteenth ordinary general meeting of Bangrin Tin Dredging Company, Limited, was held, on the 21st instant, at Winchester House, Old Broad Street, London.

Mr Kenneth O. Hunter (the chairman), in moving the adoption of the report and accounts, said he thought shareholders would agree that the accounts presented a satisfactory picture, their total mining revenue being £192,334, compared with £88,374 in 1936. The improved results had arisen from the higher price of tin ruling during the year, the increased and more valuable yardage treated, and the higher tonnage output. There was a balance to be dealt with of £52,656. The directors recommended the payment of a final dividend of 10 per cent., making 15 per cent. for the year, leaving £12,656 to be carried forward.

With regard to the cost of the acquisition and tests of boring of the new Sydney Siam property of £103,995, the directors had exercised the option, and the purchase money had been deposited with stakeholders against receipt from the Siamese authorities of the mining leases duly transferred and registered in the name of the company, of which shareholders had been advised in October last. Eight of the 10 leases had already been transferred to the company, but there had been unavoidable delay in the transfer of the remaining two, the transfer of which would no doubt be issued in due course. That new property, when dredged, was estimated to contain 50,000,000 cubic yards, with an average content of about .75 lb. of recoverable tin ore per cubic yard, from which shareholders would realise that the acquisition was a valuable one, and would considerably increase the dredging life of their company.

At the beginning of the present year the domestic quota for Siam was fixed as from January 1st to June 30th at 64 per cent. of assessment. The international release of tin ore was later considerably reduced, but that decrease had not affected the domestic quota for the first six months of this year. With regard to the current year, their output for the five months ended May 31st was 545 tons, with an estimated working profit of £37,456, the figures for the corresponding period in 1937 being 323 tons, with a working profit of £31,000.

The report and accounts were unanimously agreed to.

SIAMESE TIN SYNDICATE, LIMITED

DIVIDEND OF 65 PER CENT.

The thirty-first ordinary general meeting of the Siamese Tin Syndicate, Limited, was held, on the 21st instant, in London, Mr Kenneth O. Hunter (chairman of the company) presiding.

The Chairman, in moving the adoption of the report and accounts, said there had been a marked increase in tonnage output and of yardage worked in 1937 as compared with the previous year. The profit balance for the year was £148,639, to which had to be added the balance of £7,135 brought forward, and the directors now recommended a payment of a final dividend of 15 per cent., making 65 per cent. for the year, leaving £11,487 to be carried forward.

The dredge on the Huey Moot area during the month of December raised 98,982 cubic yards of ground and recovered 22 tons of tin ore. Since the close of 1937 the mine had commenced to show a profit notwithstanding the reduced price of tin.

During the year very little prospecting was done, but since the close of the year work of this nature had been carried out at Kopah and the Ngow estate. The result of the boring at Plaiwah had proved that considerable area of ground at the top end of the leases which was previously considered valueless would pay to work. The area was estimated to contain 3½ million cubic yards of approximately two-thirds lb. value, and should extend the lifetime of the dredge on its present ground to 2½ years at full working time.

The prospecting at Ngow estate had resulted in bringing in another 3,000,000 cubic yards of payable ground adjoining the company's present leases. A more important addition to this area was now being prospected, and had disclosed a payable run of tin values on the seaward side of their existing Wharf Area leases. That area had been covered by two exclusive prospecting licence applications, and the prospecting operations had proved the existence of approximately 20,000,000 cubic yards of ½ lb. per cubic yard ground. These two additions would greatly extend the life of the Ngow property, and were undoubtedly of great value to the company.

As to the working results for the present year, their total output in the East for the five months ended May 31st was 790 tons, with an estimated working profit of £39,371, the figures for the corresponding period in 1937 being 1,018 tons, with a working profit of £110,840.

The report and accounts were unanimously adopted.

BRITISH EMPIRE TRUST COMPANY, LIMITED

A SOUND POSITION

The thirty-seventh ordinary general meeting of the British Empire Trust Company, Limited, was held, on the 20th instant, in London.

Mr Davidson (chairman and managing director) said that when they met a year ago he stated that under conditions then prevailing they were liable to sudden and unexpected shocks. Having regard to all the circumstances, it was gratifying to be able to recommend the payment of 7 per cent. on the preferred ordinary and 9 per cent. on the deferred ordinary shares, which rates had been earned out of net income with an ample margin. He considered it satisfactory that they were able to pay these dividends, to provide all their depreciation out of special resources created in the past, to have all their investments written down to the lowest quoted prices, to have their capital and reserve fund of £300,000 intact, and to carry forward the substantial amount of £17,538.

After referring to the arrangements which had been come to between the cities of Victoria, Calgary, and Edmonton and the bondholders, which arrangements under the circumstances appeared to be fair and reasonable, the Chairman said he regretted that he could not report favourably upon the attitude and conduct of the province of Alberta. So far as the holders of the bonds of that province were concerned, the position had not improved. Efforts were being made by the bondholders' committees to have the validity of the Act reducing the interest by one half tested in the courts. Meantime the Government of Alberta showed no sign of abandoning its arbitrary and unjust policy. On the contrary, it recently passed further legislation, which had the effect of confiscating a portion of the money lent on mortgages in Alberta, and by heavy penalties, immediately applicable, virtually and intentionally depriving holders of mortgages of the opportunity of bringing the matter before the courts. Protests from all quarters had been made to the Government of Canada to disallow this vicious and unjust legislation. It was gratifying to know that the Dominion Government had disallowed this legislation, because while these happenings did not directly concern holders of Alberta Government bonds they had an adverse effect upon Canadian investments generally.

The report was unanimously adopted.

BRITISH ELECTRIC TRACTION COMPANY, LIMITED

ANOTHER GOOD YEAR

The forty-second ordinary general meeting of this company was held, on the 17th instant, at Winchester House, London.

Mr J. S. Austen (the chairman) said that they had had a very good year and their profits had increased by about £56,000 over those of the previous year, which itself had shown an increase of £59,000 over the year before, so that in those two years together they had had an increase of about £115,000.

They were adding the large sum of £185,000 to their undivided profits account, and in that connection he might say that every year they received one or two letters from stockholders asking them to "ladle out" something from that fund. Those letters came from stockholders who desired a larger income, but he had told the stockholders many times that their stock must not be looked to for income, but for increase of capital value. In fact, it was a sort of automatic savings bank, and, when he told them that an original holder of £100 of stock, if he had kept every bonus which had been declared, was worth to-day something like £4,500, even at the present depreciated price of the stock, he did not think that it could fairly be said that the directors had failed.

They were directly affected by two features of the last Budget, income tax and petrol tax. The effect of income tax on a company such as theirs, which retained a large portion of its profits, was that it had to earn more money in order to show the same result to the stockholders. He would probably have something more to say on that point next year. As to the petrol tax, the companies with which they were associated were probably the largest buyers of petrol in the country and a penny per gallon spread over a year meant a very large sum indeed. Their attitude to that tax was that they regarded petrol as a manufacturer regarded his raw material; in fact, it was their raw material. Every tax could be regarded as a necessary evil, but it seemed to him that this tax was rather more evil and rather less necessary than usual.

They must not expect the phenomenal increases which they had had, but at the moment he did not see any reason why they should not show at least a moderate increase in the current year.

The report was unanimously adopted.

FORSTER'S GLASS COMPANY, LIMITED

RECORD SALES

The nineteenth annual general meeting of Forster's Glass Company, Limited, was held, on the 21st instant, at Winchester House, Old Broad Street, London.

Colonel Charles E. Ponsonby, T.D., M.P. (chairman), who presided, said that the net profit amounted to £53,573, an increase of £7,501 over last year after charging £15,177 for depreciation as against £12,921. £15,000 had been transferred to reserve account and a distribution of a dividend of 6 per cent. and a cash bonus of 5 per cent. on the ordinary shares was recommended, leaving the carry-forward at £16,562, as against £7,270 brought in.

The satisfactory result of the year's working was attributed to the general state of prosperity which had prevailed throughout the period under review and to the beneficial effect of the Coronation celebrations on the demand for the company's products. The sales for the year were a record in the history of the company.

They had experienced a considerable increase in costs due to the increase in the cost of coal, and, in addition, during the year they had had wage increases and increases in transport charges. Owing to the excellent demand for the company's products and the increased production required to meet it, they had been able to carry the increased costs without any serious effect on their business, but in the event of a falling off in the demand and consequent reduction in production, the increased costs would obviously have a serious influence on their profits.

Every effort had been made to continue their policy of keeping the whole of their plant and machinery up to date. They realised that it was only by service and the quality of their products that they could maintain and increase the demand for their goods.

It was gratifying that the results obtained had permitted a slightly higher distribution on the increased ordinary share capital. The amounts which had to be allocated for income-tax and National Defence Contribution were a considerable burden, absorbing an amount equal to 11 per cent. on the issued ordinary capital, and the board considered that the present time called for a conservative policy. Speaking generally, the prospects of the present year were not unsatisfactory.

The report and accounts were unanimously adopted.

GRIFFITHS HUGHES PROPRIETARIES, LIMITED

PROFIT OF £154,199

The fourth annual general meeting of Griffiths Hughes Proprietaries, Limited, was held on the 21st instant, at Salford, Manchester.

Mr Harry Marland, J.P. (the chairman) said that he regretted the drop in profits for the last financial year, but the liquid financial position of the operating company continued to be very strong. The liabilities, including provision for the final dividend and also for taxation on the profits for the year, totalled £182,000, as against liquid assets of £679,000, of which £499,000 consisted of cash, investments, and sinking fund policies.

The business was world-wide and overseas markets had caused the board very considerable trouble and anxiety, almost wholly on account of currency depreciation, which had become worse during the year under review. There were now quite a number of important overseas countries in which the amount of business they could do

(Continued from page 740)

Miscellaneous Commodities

Oilseeds and Oils.—With more hopeful markets in the United States, prices of vegetable oils and oilseeds have been firmer than of late. A fair trade was transacted during the week in Indian linseed and prices were a little higher, influenced by a rising tendency for wheat prices. There was also a better demand for Egyptian cottonseed for June and July loading. The price of refined cotton oil has hardened to £21 per ton ex Hull.

Rubber.—The better sentiment in all markets and the recorded decrease

in stocks at the end of May improved the tone of the rubber market and the closing price for standard sheet, at 6½d. per lb., showed a net gain of ¾d. per lb. for the spot position.

Other Foods

Provisions.—Butter prices rose sharply during the week and at the close New Zealand and Danish were quoted at 124s. and 127s. per cwt., respectively. Dutch and Irish bacon were about 2s. dearer but other varieties were unchanged compared with last week. There was a poor trade at Smithfield and prices were generally lower, with the exception of lamb. A brisk demand for eggs brought an advance of 1s. 6d. per 120; English, 15-15½ lb., were quoted at the end of the week at 14s. to

was restricted simply by the amount of sterling available for the payment of their invoices.

In the home market the new lines had shown progress, and Digestif Rennie promised well. In large measure that was due to the enthusiastic reception of it by the medical profession, 1,198 doctors having written that that up-to-date remedy had proved of inestimable value to their patients, giving relief in a few minutes to the most stubborn cases of indigestion and acidity.

Regarding the dividend, if shareholders agreed to the board's proposal, it would mean that since they became a public company they had distributed £1,007,500 in dividends and placed £180,000 to general reserve. The total distribution to ordinary shareholders during the four years would be equivalent to 52½ per cent. of the ordinary share capital.

The report and accounts were unanimously adopted and the payment of the final dividend of 4 per cent., less tax, was approved. The retiring directors, Mr Harry Marland, J.P., Mr E. P. Carter, Mr C. B. Green and Mr W. S. Harris, were re-elected, and the auditors, Messrs Deloitte, Plender, Griffiths and Company, and Messrs J. B. Boyd Wrigley and Company, were re-appointed, and the proceedings terminated with a cordial vote of thanks to the chairman and directors.

HOLYROOD RUBBER LIMITED

DIVIDEND OF 12½ PER CENT.

The twenty-fifth annual general meeting of Holyrood Rubber, Limited, was held, on the 23rd instant, at 7 Martin's Lane, London.

Mr W. Arthur Addinsell (the Chairman) moved the adoption of the report and accounts and the declaration of a dividend of 12½ per cent. He said:—The report and accounts which have been in your hands for the statutory period record a satisfactory year's working and justify the expectations expressed in my address to you at our last meeting.

There was an appreciable increase in the quantity of rubber harvested, and the price advanced by approximately one penny per lb.

In addition to the quota allowance on the company's standard production, we were able to purchase the export rights on an extra 38,000 lb. I mention this as an illustration of the productive capacity of our trees, because you will recollect that for six months of the financial year the quota rate was 90. The inference, therefore, is that we are capable of harvesting the full quota, and the standard assessment which has been allotted to us is fully justified.

The appropriation of the balance on profit and loss account is on sound lines. I think it will be agreed that a dividend of 12½ per cent. is a reasonable return under prevailing conditions. The net carry-forward will amount to approximately £3,480 as compared with £1,683 brought in.

It is unfortunate that the progressive results which have accrued for the past five years appear likely to suffer a setback for the current financial period. The quantity of rubber which we shall be allowed to export must inevitably be substantially reduced.

With regard to the general outlook, I think it is possible to detect a slight improvement in many of the spheres that affect the welfare of our industry. Particularly does this apply to the United States of America, where there must exist a considerable accumulation of consumptive demand which has been held up by the force of economic circumstances. With confidence returning to the masses of that vast Continent, we can anticipate a demand for rubber which should improve the price to a fair and reasonable level, and give the International Regulation Committee the more pleasant task of raising the quota allowance.

The resolution was unanimously adopted.

14s. 6d. per 120 and Danish at about 11s. 6d. per 120.

Colonial Produce.—Markets generally have been quiet but steady. Cocoa prices were slightly lower on the week, and prices at the tea auctions tended to fall by about ¼d. per lb. for the poorer qualities; sugar and coffee prices are unchanged.

Vegetables.—All forms of salad sold briskly during the week; tomatoes were priced at 5s. 6d. to 6s. 6d. per 12 lb. There was a good demand for new potatoes and both English and Jersey sold well at 18s. to 22s. per cwt.; old potatoes have been scarce and prices were well held.

CURRENT STATISTICS

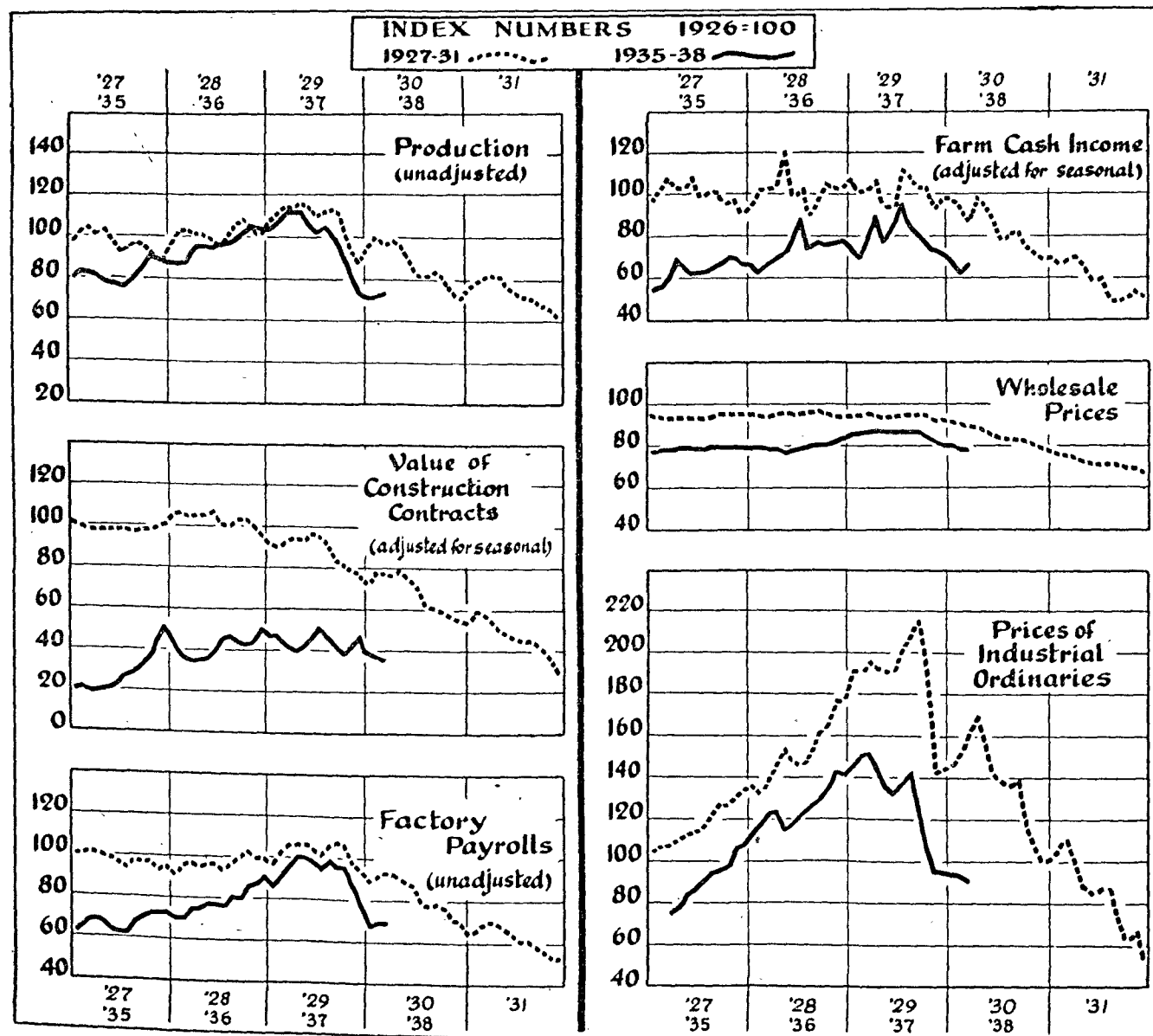
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

Recession in the United States

The following charts have been designed to throw light on the current economic position in the United States. For this purpose we have selected six of the recognised business indicators. In each chart we compare the movement of one of these over the period 1935 to March 1938 (shown as an unbroken line) with its movement over the period 1927 to 1931 (the dotted line). In this way the figures for the year 1927 appear directly above those for the year 1935, the figures for 1928 above those for 1936 and so on. All the indices are expressed as percentages of their average level in 1926. The indices of production and of the value of construction contracts awarded in 37 States are computed by the Federal Reserve Board, those of factory payrolls and wholesale prices by the Department of Labour, that of the prices of 347 industrial ordinary shares by the Standard Statistics Company and that of cash income from farm marketings by the Department of Agriculture. The latter series excludes payments under the Agricultural Adjustment Act. It is important to note that the indices of farm cash income and of the value of construction contracts are adjusted for seasonal variations, whilst those of production and factory payrolls are not.



GOVERNMENT RETURNS

For the week ended June 18, 1938, total ordinary revenue was £12,739,000, against ordinary expenditure of £19,611,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £90,476,000, against a deficit of £60,776,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1, 1937, to June 18, 1937	April 1, 1938, to June 18, 1938	Week ended June 18, 1937	Week ended June 18, 1938
ORDINARY REVENUE				
Income Tax	11,603	10,405	14	15
Sur-tax	4,630	5,760	210	210
Estate, etc., duties	20,380	15,000	2,000	1,490
Stamps	3,340	3,470	100	340
N.D.C.	...	1,420	...	90
Other Inland Rev.	90	90	...	...
Total I. Revenue	40,043	36,145	2,324	2,145
Customs	48,331	46,101	4,757	4,093
Excise	25,800	25,700	6,100	6,300
Total Customs and Excise	74,131	71,801	10,857	10,393
Motor duties	4,683	4,580	...	...
P.O. (net receipt)	6,775	4,760	250	200
Crown Lands	230	240	...	...
Receipts from Sun. Loans	362	364	...	...
Misc. receipts	1,053	1,199	158	1
Total Ordinary Rev.	127,277	119,089	13,589	12,739
SELF-BAL. REVENUE				
Post Office and Broadcasting*	11,575	13,690	750	900
Total	138,852	132,779	14,339	13,639

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1, 1937, to June 18, 1937	April 1, 1938, to June 18, 1938	Week ended June 18, 1937	Week ended June 18, 1938
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	73,958	73,921	2,194	2,272
Payments to N. Ireland	1,094	1,189	9	...
Other Con. Fund Services	410	458	1	89
Total	75,461	75,568	2,204	2,361
Supply Services†	112,592	133,997	14,800	17,250
Total Ord. Expend.	188,053	209,565	17,004	19,611
SELF-BALANCING EXPENDITURE				
Post Office and Broadcasting Votes	11,575	13,690	750	900
Total	199,628	223,255	17,754	20,511

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting.

After raising Exchequer balances by £307,730 to £2,692,011, the other operations for the week (as shown below, but excluding £240,000 issued to Sinking Funds), raised the gross National Debt by £7,420,000 to about £8,236 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES IN DEBT (£ thousands)		NET REPAYMENTS, ETC.	
3% National Debt	11,400	Treasury bills	2,360
Finance Loan	...	Pub. Dept. Adv.	1,490
		Nat. Savings Certs.	100
		N. Atlantic Shipping	30
			3,980

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to June 18, 1938, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	209,565	Ordinary Rev.	119,089
Inc. in balances...	328	Eire receipts*	1,000
		Gross. borr.	91,069
		Less	
		Sknk. Fds.	1,265
		Net borrowing	89,804
	209,893		209,893

* Receipts under Sec. 2 (3) of Eire (Confirmation of Agreement) Act, 1938.

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1937						
Mar. 31	674.6*	23.5	...	698.1	...	...
June 19	540.0	141.3	22.1	705.6	163.4	...
Dec. 31	889.7*	39.4	55.7	984.9	...	...
1938						
Mar. 12	517.0	283.8	38.9	839.8	322.7	...
" 19	512.0	288.5	35.6	836.1	324.1	...
" 31	828.7*	13.1	...	841.8	...	...
Apr. 9	512.0	304.9	30.6	852.9	335.5	...
" 16	522.0	306.8	28.6	857.9	335.4	...
" 23	532.0	296.1	27.2	855.3	323.3	...
" 30	545.0	288.6	36.5	870.2	325.1	...
May 7	560.0	281.6	35.9	885.4	317.5	...
" 14	570.0	278.1	39.2	887.3	317.3	...
" 21	570.0	276.0	41.8	887.8	317.8	...
" 28	570.0	281.4	40.8	892.2	322.2	...
June 4	575.0	308.7	43.9	929.6	352.6	...
" 11	580.0	310.7	41.6	932.3	352.3	...
" 18	585.0	303.4	40.1	928.5	343.5	...

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS

Date of Tender	Amount			Average Rate	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
June 18	50.0	93.6	50.0	14 0.38	46
Dec. 31	50.0	80.5	50.0	10 11.59	47
1938					
Mar. 11	45.0	92.1	45.0	10 1.35	36
" 18	50.0	82.3	50.0	10 1.54	54
" 25	50.0	84.6	50.0	9 11.31	55
Apr. 1	50.0	77.0	50.0	10 3.24	71
" 8	50.0	85.2	50.0	10 2.65	56
" 15	45.0	85.6	45.0	10 2.82	41
" 22	45.0	88.5	45.0	10 2.95	41
" 29	45.0	80.3	45.0	10 1.99	60
May 6	45.0	87.8	45.0	10 0.69	29
" 13	30.0	73.5	30.0	10 1.12	29
" 20	35.0	74.3	35.0	10 1.11	35
" 27	45.0	69.0	45.0	10 9.37	57
June 3	50.0	83.1	50.0	12 1.04	51
" 10	50.0	86.0	50.0	12 9.19	58
" 17	40.0	80.5	48.0	11 5.68	69

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On June 17th, applications at £99 17s. 1d. per cent. for bills to be paid for on any day except Saturday of the following week were accepted as to about 69 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Saturday at £99 17s. 2d. per cent. and above were allotted in full. £45.0 millions of Treasury bills are being offered on June 24th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
21 weeks to:—		
May 29, 1937†	14,195,260	10,646,445
May 28, 1938.....	14,136,074	10,602,053
Week to:—		
May 29, 1937	563,625	422,719
May 21, 1938	640,942	480,706
May 28, 1938	593,667	445,250

† After adjustments to May 29th. N.R.—Net Exchequer receipts, week to May 21st, £150,000; week to May 28th, Dr. £200,000.

BANK OF ENGLAND RETURNS

JUNE 22, 1938

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt...	11,015,100
In circula. 483,272,230		Other Govt. Securities	188,975,029
In Bnk. De. partment... 43,139,520		Other Secrs...	2,064
		Silver coin ...	7,807
		Amt. of Fid. Issue	200,000,000
		Gold Coin & Bullion	326,411,750
			526,411,750

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. capital	14,553,000	Govt. secs.	110,176,164
Rest	3,327,824	Other secs.	5,500,188
		Disc., etc.	20,627,075
Public Depts.*	21,656,143	Securities	26,127,263
Other Depts.	35,306,755	Notes	43,139,520
Bankers	105,512,704	Gold & Silv.	913,479
Other	140,819,459	Coin	180,356,426
			180,356,426

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

THE WEEK'S CHANGES

Both Departments	Amt. June 22, 1938		Compared with	
	Last Week	Last Year		
COMBINED LIABILITIES				
Note circulation	483,272	2,465	447	
Deposits: Public	21,656	10,100	6,197	
Bankers	105,513	3,550	10,525	
Others	35,307	7,939	1,879	
Total outside liabilities	645,748	3,854	14,396	
Capital and rest	17,881	41	37	
COMBINED ASSETS				
Govt. debt and securities	310,166	4,184	17,028	
Discounts and advances	5,500	181	1,744	
Other securities	20,629	492	4,427	
Silver coin in issue dept.	8	0	2	
Gold coin and bullion	327,325	58	17	
RESERVES				
Res. of notes & coin in banking department...	44,053	2,524	464	
Proportion of reserve to outside liabilities:				
(a) Bankers' dept. only	27.1%	1.8%	2.4%	
(b) Gold stocks to deposits and notes ("reserve ratio")	50.7%	0.3%	1.1%	

COMPARATIVE ANALYSIS

	1937		1938	
	June 23	June 1	June 8	June 22*
Issue Dept.:				
Notes in circ.	483.7	484.9	490.7	483.3
Notes in bank-ing dept.	42.7	41.5	35.7	43.1
Govt. debt and securities	195.1	199.4	199.9	200.0
Other secrs.	4.9	0.6	0.1	0.0
Gold	326.4	326.4	326.4	326.4
Deposits:				
Public	15.4	24.9	11.7	21.7
Bankers	95.0	102.8	111.1	105.5
Others	37.2	35.4	35.4	35.3
Total	147.6	163.1	158.2	162.5
Bkg. Dept. Secs.:				
Government..	98.0	109.7	111.4	110.2
Discounts, etc.	3.8	8.9	7.9	5.5
Other	20.2	20.0	20.2	20.6
Total	122.0	138.6	139.5	136.3
Banking dept. reserve	43.6	42.3	36.5	44.0
"Proportion"	29.5	25.9	23.0	27.1
Reserve ratio†	51.8	50.5	50.4	50.7

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £1,015,100; silver coin in Issue Department, £7,807; capital, £14,553,000; rest, £3,327,824.

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Roumania appeared in The Economist of April 23rd; Spain, of May 28th; International Settlements and Czechoslovakia of June 11th; Reichsbank, Argentina, Denmark, Finland, Greece, Hungary, India, Jugo-Slavia, Latvia, New Zealand, Norway, Portugal and Sweden, of June 18th.

BANQUE MELLIE IRAN

Million rials

ASSETS	Apr. 20, 1938	May 5, 1938
Gold	308.39	312.25
Silver	405.60	405.76
Discounts	364.34	345.88
Public departments	665.20	656.76
Other debit balances	675.93	679.24
LIABILITIES		
Notes in circulation	809.48	805.76
Public departments	536.32	556.98
Other credit balances	1,001.03	968.12

N.B.—Based on London prices and £ sterling in Tehran. † Actual value 411,773,000 rials. ‡ Actual value 372,217,000 rials.

U.S. FEDERAL RESERVE BANKS

Million \$'s

12 U.S.F.R. BANKS	June 24, 1938	May 26, 1938	June 16, 1938	June 23, 1938
RESOURCES				
Gold certifi. on hand and due from Treas.	8,837	10,639	10,637	10,636
Total reserves	9,170	11,060	11,048	11,057
Total cash resources	322	412	401	412
Total bills discounted	13	9	9	10
Ellis bt. in open mkt.	4	1	1	1
Total bills on hand	18	9	10	10
Industrial advances	22	17	17	17
Total U.S. Govt. secs.	2,526	2,564	2,564	2,564
Total bills and secs.	2,566	2,590	2,591	2,591
Total resources	12,476	14,291	14,430	14,308
LIABILITIES				
F.R. notes in actual circulation	4,163	4,117	4,123	4,109
Aggregate of excess mt. bank res. over reqts.	810	2,630	2,730	2,780
Deposits — Member-bank reserve account	6,854	7,716	7,904	7,922
Govt. deposits	151	1,183	935	929
Total deposits	7,329	9,286	9,277	9,295
Cap. paid in and surplus	306	309	309	309
Total liabilities	12,476	14,291	14,430	14,308
Ratio of total res. to deposit and F.R. note liab. combined	7.98%	82.5%	82.4%	82.5%
U.S.F.R. BANKS AND TREASURY COMBINED				
RESOURCES				
Monetary gold stock	12,270	12,905	12,950	12,957
Treasury and Nat. Bk. currency	2,550	2,701	2,707	2,710
LIABILITIES				
Money in circulation	6,394	6,393	6,420	6,402
Treasury cash and deposits with F.R. Bks.	3,547	3,431	3,224	3,222

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

ASSETS	June 24, 1938	May 26, 1938	June 16, 1938	June 23, 1938
Gold reserves	3,463.1	4,698.3	4,609.6	4,536.6
Total bills discounted	5.9	2.2	3.3	3.3
Bills bt. in open mkt.	1.5	0.2	0.2	0.2
Total U.S. Govt. secs.	725.0	745.8	745.8	745.8
Total bills and secs.	738.4	752.7	753.6	753.6
Deposits — Member-bank reserve account	3,023.2	3,640.9	3,645.4	3,708.1
Fed. Res. note liab. combined	84.3%	87.7%	87.4%	87.3%

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

ASSETS	June 9, 1937	June 11, 1938	June 1, 1938	June 8, 1938
Loans, total	9,647	8,451	8,334	8,625
Investments	12,567	12,359	12,202	12,319
Reserve with Federal Reserve Bank	5,367	6,001	6,252	6,355
Due from domestic bks.	1,751	2,277	2,373	2,388
LIABILITIES				
Deposits: demand (adjusted)	15,506	14,598	14,589	15,034
Time	5,233	5,207	5,216	5,230
U.S. Government	103	546	533	520
Inter-bank	5,618	5,994	6,147	6,218

COMMONWEALTH AUSTRALIAN BANK.—Million £'s

ASSETS	June 23, 1937	May 13, 1938	June 13, 1938	June 20, 1938
Gold and English stg.	16.01	16.01	16.01	16.01
Other coin, bullion, &c.	5.22	5.36	5.54	4.80
Money at short call	37.46	27.55	26.91	28.46
LIABILITIES				
Short-term loans	3.88	...	...	...
Secs. and Treas. bills	76.59	91.41	87.10	87.70
Discounts and advances	9.38	12.83	12.68	12.83
LIABILITIES				
Notes issued	47.04	49.53	49.03	49.03
Res. pm. on gold sold	7.75	7.75	7.75	7.75
Deposits, etc.	86.50	87.87	83.75	85.03

NATIONAL BANK OF BELGIUM

Million belgas

ASSETS	May 19, 1938	June 9, 1938	June 16, 1938	June 23, 1938
Gold	2,734	2,685	2,737	2,777
Silver and other coin	54	53	51	53
Foreign exchange, etc.	718	742	742	742
Bills and securities	872	885	867	841
Advances	137	134	94	74
LIABILITIES				
Notes in circulation	4,128	4,157	4,141	4,109
Deposits: Govt.	15	43	11	15
Other	287	213	254	279

BANK OF FRANCE.—Million francs

ASSETS	June 17, 1937	May 19, 1938	June 9, 1938	June 16, 1938
Gold	19,980	19,980	19,980	19,980
Advances on gold coin	57,359	55,808	55,808	55,808
Bills: Commercial	1,024	774	760	760
Bought abroad	4,081	3,515	3,514	3,520
Advances on securities	839	173	846	673
Thirty-day advances	3,200	3,200	3,200	3,200
Loans to State without interest: (a) general	19,980	14,014	14,014	14,014
(b) provisional	5,642	5,575	5,575	5,575
Negotiable bonds	3,884	3,931	4,206	4,108
Sinking Fund Dept.				
Other assets	85,799	98,827	100,235	99,414
LIABILITIES				
Notes in circulation	2,180	3,283	3,464	3,258
Deposits: Public	16,358	16,962	15,375	14,966
Private	2,631	3,624	2,876	2,872
Other liabilities	54.9%	46.8%	46.8%	47.4%

† Of which Frs. 18,050 millions under Convention of June 30, 1937 (permissible limit, Frs. 20,000 millions).

NATIONAL BANK OF BULGARIA

Million levass

ASSETS	May 31, 1937	Apr. 30, 1938	May 23, 1938	May 31, 1938
Gold holdings	1,766	1,994	1,994	1,994
Balances abroad and foreign currencies	477	858	849	815
Discounts and advances	1,031	983	942	961
Advances to Treasury	3,551	3,495	3,495	3,495
LIABILITIES				
Reserves	1,240	1,203	1,202	1,202
Notes in circulation	2,430	2,441	2,317	2,350
Sight liab. and deposits	3,171	3,894	4,027	3,996

BANK OF CANADA

Million \$'s

ASSETS	June 1937	May 1938	June 1938	June 1938
Reserve, of which:				
Gold coin and bullion	209.4	204.8	213.8	222.0
Securities	184.1	180.8	181.6	182.1
LIABILITIES				
Notes in circulation	131.4	157.5	154.9	154.7
Deposits: Dom. Govt.	21.8	16.7	73.2	40.9
Chartered banks	192.5	191.9	185.8	188.7
Reserves to notes and deposit liabilities	60.2%	55.5%	51.3%	57.5%

BANK OF DANTZIG

Million Danzig gulder

ASSETS	June 15, 1937	May 14, 1938	May 31, 1938	June 7, 1938
Gold coin and bullion	28.11	28.38	28.38	28.95
Danzig subd. coin	4.82	3.85	3.57	3.89
Balances abroad and foreign bills	3.67	4.97	6.24	6.79
Discounts	12.95	13.47	13.43	13.30
LIABILITIES				
Notes in circulation	29.36	32.81	35.54	31.73
Deposits on demand	15.84	16.62	15.62	22.46

BANK OF ESTONIA

Million Estonian kronas

ASSETS	June 7, 1937	May 15, 1938	June 31, 1938	June 1938
Gold coin & gold bullion	34.19	34.24	34.25	34.25
Net foreign exchange	14.88	15.60	15.36	14.93
Home bills discounted	12.31	10.55	10.51	10.14
Loans and advances	9.30	9.91	12.61	9.98
LIABILITIES				
Notes in circulation	42.09	48.15	48.30	46.41
Sight dep. and current accounts, of which:				
(a) Government	36.74	30.98	32.95	32.05
(b) Bankers	28.70	18.45	17.54	17.92
Reserve to current liabilities	62.2%	63.0%	61.1%	62.7%

BANK OF JAPAN.—Million yen.

ASSETS	June 5, 1937	May 1938	May 1938	June 1938
Coin and bullion: Gold	531.4	801.0	801.2	801.3
Other	51.8	36.8	38.1	49.1
Discounts and advances	814.4	807.6	826.6	805.2
Government bonds	671.4	1081.1	1074.8	1127.1
Agencies' accounts	80.0	114.5	104.3	93.3
LIABILITIES				
Notes issued	1424.2	1784.3	1881.1	1837.4
Deposits: Government	325.8	358.1	445.2	320.5
Other	73.5	103.0	94.2	127.4

NATIONAL BANK OF EGYPT

Million £'s

Banking Department:	May 31, 1937	Mar. 31, 1938	Apr. 30, 1938	May 31, 1938
LIABILITIES				
Capital	2.92	2.92	2.92	2.92
Reserves	2.92	2.92	2.92	2.92
Government deposits	9.60	7.87	8.12	7.36
Other deposits	19.43	19.66	18.31	17.04
Other accounts	3.49	3.69	3.14	3.71
ASSETS				
Cash: Notes	1.29	1.16	1.30	1.29
Gold, silver, etc.	0.69	0.75	0.80	0.81
Money at call, etc.	1.06	1.28	0.83	0.55
Investments	25.49	23.42	23.02	22.65
Advances	3.12	4.71	4.57	4.14
Bills	1.35	1.56	1.44	1.18
Other accounts	5.37	3.37	3.47	3.34

Note Issue Department:	May 31, 1937	Mar. 31, 1938	Apr. 30, 1938	May 31, 1938
LIABILITIES				
Notes issued	21.40	21.10	21.20	21.10
ASSETS				
Gold	6.24	6.24	6.24	6.24
Brit. Treas. bills & bonds	5.94	5.64	5.74	5.64
British War Loan at par	7.71	7.71	7.72	7.72
Egyptian Govt. secs. at market price	1.50	1.50	1.50	1.50

BANK OF JAVA.—Million florins

ASSETS	June 19, 1937	May 21, 1938	June 11, 1938	June 18, 1938
Gold and silver	124.31	135.89	136.01	136.13
Discounts, advances & other investments	79.96	76.80	75.40	75.23
Foreign bills	4.77	1.83	2.49	2.96
Other assets	78.87	49.05	50.94	47.32
LIABILITIES				
Notes in circulation	194.13	185.14	190.32	186.78
Deposits and bills	77.02	63.92	59.93	62.53

BANK OF LITHUANIA.—Million litas

ASSETS	June 15, 1937	May 15, 1938	June 15, 1938	June 15, 1938
Gold	19.77	19.78	19.78	19.78
Silver	76.65	79.14	79.14	79.15
Foreign currency	10.25	13.67	13.54	13.78
Discounts: (a) Home	76.07	91.03	92.48	88.60
(b) Foreign	3.78	3.51	3.28	2.45
Advances	14.79	16.57	16.52	16.01
Bank notes in circulat.	105.93	124.39	125.75	120.98
Current accounts	62.26	65.20	64.09	63.56
Deposits	18.13	13.91	13.74	14.81

NETHERLANDS BANK

Million florins

ASSETS	June 14, 1937	May 16, 1938	June 7, 1938	June 13, 1938
Gold	1196.0	1480.8	1481.2	1481.2
Silver	19.0	20.6	19.3	20.4
Home bills, &c.	17.9	9.2	8.6	8.5
Foreign bills	2.4	5.4	5.4	5.4
Loans and advances in current account	171.3	332.2	329.7	330.0
Notes in circulation	812.6	919.6	932.1	916.8
Deposits: (a) Govt.	69.3	148.5	138.0	139.0
(b) Other	544.0	798.6	794.6	809.8

BANK OF POLAND

Million zloty

	10, 1937	10, 1938	31, 1938	10, 1938
Gold	414.5	439.8	440.8	445.6
For. exch. and balances	41.4	17.0	20.3	14.1
Bills discounted	500.3	619.7	647.1	639.5
Loans against securities	28.3	29.0	31.9	25.8
Treas. bills discounted	36.7	48.3	40.1	31.3
Securities	134.7	127.3	127.6	127.7
LIABILITIES				
Notes in circulation ...	962.8	1089.3	1123.3	1105.4
Other liabilities:				
(a) Government	0.8	55.7	61.6	37.7
(b) Others	274.0	222.3	206.6	234.4

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	June 16, 1938	June 17, 1938	June 18, 1938	June 20, 1938	June 21, 1938	June 22, 1938
London:—	Old Par	4-961 ¹ / ₂	4-961 ¹ / ₂	4-961 ¹ / ₂	4-957 ¹ / ₂	4-942 ¹ / ₂	4-942 ¹ / ₂
60 days ...	4-8666	4-971 ¹ / ₂	4-971 ¹ / ₂	4-971 ¹ / ₂	4-953 ¹ / ₂	4-953 ¹ / ₂	4-953 ¹ / ₂
Cables ...	New Par	4-971 ¹ / ₂	4-971 ¹ / ₂	4-971 ¹ / ₂	4-953 ¹ / ₂	4-953 ¹ / ₂	4-953 ¹ / ₂
Demand ...	8-2397	4-971 ¹ / ₂	4-971 ¹ / ₂	4-971 ¹ / ₂	4-953 ¹ / ₂	4-953 ¹ / ₂	4-953 ¹ / ₂
Paris, Fr.	6-63	2-781 ¹ / ₂	2-781 ¹ / ₂	2-781 ¹ / ₂	2-781 ¹ / ₂	2-781 ¹ / ₂	2-781 ¹ / ₂
Brussels, Bel.	23-54	17-03	16-991 ¹ / ₂	17-00	16-991 ¹ / ₂	16-991 ¹ / ₂	16-991 ¹ / ₂
Switz'd Fr.	32-67	22-96	22-96	22-96	22-96	22-96	22-96
Italy, Lira	8-91	5-261 ¹ / ₂	5-261 ¹ / ₂	5-261 ¹ / ₂	5-261 ¹ / ₂	5-261 ¹ / ₂	5-261 ¹ / ₂
Berlin, Mk.	40-33	40-42	40-41	40-42	40-40	40-32	40-29
Vienna, Sch.	23-82	...	...	...	...	...	...
Madrid, Pt.	32-67	...	...	...	...	...	...
Amst'dm Gldr	68-06	55-481 ¹ / ₂	55-47	55-48	55-42	55-381 ¹ / ₂	55-39
Cop'h'gn Kr.	...	22-171 ¹ / ₂	22-20	22-20	22-171 ¹ / ₂	22-121 ¹ / ₂	22-121 ¹ / ₂
Oslo, Kr.	...	24-971 ¹ / ₂	24-971 ¹ / ₂	24-971 ¹ / ₂	24-95	24-90	24-90
St'hm, Kr.	145-37	25-621 ¹ / ₂	25-621 ¹ / ₂	25-621 ¹ / ₂	25-60	25-55	25-55
Athens, Dr.	1-391 ¹ / ₂	0-913 ¹ / ₂	0-911 ¹ / ₂	0-911 ¹ / ₂	0-911 ¹ / ₂	0-911 ¹ / ₂	0-911 ¹ / ₂
M'ntal, Can. \$	169-31	99-000	99-030	99-150	99-120	98-900	98-930
Yokohama, Yen	84-40	29-01	29-00	29-00	28-96	28-90	28-90
Shanghai, \$	...	18-25	18-31	18-37	19-31	19-25	18-75
B. Aires, Peso	...	30-84	30-83	30-84	30-80	30-73	30-74
Rio, Ms. \$	11-96	5-90	5-90	5-90	5-90	5-90	5-90

Usance: T.T. * Dollars per £1. † Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER
Week ended June 23, 1938†

	Imports		Exports	
	From	Bullion Coin	To	Bullion Coin
GOLD			GOLD	
British India	140,828	...	Palestine	44,680
Australia	37,431	...	Finland	777,071
New Zealand	14,079	...	Sweden	17,000
Canada	1,133,445	521,719	Netherlands	84,888
Soviet Union	3,954,416	...	France	340
Belgium	10,960	41,984	Switzerland	274,547
Total*	5,336,446	575,326	Total*	1,211,496
SILVER			SILVER	
Germany	8,622	...	Channel Is.	...
Netherlands	10,488	187	Finland	2,200
France	3,641	301	Denmark	51,940
China	460,000	...	France	801
Hungary	8,210	...	Hungary	2,225
Switzerland	34	...	United States	59,814
Total*	51,099	464,184	Total*	122,181

* Including other countries. † The corrected total for all imports of gold coin in the week ending June 9, 1938, is £1,315,077.

TRANSVAAL GOLD OUTPUT

Statistics for May, 1938 (on basis of £6 19s. 6d. per fine ounce)

Name of Mine and Group	Tons Milled	Output Fine ozs.	Net Estimated Value	Working Costs	Profit	Working Costs Per Ton
Anglo-American Corporation						
Brakpan Mines	140,000	...	252,104	147,068	105,036	...
Daggafontein Mines	142,500	...	284,283	149,091	135,192	...
Spring Mines	155,100	...	308,743	156,423	152,320	...
West Springs	89,000	...	126,265	80,264	46,001	...
Central Mining—Rand Mines						
City Deep	106,000	20,889	145,558	...	20,219	23 7-8
Cons. Main Reef	162,000	29,956	208,874	...	29,406	19 7-0
Crown Mines	363,000	68,044	614,795	...	37,803	20 11-8
Durban Roodp. Deep	112,000	22,260	155,301	...	100,167	21 5-2
East Rand Prop.	214,000	47,264	329,527	...	12,200	17 7-7
Goldenhuys Deep	61,000	9,451	66,003	...	45,289	13 10-0
Modderfontein B.	92,000	15,558	108,908	...	56,687	17 4-5
Modderfontein East	122,000	23,315	162,670	...	108,446	15 2-1
New Modderfontein	200,000	37,213	260,143	...	23,583	23 0-3
Nourse Mines	84,000	17,230	120,303	...	16,533	18 10-0
Rose Deep	78,000	12,887	89,999	...	...	...
General Mining						
Van Ryn Gold	63,000	...	58,152	...	6,517	16 8
West Rand Cons.	176,000	...	243,398	...	99,809	16 8

Transvaal Output, Employment and Working Profit.—Gold output, May, 1938: Witwatersrand, 992,501 fine ounces; outside districts, 26,750 fine ounces; total, 1,019,251 fine ounces. Value for purposes of declaration, £6 19s. 6d. Total output, April, 1938: 982,964 fine ounces. The number of natives employed at end of May was: Gold mines, 317,863; coal mines, 17,051; total, 334,914. Total estimated working profit for May, 1938: Witwatersrand, £2,566,965; outside districts, £9,476; total, £2,576,441. Comparable figures for April, 1938: Witwatersrand, £2,475,432; outside districts, £8,983; total, £2,484,415.

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Pay-able	Prev. Year	Company	*Int. or †Final	Total	Pay-able	Prev. Year	Company	*Int. or †Final	Total	Pay-able	Prev. Year
BANKS					REZENDÉ MINES					Montreal Light, etc.				
Impl. Bk. of Iran	4½	...	...	6½	Spring	25*	...	...	27½	Patent Vic. Stone	8½	...	...	6¼
P. & O. Bank	...	4	...	5	Thistle-Lena Gold	...	...	...	15	Patons and Baldwins	...	...	...	12½
TEA & RUBBER					Ulu Klang Tin	...	...	...	15	Peel Riv. Land, etc.	3*	...	...	3*
Amakal Tea	...	6	...	...	West Springs	6¼	...	...	6¼	Peck (J. H.)	...	...	...	16½
Balian Tea	5†	7½	...	5	INDUSTRIALS					Port of Belra Devel.	...	...	...	90
Bogawantalawa Dis.	...	...	...	...	African Investment	...	...	...	...	Rio Claro Inv.	3*	...	...	7
Tea	7†	10	...	7	Aircraft Components	...	...	...	...	Roberts & Birch	...	...	...	12½
Ceylon Upset Tea	...	10	...	7½	Amal. Colls. (S.A.)	4*	...	...	4*	Rotherham Forge, etc.	7½	...	...	2½
Kapowas Rubber	...	6	...	...	Australian Agric.	...	...	...	...	Scott. Amer. Invest. A	2*	...	...	1½
Kawie (Java) Rubber	5†	10	...	6	Armstrong (A.)	2½*	...	...	2½*	Sec. Gt. North Inv.	...	...	...	2
Kerala Calicut Est.	...	4-35	...	6½	Barclay Perkins	5½†	...	...	8	S.A. Coal Estates	6¼†	...	...	12½
Kuala Muda Rbr.	2½	5	...	3	Beans Industries	10*	...	...	8*	Shell Union	35 cts.	...	...	50 cts.
Malacca Rubber	...	7½	...	7½	Blount & Co.	7½*	...	...	7½*	Silentbloc	...	...	...	58½
Meritau Penoh	10†	12½	...	15	Cheapside Land	...	...	...	...	Sch. Amer. Stores	...	...	...	...
Nedem Tea	...	10	...	10	Cleveland Bridge, etc.	1½*	...	...	1½*	Spicers	...	...	...	3½
Prang Besar Rubber	...	10	...	10	Clover Paint, etc.	3½†	...	...	6	Stanton Ironworks	...	...	...	10
Sennah Rubber	...	10	...	10	Clyde, etc., Trust	...	...	...	...	Steel Developments	2½*	...	...	2½*
Southern India Tea	...	10	...	10	Eucryl	...	...	...	...	Sudan Salt	...	...	...	12½
Sungei Timah Rbr.	...	5	...	7½	Foster Clark	7½*	...	...	7½*	Symons (S.) and Co.	...	...	...	8
MINING					Grand Hotel (M'nt)	...	...	...	...	U.K. Tobacco	...	...	...	...
Apex Mines	5*	...	...	5*	Greenwood & Bailey	12†	...	...	15	Welsh Asstd. Coll.	...	...	...	1
Bisichi Tin	2½†	5	...	10	Hardy's Crown Brwy.	4†	...	...	8	Wharfedale Silkstone	2½*	...	...	2½*
Brakpan	30*	...	...	30*	H. & R. Johnson	...	...	...	...	White City (Glasgow)	...	...	...	1½
Cann and Motor Gold	32†	64	...	72	Hood (R.) Haggie	...	...	...	...	Williams & Williams	11½†	...	...	15
Daggafontein	23*	...	...	25*	Hovis	12½†	...	...	20	Workshop Brewery	2½*	...	...	2½*
Eastern Transvaal	35†	7½	...	84	Lancashire, etc. Wagon	...	...	...	7½					
Kamunting Tin	8*	...	...	10*	Lister (R.A.)	...	...	...	...					
Koamas Reefs Gold	12½†	25†	...	12½	Lon. Electric Wire	2*	...	...	2*					
Lake View and Star	12½†	...	...	10*	Manchester Dry Docks	...	...	...	...					
Lon. & Rhodesian Mg.	10*	...	...	10*	Main (A. and I.)	...	...	...	...					
New Era	...	10*	...	10*	Metal Box	12½†	...	...	17½					
Panganga River Tin	6½*	...	...	8*	Monks Investment	2†	...	...	3½					
Pataling Royalties	7½*	...	...	8*										
Rantou Tin	4*	...	...	6*										

* Tax free. (a) On larger capital, (b) In addition to share bonus. (c) First distribution.

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

L. M. & S.—	Gross Receipts, week ended June 19 (L'000)					Aggregate Gross Receipts, 24 weeks (L'000)				
	Passenger	Merchandise	Coal & Coke	Goods	Total	Passenger	Merchandise	Coal & Coke	Goods	Total
1937	546	512	225	737	1,820	10,874	11,765	6,464	18,229	29,103
1938	574	545	229	674	1,748	10,878	11,285	6,323	17,608	28,486
L. & N. E. (a)—										
1937	371	360	233	593	1,557	7,149	8,136	6,097	14,233	21,382
1938	372	307	214	521	1,414	7,061	7,868	5,980	13,848	20,909
Great Western—										
1937	235	210	109	319	873	4,568	4,724	2,733	7,457	12,025
1938	230	182	102	284	798	4,525	4,575	2,695	7,270	11,795
Southern—										
1937	373	68	27	85	553	7,056	1,470	775	2,245	9,301
1938	371	63	24	87	545	7,029	1,440	749	2,189	9,218
Total—										
1937	1525	1150	594	1744	3,269	29,647	26,095	16,069	42,164	71,811
1938	1547	997	569	1566	3,113	29,493	25,168	15,747	40,915	70,408

(a) Week ended June 18.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+1,329	+1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+1,443	+1,099	+ 647	+ 372
Gross decrease first half 1938, over first half 1937	- 617	- 473	- 230	- 83
Weekly Figures				
Av. weekly decrease, 1st half 1938	-25.71	-19.71	- 9.58	- 3.46
Latest week compared with 1937	- 35	- 71	- 40	- 10
Latest week compared with average 1927-30	- 147	- 163	- 102	- 9

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended June 17 (£'000)			Aggregate Gross Receipts 24 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	2.9	0.5	3.4	48.7	11.8	60.5
1938	2.7	0.4	3.1	46.3	10.3	56.6
Great Northern—						
1937	11.3	9.1	20.4	213.5	228.3	441.8
1938	10.5	8.4	18.9	214.0	209.2	423.2
Great Southern—						
1937	37.8	38.7	76.5	726.0	1003.0	1729.0
1938	37.7	39.1	76.8	738.1	943.1	1681.2

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BARCLAYS BANK S.A.I., Rome.
THE BRITISH LINEN BANK.
Head Office: Edinburgh.
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Hambros Bank Limited

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London, E. C. 2.

West End Office.
67, Pall Mall, S.W.

THE ECONOMIST

BANKING SUPPLEMENT

A SURVEY OF BRITISH AND FOREIGN BANKING

VOL. CXXXII]

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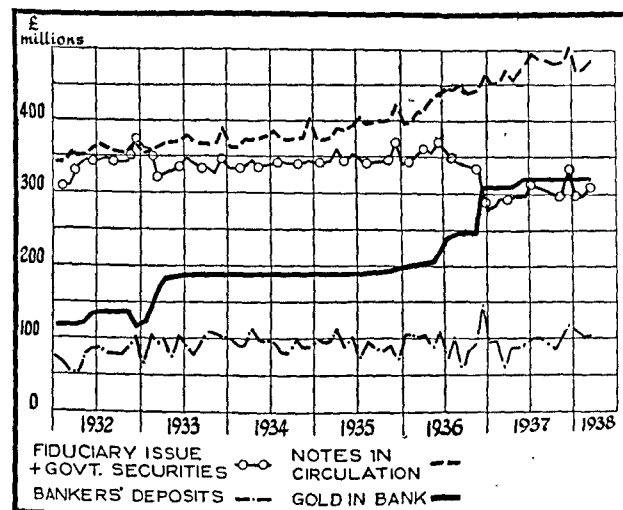
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British Banking Trends

IN the Banking Supplements of past years we have been examining the trend of British banking under conditions of recovery. To-day it is our duty to review the trend during a period when the trade cycle reached its peak and began to decline. Thus the picture must be viewed from a slightly different standpoint, and inevitably certain allied questions spring to mind. Does the recent banking trend reflect the beginning of a general recession? Does it suggest that banking policy was in any way responsible for the recession? Alternatively, is there any evidence that banking policy is being framed so as to combat and reverse the recession?

On the whole, the curves shown in the charts accompanying this review provide very little evidence of a positive character. Certainly there are none of the usual banking or monetary signs of an incipient depression. There is no sharp rise in interest rates, no severe restriction of credit. On the contrary, the interest rate curves remain at their previous low level, while the banking picture as a whole gives evidence of continued, and to some extent deliberate, expansion. The only one of the three questions to receive a definite answer is the last. There are distinct signs that the policy of cheap and plentiful credit is being continued and intensified so as to combat the recession, and also so as to facilitate the financing of re-armament. Such a deduction is not at variance with the occasional reaffirmations of monetary policy which from time to time have emerged from official quarters.

The first chart shows the principal changes in the condition of the Bank of England during the past eight years. As forces governing the supply of credit, there are included first the Bank's gold, and second the chief assets of the Bank, consisting of the fiduciary note issue backing plus Government securities held in the banking department. It will be noticed that by adding these last two items together any distortion due to seasonal and other variations in the fiduciary note issue is eliminated. The two chief uses made of the supply of credit, namely the note circulation and bankers' deposits, are also included. The size of the first depends upon the public's demand for currency. The size of the second determines the size of the credit base.

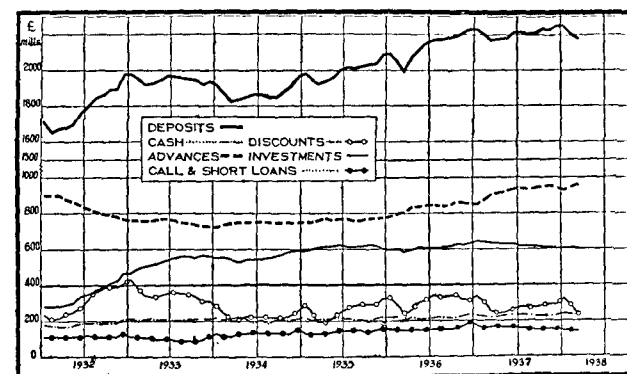


The past few years provide a notable contrast. During 1936 the main method of increasing the supply of credit was that of adding to the Bank's gold. The "omnibus" securities item actually decreased during that year. Also the net increase in the supply of credit was only equal to the growth in the note circulation. There was no real increase in bankers' deposits, no permanent enlargement of the credit base.

Since the beginning of 1937, on the other hand, the Bank's gold has remained practically unchanged, but there

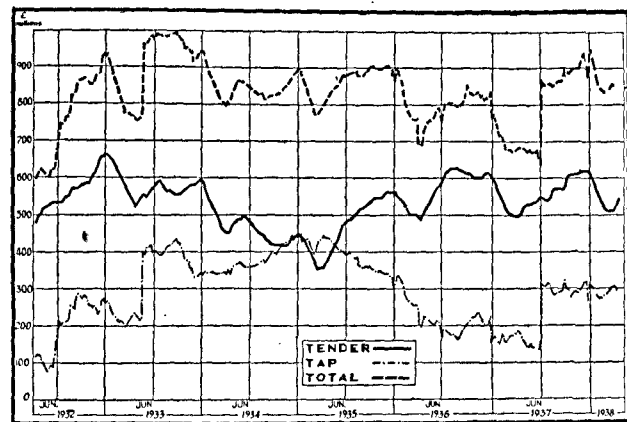
has been a noticeable tendency to add to the Bank's securities. On the whole, this latter increase has done little more than balance the simultaneous growth in the note circulation, for although bankers' deposits have been running high since the New Year, their recent size is not unprecedented. Still, in spite of the growth in the note circulation, in itself evidence of higher prices as well as more active trade and consumption, it is clear that the authorities are determined to maintain, if not increase, the size of the credit base. The general trend is still slightly reflationary.

The next chart gives the position of ten of the eleven London clearing banks, omitting the District bank, which was not a member of the London Clearing House during the earlier years included in the chart:—



So far as cash and deposits are concerned, there is again evidence of stability combined with slight reflation, but the rapid growth in deposits noticeable in earlier years came to an end in early 1937. On the other hand, while the total of deposits and therefore of earning assets has now remained stationary for over a year, there have recently been definite changes in the composition of earning assets. In particular, advances have continued to grow, while discounts and investments have begun to shrink. It is clear that the downward turn of trade has not yet affected advances, though this may be partly due to borrowing by the re-armament industries, but whatever its cause the banks would not be averse to it, for even at the height of the recent recovery they had lent less in proportion to their deposits than they had in 1929. Yet two facts remain clear. First, the trade recession is in no way due to a restriction of credit. Next, the authorities had to continue the easy money regime, or else the banks would have been unable to carry their quota of Treasury bills and Government securities. It is no exaggeration to say that the whole financing of re-armament depends upon plentiful money even more than upon cheap money.

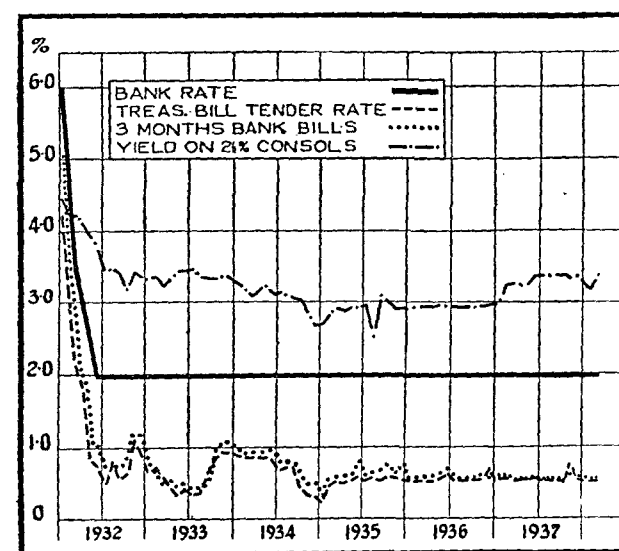
The third chart shows the changes in the volume of outstanding Treasury bills:—



Here the main change of recent months arises out of last summer's addition of £200 millions to the Exchange

Equalisation Account. To see how this has worked out in practice, during the year ended April 9th last, tap issues of Treasury bills increased by only £128 millions, and the floating assets of the departments by £132 millions. It follows that, either a substantial part of the Exchange Account's new resources has been used to buy gold; or else that the departments are still holding an appreciable quantity of the National Defence Bonds issued a year ago; or else that the resources of the departments other than the Exchange Account have become reduced. During the six months to September 30, 1937, the Exchange Account bought £93 millions of gold, part of which may have been paid for out of its new resources. It is also a question if the departments have yet disposed of all the National Defence Bonds, which in effect they underwrote at the time of issue. It is still impossible to tell how the recent large withdrawals of French funds will alter the position, but the change is likely to be very considerable.

The final chart shows the course of interest rates:—



During the past financial year the net increase in the floating debt was mitigated by the Budget surplus and by the fact that not all the proceeds of the National Defence Bond issue have yet been spent. Had it not been for the enlargement of the Exchange Account, there would have been a net reduction of £56 millions. Even so, tender issues of Treasury bills rose from £500 to £512 millions, and so

the Government had to call upon the banking system for increased short-term finance to this limited extent. This is traceable both to the year's gold purchases by the Exchange Account and also to the departments' holdings of National Defence Bonds.

The clearing banks themselves did not take up these extra bills. On the contrary, their discounts fell during the year to March last by £10 millions, and their call and short loans (largely against Treasury bills) by £19 millions. Thus institutions outside the clearing system must have come to the rescue, and as their powers of assistance are limited, it is obviously necessary for the authorities to maintain the resources of the clearing banks. This necessity will be diminished by the French withdrawals and consequent sales of gold by the Exchange Equalisation Account, leading in turn to the redemption of Treasury bills held by the banking system.

Only one comment is needed on the recent course of interest rates. In spite of all the disturbances of recent months, short-term rates have remained unchanged, while even the long-term rate (on 2½ per cent. Consols) shows only minor variations. The latter is not quite so low as it was two years ago, but the total increase since 1936 is very small. In fact, for good or for evil, the authorities have successfully maintained the cheap money regime, and there is every indication that they intend to continue doing so.

This review covers a period antecedent to the recent repatriation of French money from London, and so takes scant account of the possible reactions of this movement. Broadly speaking, the London market will be relieved of the presence of French funds seeking employment, but against this the Exchange Equalisation Account will be holding less gold, and so fewer Treasury bills will be issued by tender in order to finance the holding of this gold. This means that the London market will be working on a narrower basis, but once the disturbances of the French repatriation are over the banks will be left with the same amount of cash, and so will have more cash in proportion to their total resources. The French repatriation, of course, is by no means complete, but if it continues the banking system should ultimately become more liquid and will also be able to see its position in better perspective, as it will be relieved of the presence of French funds and French gold. The circumstances of the May repatriation movement show that our monetary machine has worked fairly well, but that it is still not quite elastic enough to cope with so large and sudden a movement. Further possibilities of improvement are suggested in a leading article in the accompanying issue of *The Economist*.

Sterling Policy

IN a regime of managed currencies and fluctuating exchanges, without a fixed international standard, the "trend" of any one currency is but the inverse of the relative trend of other currencies and of gold. Thus the trend of sterling is but the inverse of the trend of the dollar, the franc, and of gold against the pound. It has, in fact, happened in the past year that the initiating forces of monetary movements were generated outside rather than inside sterling's own region. The three major forces affecting the position of the pound in 1937 were the outflow of capital from France; the gold scare—essentially an external factor, since it took the form of a rumour that the American buying price, the one effective link between the major currencies and gold, was about to be lowered; and the American stock market boom in the early part of the year, followed by a heavy recession later. It was not only the last of the three that involved a pendulum movement. Though on balance there was a large drain of capital from France in 1937, the autumn witnessed a considerable return flow, and the creation of the "Daladier franc" seems to have opened a completely new phase; and though the gold scare was much more decisive than its opposite, there was in fact a complete reversal of the earlier rumours in October and November, when an actual increase of the

American buying price for gold was expected by many prophets.

The important point to consider, therefore, is the reaction of sterling and of British monetary policy to those three groups of forces affecting in turn the three principal standards of measurement for a liberated pound—the franc, the dollar and gold. To say that the policy was to neutralise those forces is only to give the background of the truth; for with so many independent variables neutralisation might take a variety of different forms. For instance, while a great part of the pressure against the franc in 1937 and the early months of 1938 was "neutralised" by the purchase of gold, there was also, of course, a substantial fall of the franc against sterling, that is to say, an undetected rise of the pound against that particular standard of measurement. Nor was either of the other alternatives regarded as an absolutely fixed standard. Although on the long-term scale neither the price of the dollar nor the price of gold in terms of sterling varied by more than a relatively small percentage in 1937, on the short-term scale the movement of both these values was occasionally considerable. In some periods of abnormal activity in the money markets the authorities appeared to be trying to stabilise against the dollar, while gold took care of itself, in other periods

the position was reversed. This contrast, of course, would have been impossible if the United States had been on the full gold standard. The actual margin of variation between the gold price and the dollar price of sterling was indeed comparatively small. The substantial discounts or premiums on gold, compared with dollar parity, which appeared from time to time, must be regarded as passing accidents of a regime of instability and lost confidence. In general, the pound may be said to have been kept stable with the dollar and therefore with gold, differences on the trans-Atlantic balance of payments being liquidated by gold movements. The latter shrank almost into insignificance beside the much bigger movements associated with the flow of continental hot money. Whether this Anglo-American stability could have continued if the boom conditions of March, 1937, had been prolonged, or whether it can be continued in the future, is a question which a historical survey is not called upon to answer.

Historically, the vital question is how sterling policy reacted to the outflow of money from the continent of Europe, especially from France. In regard to exchange rates, it may be said that British policy has consistently been to take its cue from and to co-operate with the French authorities. While they were supporting the franc, the Exchange Equalisation Account assisted them in doing so. When they decided to let the franc find its own level, the Account did not intervene. When the Daladier franc was created at an arbitrary level of depreciation, Sir John Simon gave it his blessing and the Account sold gold to the Bank of France. The net result of the policy, as far as 1937 was concerned, was a large influx of gold, combined with a fall of the franc from about 105 to over 147 francs to the pound in the course of the year. The major problem for British monetary policy in 1937, given the exchange policy outlined above, was that of the internal effects of this gold influx.

In brief, the solution adopted was sterilisation of gold in the Exchange Equalisation Account, the gold being retained in the Account against the sale of Treasury bills. Only a very small sum was sold to the Bank of England, most of it in May and June, when the hoarding of notes (partly a by-product of the gold scare) reduced the Bank's Reserve to an awkwardly low level. When the Reserve needed amplification at Christmas this was not achieved through further acquisitions of gold by the Bank, but through a temporary increase of the fiduciary issue, from £200 millions to £220 millions. There was no repetition of the move of December, 1936, when gold was sterilised in the Bank of England instead of the Exchange Equalisation Account, through the sale of gold by the latter to the former, against an almost equal cut in the fiduciary issue.

Instead, when the Account became over-full of gold in June last, its authorised amount was raised by £200 millions to £575 millions. (To some extent these figures exaggerate the facts, for the Account makes a book loss on every sale of gold to the Bank, and though it offsets this by an equally hypothetical book profit, its actual resources in ready money are depleted by the double transaction.)

The presumable purpose of thus sterilising gold imports in the Exchange Account was clearly the old formula of neutralisation. The authorities have been anxious to prevent the influx of "hot money" from having a permanent economic effect internally by expanding the credit base. This aim is obviously justifiable, since the opposite policy would open up the danger that an outflow of the hot money, such as followed the latest French monetary moves, might require either severe internal contraction or a slump in sterling. But a number of critics, of whom Mr Keynes is the most scathing, have complained that the policy adopted was not merely neutralising but positively deflationary. They argue that the sale of Treasury bills by the Account, in order to finance its gold purchases, withdraws loanable money from the market, both directly and indirectly through the Government departments; the latter might otherwise be able to finance public expenditure which has, in fact, required long-term or medium-term borrowing. The banking system, against this, has at its disposal the foreign money, translated into sterling; but the critics point out that this money is idle in the sense that its owners prefer deposits or Treasury bills, or even notes for hoarding, to investment in trade and industry. There is undoubtedly a great deal of force in that argument, though its cogency, or at least its effect on the public mind, would have been greater had it been supported by more emphatic evidence that the credit system was in fact subject to deflationary pressure. The willingness of the authorities to expand the fiduciary issue, if need be, in order to support a record note circulation, suggests that they are anxious in other ways to remedy any deflationary effect of their gold sterilisation policy.

There is little doubt that the policy of neutralising gold and currency movements will continue, though if the strength of the franc continues the policy will be in reverse gear, and may prove as expansionist in the future as it has been contractionist in the past. The authorities are obviously satisfied that the present relation between the pound and the dollar, which is the effective standard of measurement for sterling, is economically justified. The force most likely to disturb that economic relation in future is re-armament, which, by bringing about an internal inflation or by immediately enlarging the debit balance of trade, would make sterling over-valued.

The London Gold Market

(By a Correspondent)

THE main features of the London Gold Market since October last have been the strength of the demand for hoarding and the growth of the influence of official operations. The consistency and size of the hoarding demand testifies to the almost complete return of confidence in gold as a sanctuary for the vast amount of capital which no longer exercises its proper function in the world economic system, but continues, as it has done for so many years, to wander uneasily between the various currencies and gold. During the early part of last year, as a result of the gold scare, confidence in gold had received a severe shock, and there was a wholesale migration from that metal, mainly into American dollars. Since that time, however, the trend has become reversed, and the main bulk of refugee funds have found their way back again into gold. Contrary to general expectations, the latest stabilisation of the French franc did not check this movement, and re-sales of hoarded gold contributed comparatively little to the recent heavy flow of funds to France. Gold sales on French account have been more than offset by fresh buying caused by fears that other currencies would sooner or later be further devalued. At one time the presence of huge deposits of hoarded gold

in London was viewed with some alarm in certain quarters, but it seems to be generally conceded now that it is a necessary evil of the times, and far less disquieting than large deposits of foreign funds in sterling. The grip which the "Control" now has on the gold market renders it easier to mitigate the effects of an exodus of funds from hoarded gold than from the more mobile deposits in sterling. A more tolerant attitude to private buying is evidenced by the fact that members of the London market are no longer expected only to execute forward buying if it is of a non-speculative character.

In spite of this almost complete return of faith in gold, quite a number of people, influenced by statistics of increasing gold production, fear the possibility of the development of another "gold scare." In view, however, of the alarming results of the last scare, one would imagine that the various financial powers would not again allow such a movement to get out of hand. Less emphasis by the American Treasury on the twenty-four-hour nature of its financial policy and a plain statement of its determination to maintain its fixed gold price would have soon checked the panic of last year. It must be remembered that this

country and the United States have a much larger stake in gold than, say, a decade ago, when world supplies were more evenly distributed. Also a big fall in the world gold price would be a serious matter for the United States, and to a lesser extent for Great Britain, which has not yet re-valued its stocks at the present sterling price of gold.

No review of the past half-year would be complete without some reference to the buying of gold coin which formed part of the hoarding demand. Gold coin has obvious advantages over bar gold as a hoarding medium for the "man in the street," and buyers of sovereigns and American gold dollars have paid considerable premiums over their intrinsic gold content values. This premium attracted supplies of these coins from various Continental State banks, who have been willing to give out gold coin in exchange for gold bars. In October last, and again in December, there was a very large turnover in gold coins at premiums ranging up to about 4 per cent. over their gold value. When supplies from the sources above mentioned began to peter out, prices showed an increased premium, and offerings were made from further afield. Large shipments were made to London from Canada, Mexico, South America and India. The demand, however, being for immediate delivery, stocks became very low and spot prices rose rapidly until the sovereign price included a premium of about 7 per cent. and that for gold dollars about 5 per cent. The arrival of forward shipments caused some drop in prices, but these still include a large premium.

As was mentioned in the October, 1937, Banking Supplement, the power of official intervention in the London Gold Market has been enormously strengthened by the improved technique of Central Bank collaboration, and the fact that the two chief outputs of the world—the Transvaal and the U.S.S.R.—can now only reach the open market as and when the British Control decides. The daily fixed price may often be the basis of far larger gold transactions than those recorded in the open market. The sale of the Transvaal and Russian outputs, together with direct arbitrage between central banking institutions or exchange funds—

operations from which the private arbitrageur is almost totally excluded—are all conducted in secret. Only such a proportion of this business emerges into the open market as is necessary to ensure that the price is fixed in accordance with the requirements of the "Control."

During the six months ended March this year, the total of dealings recorded at the daily "fixing" was about £67 millions. The amounts dealt in in the open market daily after fixing have varied considerably. On a few days they have amounted to as much as those at the fixing, but they have generally been on a small scale, and during the whole period mentioned have probably amounted to not more than 10 per cent. of the "fixing" total. The bulk of the buying has been for hoarding, as it was not until the end of last March that the price approached near enough to the "dollar parity" to permit of any arbitrage buying for shipment to New York.

As explained above, most of the supplies in the market are offered from official sources. These have been augmented by the sales of West African and Rhodesian production, which usually are realised in the market at the beginning of the week. Occasionally there have been some re-sales from hoards and maturing forward purchases, while Australian mined gold continues to be sold forward in London. Supplies of gold from India have been much less, and towards the end of March there was even a "squeeze" for spot delivery in the Bombay market.

The daily fixed prices have often shown quite considerable premium over the "dollar parity" based on the American exchange at "fixing" time, especially during November and February. The highest premium recorded at "fixing" was 1s. 8½d. per fine oz. on February 18th, but this was exceeded during "after-fixing" deals on November 8th, when the premium was estimated to have touched about 2s. per fine oz. At this level it would have paid to have taken gold from the American Treasury for London. This type of arbitrage is barred to the private operator, but the British "Control" is believed to have moved gold from New York to London about this time.

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The Banks and Savings

(By a Correspondent)

THE March returns of the ten clearing banks (omitting the District Bank) show that during the preceding year cash expanded by £18 millions. In spite of this increase there was only an expansion of £8 millions in deposits. Among the banks' earning assets there was an increase of £58 millions in advances and a decrease of £33 millions in investments. Discounts fell by £10 millions and call and short loans by £19 millions.

In interpreting these changes, it is important to remember that the banks maintain a second liquidity ratio as well as the traditional 10 per cent. ratio of cash to deposits. Thus, regarding investments and advances as constituting the less liquid of the banks' assets, the banks' practice is not to let the combined total of investments and advances exceed a ratio of between 70 and 75 per cent. of deposits. That this practice has been maintained in spite of the marked change-over from advances to investments since 1929 is shown by the following table:—

RATIO OF INVESTMENTS AND ADVANCES TO DEPOSITS				
March	1929	1933	1937	1938
	%	%	%	%
Investments.....	14.6	26.5	29.4	27.8
Advances	54.2	39.8	41.8	44.4
Total	68.8	66.3	71.2	72.2

In particular, the growth in advances during the past year has entailed an increase from 41.8 to 44.4 per cent. in the advance ratio. To counterbalance this and keep the "total ratio" reasonably constant, the investment ratio has fallen from 29.4 to 27.8 per cent. At the same time, if 75 per cent. can be regarded as the upper limit of the total ratio, there is still a little room, but not very much, for expansion in either investments or advances, for unlike 1933 and even 1929 the combined ratio has in 1937 and 1938 exceeded 70 per cent. If the total of investments and advances is to grow much further, deposits themselves will have to continue their recent growth. This will quickly entail a further enlargement of the credit base if the traditional minimum 10 per cent. cash ratio is to be maintained.

These possibilities obviously link up with future Government finance, and in particular with the extent to which the Government will have to draw upon national savings in order to finance re-armament. As a preliminary to the main discussion, it is useful to set out the 1937-38 revenue returns in such a way as to bring to light the year's draft by the Government upon the national savings. This is done in the following table:—

	£ million	£ million
Revenue.....	949	...
Expenditure	...	979
Investment	...	15+x
Net draft on national savings	45+x	...
	994+x	994+x
Net borrowing	45+x	...

Revenue includes ordinary and self-balancing revenue. Expenditure excludes the sinking fund allocation, but includes ordinary and self-balancing expenditure, and also defence expenditure financed by loan and certain minor issues under the Shipping and Tithe Acts. Investment includes Post Office capital expenditure and also a deduction for certain minor repayments. The amount x represents the extent to which the recent increase of £200 millions in the Exchange Equalisation Account has actually been used in purchases of gold. This amount also represents an addition to the year's net borrowing, consisting in practice of tender issues of Treasury bills. The total figure of £45+x millions of net borrowing, which necessarily equals the item "net draft on national savings," is the resultant of the other items.

This amount has to be added to the general demand for

capital for new investment in calculating the total call on the savings of the year. These savings may have been reduced by heavy taxation, but, on the other hand, part of the ordinary expenditure represents investment, inasmuch as this money is spent on new capital goods. The £ x millions spent on gold purchases, moreover, may conceivably be regarded as hoarding, and not as investment. But with these and other reservations we may proceed to examine the part played by the banks in mobilising savings.

The guiding principle is that of regarding the banks as a main channel of communication between lender and borrower. The first point is that the supply of bank cash, which is beyond the banks' control, determines the width and depth of the channel, namely, the quantity of deposits the banks can carry and the amount they can lend or invest (using the word "invest" in its accountancy sense). Now, when a member of the public saves money and puts it in the bank, it is not, of course, normally "hoarded." It all depends upon what first the bank and then the borrower from the bank does with it.

Take first the case of bank advances. Suppose the money accumulated at the bank is lent to a borrower who spends the proceeds of his loan so that his consumption exceeds his income. Then there is no net saving, for the depositor and borrower cancel each other out. If, on the other hand, the borrower spends his loan on new equipment, then there is both new saving and new investment, with the bank acting as the channel. The depositor has refrained from spending part of his income and instead has lodged it in the bank. The borrower has "invested" the money, in the economist's sense of the term, by using it to buy new capital equipment. If at a later date the borrower repays his loan either out of future income by a new capital issue or by borrowing outside the banking system, then there is no new investment but only a change in the way the new lender's savings are employed. On the other hand, that part of the banking channel previously used in carrying this particular operation is set free.

Take next the case of bank investments. In practice these may be regarded as British Government securities, for the bulk of the banks' investments take this form. We may also include under this heading the banks' holdings of Treasury bills and also their call loans against Treasury bills and bonds, for the only distinction is one of timing. Treasury bills run for a matter of weeks, while other Government securities run for years, but both categories represent money borrowed by the Government.

Now, if the securities acquired by a bank represent new borrowing by the Government, it all depends upon whether the Government "spends," "invests" or "hoards" the proceeds. In the first case there is an equivalent dissipation of national savings, in the second case, a true investment, and in the third case hoarding. In every case the banking system acts as a channel between its depositors who have accumulated the savings and the Government which decides upon how they shall be used. If, on the other hand, banks acquire securities without new Government borrowing, then everything depends upon how the vendor uses the proceeds. He may spend, invest or hoard them, the word "invest" implying *new* investment in the sense of the purchase of new capital goods. In this case the decision passes to him. But whoever finally settles the matter, there is no distinction in principle between the cases of bank acquisition of securities and new bank advances. The same is true of bank discounting of commercial bills, if the financing of stocks of goods, in transition from producer to consumer, can be said to constitute "investment." The answer surely is in the affirmative, for adequate stocks are just as essential as adequate plant and machinery.

There is, however, one fundamental attribute of the banking system. Provided that this channel between lender and borrower is not being used to capacity, it can be used to make investment, or indeed, dis-saving, *anticipate*

savings. It is a truism that new advances create new deposits, regarding the banking system as a whole. The implication is clear. The money lent by the banks in due course is spent by the borrower and so finds its way into someone's bank deposit, and so may come to represent an addition to someone's savings. But it may take time for the money to reach someone who is not spending his whole income, and so a net increase in the banks' advances and/or investments may mean that investment is running ahead of saving. The result on the price-level can but be inflationary.

Again, the Government can always enlarge the channel by ordaining an expansion of the credit base; and it may be under the temptation to widen the channel too much. This brings us back to the revenue returns of last year and also to the declared Government policy of cheap money. A net draft on national savings of something over £45 millions is not in itself serious, but the draft will probably be greater next year. There is also the question of how

much the heavy volume of ordinary revenue and expenditure represents a net dissipation of savings or preserves a proper balance between saving and investment.

The fact is that the banking system offers a very convenient and flexible channel to a Government faced with heavy expenditure. Another fact, of a more banking character, is that the dividing line between the items "advances" and "securities" is much less definite than is popularly believed. The acquisition of securities by a bank may have just the same effect upon the national economy as the granting of a loan, for in both cases the money provided by the bank may be used by the recipient in just the same way. In both cases there may be either new investment or simply a general process of transfer whose ultimate ramifications it is possible to trace. Still the main fact remains. The banks provide one of the main channels of communication for the transmission of savings. The width of the channel is determined by the Government.

The Public and its Bankers

(By a Correspondent)

IN this country a great deal of service by the banks is taken for granted, owing to their having in the past undertaken, in addition to reasonable help to their customers, some things which they ought not to have been expected to do. But to be ready to oblige customers in any direction is to lay a bank open to risk of loss, against which it may be impossible to guard without their co-operation.

The desirability to the community of the banks' limiting the risks they run to those which are inseparable from the very nature of their business, and excluding those which even good judgment cannot avoid, is obvious enough. Yet bankers are rarely allowed to plead contributory negligence or misrepresentation by their customers in mitigation of loss. A customer rightly requires the highest care and probity from his banker, and yet is free in law to behave carelessly and thoughtlessly himself, even though his negligence amount almost to bad faith. Time and time again loss could be avoided if customers were less casual. Instances are the custody of the cheque book and, in the case of firms and companies, the checking of the accounts operated upon by subordinates and agents. Carelessness in these respects facilitates fraud, from which the bank suffers, but the care which could be effective in preventing loss must be exercised by the customer, who, speaking broadly, is under no legal obligation to exercise it.

Few people know in what legal relationship they stand to their bankers. The basic function of a banker is to take

charge of his customer's money and to pay it out again when called upon to do so. But besides his purely banking capacity, a banker may act in a mixed banking and agency capacity, as when he collects or pays cheques; or purely as an agent, for example, where he undertakes stock exchange or income-tax work; or in an entirely fiduciary capacity, when he is administering a deceased customer's estate. Again, when he accepts securities or plate for safe custody, he acts in the new rôle of bailee. Now these rôles give rise to different responsibilities, most of which are unsuspected by customers, and it may be useful to indicate what are the rights and duties of both parties in these various cases.

The only liability of a customer in regard to the use of his cheque book is that he shall so draw his cheques as not to mislead his banker or give opportunity for fraud. Even this applies only to the writing of the amount, though serious loss has been caused to a bank by a fraudulent addition to the name of a payee. If the words of the amount of a cheque are written with gaps and in such a way as to be capable of being "raised," providing the alterations are not obvious, the customer may be held responsible. Again, it is a moral, but not a legal, duty to keep one's cheque book where it is not accessible to anyone who has no right to it. A customer ought to advise his banker as soon as he loses his cheque book, so that payment of the remaining cheques may be stopped and steps taken to apprehend any-

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AGENTS AND CORRESPONDENTS THROUGHOUT THE WORLD

one who attempts to use them to defraud the bank or someone else. He ought to—but he is not forced to do so.

Regarding the passbook, the customer has no responsibility whatever. He may insist on having an incorrect entry corrected, but the banker has no such right. It is the customer's moral duty to regard the passbook as an account stated, to be checked on receipt and contested within a reasonable time if it does not appear to be in order, but again he is not forced to do so.

The extent of the risk run by a banker in paying and collecting cheques is not generally appreciated. So far as the first is concerned, he is safe if he pays on a valid signature, in good faith and in the ordinary course of business, if over the counter; in good faith and without negligence, if the cheque is crossed. If his customer's (the drawer's) signature is forged, then the banker is unprotected, even if the forgery is so perfect as to defy detection. He has not only to know what your signature looks like, he has to be certain that it is actually yours. He has to be certain, also, that there is nothing irregular in the form of the cheque, for otherwise he will not be paying in the ordinary course of business, which is a condition precedent to his freedom from liability. He has to see that the endorsements are regular, and that the circumstances in which the cheques are presented are not such as to prevent his contending that he paid them in the ordinary course of business.

In collecting cheques for customers, the banker constantly runs the risk of an action for conversion. This emerges from the fact that a cheque may be passed from hand to hand, so as to pass complete ownership to the transferee, provided it is drawn to bearer, to someone or bearer, or is endorsed in blank. There is nothing to prevent a banker's accepting for collection for the account of A, a cheque payable to B. But if the former happens to have an imperfect title, or none—if, for example, he stole it or it was transferred to him on a forged endorsement, then the banker is guilty of conversion. This may be defined, rather briefly, as meddling with someone else's property without his consent, and unless the banker can show that he complied with certain rigid statutory conditions, he is responsible to the true owner of the cheque. One condition is that the cheque is crossed, which is why a customer should cross his cheques before paying them in: the banker cannot do so and thereby obtain protection. Again, if a customer gives an agent authority to draw or endorse cheques, the customer should keep a check on his operations, no matter how happy he may feel concerning his honesty, for it is by no means easy for a banker to be certain of collecting "without negligence"—this technical phrase meaning that he must show a high minimum of care whenever it is not clear that he is collecting a cheque which is his customer's personal property.

When you leave your valuables with your banker for safe custody, you place on him the responsibility of delivering them only to you, on your demand, or to your personal representatives if you die. If he refuses, or if he delivers to some unauthorised person, then he is guilty of conversion.

Therefore, he must be quite certain of any instructions he may receive as to their disposition—this apart from his ordinary responsibility as a bailee to use the precautions which any prudent man would employ to keep them safe.

When acting as an agent, a banker is fundamentally in the same position as any other agent. He must carry out his duties with proper expedition and without negligence. He may not make a profit out of his agency, except such as is agreed by him with his principal. He may charge a reasonable commission, and is entitled to be indemnified by his principal if he suffers loss while properly carrying out his agency duties. This, then, is the basis of a banker's acting for a customer on the stock exchange, or in the foreign exchange market, or in regard to income tax work. There is no legal responsibility on the customer here, but there is a moral duty to see that instructions given are free from ambiguity. It is true that where directions are capable of two meanings, and the banker places a reasonable interpretation on them, he may hold his customer responsible even if the latter meant something different; but this is unsatisfactory to both parties and often ends in the banker's giving way simply in order not to antagonise his customer.

Where a banker acts as a trustee, he is brought under the law relating to trusts just as is an individual trustee, and such is the rigour of that part of our English law, in its laudable desire to protect beneficiaries, that no private person in his senses would wish to be a trustee if he could properly avoid it. The consequences of mistake, to say nothing of negligence, may be serious to the individual trustee, and the rapid movement towards making banks and other corporations trustees owes much to the need of shifting this burden to shoulders broad enough to bear it. It is clear that very special relationships of confidence are thus set up, similar to those which in more primitive societies are found only within the family.

Enough has been said to show the degree of skill and care which is demanded of a banker, often in circumstances when there cannot be time for adequate consideration. It ought never to be forgotten that often a banker must act immediately for his customer's convenience. For instance, he has to decide at once whether to pay or refuse to pay a cheque presented over the counter. He may receive instructions to buy or sell securities from a customer who is abroad and not easily reached. A number of points may require settlement in order that the order may be properly carried out, and markets may change seriously in the meantime. Yet the banker is expected to divine what is intended.

The law does not help the banker to any appreciable degree. What statutory protection there was has now been so whittled down as to be worth far less than before. There is very little legal, and therefore enforceable, responsibility on the customer. It is surely not too much to expect that the latter should relieve the banker of excessive risk of loss by using reasonable care in the drawing of his cheques, in the drafting of his instructions, by keeping his cheque-book safe, by regarding and using his pass-book as a binding statement of account, and by observing a proper sense of proportion in all his dealings with his banker.

The French Monetary Position

(By a Correspondent)

THE table printed as an appendix to this article summarises the main features of French financial history during the two years prior to the recent voluntary depreciation of the franc. The salient fact is that the Government borrowed nearly Frs. 40,000 millions from the Bank of France, or even more if account were taken of the advances cancelled at the time of the 1936 devaluation. Meanwhile the currency had depreciated against sterling and the dollar by over 50 per cent. Internal prices have risen considerably, but not proportionately. Thus the old disparity between French and world prices has undoubtedly disappeared, and the competitive position of the country should have been greatly improved. Conversely, however, industrial activity is back to stagnation after a short-lived improvement in 1937. This mild recovery has

been reduced to nought by social strife, internal and external political trouble, a certain lack of spirit of enterprise, and last, but not least, by the uncertainty due to the persistent financial difficulties of the Government.

The inflationary process has in this respect not helped the country in the least. The prospects of continued and indefinite borrowing by the State from the Bank of France leading to further depreciation of the currency, stimulated fresh exports of capital under all possible forms (including excess forward purchases of import goods); and has drawn out of the country the newly created money. The gold reserve of the Bank was thus considerably reduced until, in July, 1937, the Equalisation Fund abandoned all hope of pegging the exchange, and allowed the value of the franc to drift downwards.

While the Bank of France's advances to the State rose by Frs. 40,000 millions, sight liabilities increased by less than Frs. 30,000 millions. About one-third of their last increase represents the deposits of the Exchange Fund, i.e. an amount which under normal conditions would have been cancelled and which is now practically blocked. The real increase in sight liabilities therefore does not amount to more than Frs. 20,000 millions, equal, roughly, to the increase in banknote circulation. In the meantime, deposits at the commercial banks showed a mildly rising tendency, but it is probable that their real trend had, until the recent inflow of capital, been downwards.

Thus, in spite of a depreciating currency and a rise in internal prices, the money supply of the country had remained unchanged except for a 20 per cent. increase in the note circulation. The result was an acute Treasury crisis not only for the Government but for the French economy at large. Profits of industry, trade and banking were, indeed, higher in 1936 and 1937 than during earlier years, and higher dividends are being—or could be—distributed in many instances. This, however, was due rather to higher franc values or money rates than to a larger volume of business, except in specific industries like steel. Again, replacement prices have risen quicker than profits, and so working capital has been depleted. Banking credits increased as far as was compatible with the maintenance of a fair liquidity by the credit institutions. This was reflected in the larger rediscounts (and direct dis-

counts) of the Central Bank, in the larger discount portfolio and smaller proportion of Treasury bills carried by the commercial banks, in the slow but constant development of acceptance credits, and in high money rates, both for short-term and for day-to-day operations.

In these circumstances it is remarkable that not more complaints were heard among business people about the resistance of the banks to larger credit demands. This can probably be ascribed to two factors. The first is the development of cash purchases under the pressure of sellers who do not desire to grant the customary 90 days' delay, and here the main result is that many traders are obliged to carry on a policy of hand-to-mouth purchases which reacts unfavourably on the industrial activity of the country. The second reason is the growing importance of State organisations as buyers in the market. No commercial paper can at present be drawn on such organisations, and long delays often arise before the accounts due can be collected. Medium term rather than banking credit would be necessary in such cases, but the means of the special institutions which were created for that purpose (Caisse des marchés de l'Etat, Caisse de crédit aux communes) were, until the May 2nd decree, ridiculously low as compared with existing needs. The new subsidy granted by this decree to the Caisse des marchés should be most welcome to many enterprises who have sound balance sheets but who lack working capital.

Such was the situation when M. Daladier took the

FRENCH FINANCIAL TRENDS

End of	Dec., 1935	Sept., 1936	Dec., 1936	June, 1937	Dec., 1937	Feb., 1938	Mar., 1938	Change per cent. since Dec., 1935
Quotation of £1 Frs.	74.58	76.82	105.15	128.93	147.30	153.55	161.75	+116.19
Wholesale prices index (100 in 1913)	354	420	519	557	631	634	634	+ 79.1
Retail prices index (Paris, 100 in 1913)	449	494	550	590	676	692	690	+ 53.7
Industrial activity (general index, 100 in 1913)	96	95	100	102	102	96	...	...
<i>Bank of France</i>								
Gold reserve, in metric tons	3,908	2,954	2,662	2,155	2,281	2,160	2,160	- 44.7
Balance sheet value of gold reserve (millions of frs.)	66,296	50,111	60,359	48,859	58,932	55,807	55,807	...
Approx. actual value of gold reserve (millions of frs.)	66,296	50,111	63,670	62,750	75,345	74,510	78,720	...
Bank advances to the State (millions of frs.)	...	15,903	17,698	23,926	31,908	32,704	38,574	...
Total sight liabilities (millions of frs.)	92,728	92,089	105,086	102,805	114,050	115,668	121,738	+ 31.4
Bank notes outstanding (millions of frs.)	81,150	83,750	89,342	88,687	91,263	94,221	98,095	+ 20.4
<i>Four Paris Banks</i>								
Total deposits (millions of frs.)	27,559	25,137	28,481	28,187	30,353	30,204	...	+ 9.0
Discounts, including Treasury bills (millions of frs.)	16,140	14,876	17,583	15,869	18,249	17,616	...	+ 9.1
Secured advances and current accounts (millions of frs.)	8,365	7,669	8,104	9,104	8,286	8,775	...	+ 4.9
Treasury Bills outstanding with the public (millions of frs.)	...	...	5,364	4,786	...	3,000	...	...

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decision to anticipate a further depreciation and to fix the rate at Frs. 179 to the pound. For the first time, after so many ill-fated experiments, the new devaluation was made under favourable conditions. First, the new rate was economically sound and so easily defended, i.e. it took account of existing price parities plus a rather generous premium, representing an under-valuation of the franc. Second, the Government inspired "confidence," and public opinion believed that it could and would take steps to allay the fundamental evils which undermined the French economy, namely slow production and persistent budgetary deficits. The success surpassed all expectation, and the inflow of funds which followed was not only the result of quick speculative profit-taking—as in previous instances—but included a considerable amount of repatriated capital. The Treasury problem outlined above should therefore be practically solved for some time, for the Government is well as for private enterprises, while monetary stability seems easy to ensure in the near future. If banking deposits

and monetary circulation can increase without provoking a new exodus, one-half of the French problem is solved.

The second half of the problem remains. An exchange rate, however, cleverly established, can provide the basis for a recovery under favourable conditions, but it can do no more. It would not hold in the long run if public "confidence" did not appear justified, and for this reason Government action is both necessary and urgent. It is clear that the Government cannot overnight restore production to its 1929 level or balance the Budget entirely. It is not even necessary to go as far as that. But some improvement is indispensable in these two fields—especially in public finances, which depend directly upon Government action—if the capital which returned in anticipation of sound reforms is to remain in France, and if further repatriation is to be encouraged. "Monetary technique" has now done its part. The next task is to make its good effects permanent. It remains to be seen if M. Daladier is able to carry out this task.

American Banking

(By a Correspondent)

RECENT developments fall into two periods. The first, from the end of 1935 until August, 1937, witnessed the transfer of Treasury balances into the Reserve Banks; the August, 1936, increase of 50 per cent. in reserve requirements (promptly intensified by gold imports); the creation of the Inactive Gold Fund in December, 1936; and the second increase in reserve requirements in March and May, 1937, partially offset by open-market operations in April, 1937. The second period, which witnessed a reversion to expansion, began in August, 1937. It included a general reduction in discount rates, the release of gold from the Inactive Fund last September, a small open-market operation in the autumn, and the more definitive gold programme announced in February. A new phase was probably inaugurated in the middle of April, 1938, but as this involves looking ahead, it is best to consider first the banking position during the past two years.

Changes in the condition of the Reserve Banks are shown below:—

RESERVE BANK ITEMS (\$ millions)	Aug. 12, 1936			Aug. 11, 1937			Mar. 30, 1938		
	1936	1937	1938	1936	1937	1938	1936	1937	1938
Bills discounted	8	17	12						
Bills bought	3	3	1						
U.S. securities	2,430	2,536	2,564						
Gold stock	10,661	12,497	12,794						
Gold certificates in reserve banks	8,225	8,832	9,213						
Inactive gold fund		1,265	1,183						
Member bank balances	6,116	6,681	7,312						
Of which excess reserves	3,167	740	1,560						
Money in circulation	6,178	6,482	6,329						
Treasury and non-member deposits with reserve banks, etc.	930	839	870						

At the end of 1935, member bank reserves had reached a figure about double the requirements, and gold continued to pour in at a rapid rate. Commercial bank deposits were expanding under the double influence of gold imports and of deficit financing, and were approaching the previous record level of 1929. "Excess reserves" had thus become a major problem; and in the first half of 1936 the further expansion of reserves was limited by the temporary device of shifting Treasury balances into the Reserve Banks. In midsummer, when the total of deposits and currency had actually reached the 1929 level (a level high relative to our general economy) the Reserve Board introduced its programme of increasing reserve requirements, evidently with the intent of controlling further credit expansion. The first step was taken on August 15, 1936, and the last on May 1, 1937. Within that period, however, gold imports had continued on the usual scale, and in December, 1936, the Inactive Gold Fund was created; there was a continued increase in currency in circulation; and in April the Reserve Banks had bought \$96 millions of Governments. The dates August, 1936, to August, 1937, bracket a period

when monetary management centred on the problem of "excess reserves," and the table above shows how this problem was met. Between those dates the net increase in the gold stock was above \$1,800 millions, of which about two-thirds (arrived after December, 1936) had gone into the Inactive Fund. Total member bank reserves had increased by approximately the amount of the remaining gold imports, but excess member bank reserves had been reduced from almost \$3,200 millions to about \$700 millions, principally by the increase in legal requirements. Prior to 1934 \$700 millions of excess reserve was unprecedented, but by the summer of 1936 the internal balance of payments had concentrated these excess reserves in the interior, and New York was feeling pinched.

The following table shows changes in the position of the reporting member banks over the same periods.

REPORTING MEMBER BANKS (\$ millions)	Aug. 12, 1936			Aug. 11, 1937			Mar. 30, 1938		
	1936	1937	1938	1936	1937	1938	1936	1937	1938
Total loans and investments	22,324	22,331	20,810						
Total loans	8,352	9,917	8,771						
Of which, brokers' loans	1,119	1,356	680						
U.S. and guaranteed securities	10,657	9,385	8,934						
Other securities	3,315	3,029	3,105						
Reserve with Fed. Res. Banks	4,855	5,122	5,755						
Demand deposits	14,752	14,914	14,268						
Time deposits	5,021	5,229	5,218						
U.S. Government deposits	821	589	696						
Borrowings	3	42	11						

During the twelve months following the initial increase in reserve requirements, total loans and investments of the reporting member banks experienced no net change. Loans, however, increased, while securities fell. Demand deposits were affected by the transfer from Government to individual holders, and there was a moderate net increase in time deposits. The Government bond market had a flurry in March, 1937, which raised rates on the long maturities from about 2½ per cent. to about 2¾ per cent., but in general short quoted rates had remained at extremely low levels. Evidence of local tension may be detected in the small increase in borrowings.

In the middle of August the stock market turned down, and by early September was almost in a state of panic. Signs of business recession, although indistinct, were multiplying; and on September 15th the Treasury faced a refinancing operation of substantial magnitude. Given the relatively unsatisfactory distribution of excess reserves and the prospect of the approaching seasonal demand for currency, the Reserve Board took action which, at least by its sequences, represented a radical change of policy. In late August and early September, the regional banks reduced their discount rates from 2 per cent. to 1½ per cent. (in New York from 1½ per cent. to 1 per cent.). On September 13th the Treasury announced the release of \$300

millions of gold from the Inactive Fund. This quickly passed into the cash reserves of the New York City banks, putting them in a more than comfortable position. Later in the autumn the Federal Reserve Board undertook a small open-market operation, which increased the Reserve Banks' holdings of American securities by about \$32 millions. Thus \$320 millions was added to member bank reserves.

In February, 1938, the Treasury announced an important change in gold policy, namely, that gold increments (due to import or production) would be placed in the Inactive Fund only when such increments exceeded \$100 millions in a quarter. As a result of this decision, although the gold stock increased by only \$34 millions between December 29, 1937, and March 30, 1938, the Inactive Fund was reduced from \$1,228 millions to \$1,183 millions; and the gold certificates issued to the Reserve Banks rose from \$9,120 millions to \$9,213 millions. On March 30th the Inactive Gold Fund was smaller than in mid-August. As a result of this combination of factors, the total reserves of the member banks were at the end of March, 1938, about \$1,200 millions above the figure just preceding the first increase in member bank reserve requirements in August, 1936; the excess reserves were more than double the figure of August, 1937, and were very close to the figure at which they had stood on August 15, 1936, just after the initial increase in required reserves had gone into effect. That is, the second phase of the control programme had been neutralised, and the Treasury gold policy had been modified in the direction of providing a semi-automatic continuous increase in bank cash.

Meanwhile, a sudden and deep depression in business had developed. Between August, 1937, and March, 1938, the total decline in loans in the Reporting Member Banks was \$1,150 millions, about equally divided between brokers' loans and other loans—although this did not quite cancel the great increase in loans between August, 1936, and August, 1937. But whereas between August, 1936, and August, 1937, the decline in investments merely equalled the increase in loans, leaving total loans and investments unchanged; between August, 1937, and March, 1938, the decline in loans has been accompanied by a decline in investments (outside New York) as well, bringing total loans and investments down by about \$1,400 millions in seven months. The decline in demand deposits was about \$650 millions; and over the same period reserve cash in the reporting member banks rose by almost an equal amount. That is, the expansionist policy pursued during the past six months had not yet definitely arrested the liquidation of bank credit, since that derived from other causes than the condition of bank reserves.

It is worth noting, however, that while between August 11, 1937, and March 30, 1938, total loans and investments in New York City declined from \$8,323 to \$7,576 millions, demand deposits rose from \$5,968 to \$6,100 millions. The differential is mostly attributable to the increase in reserves from \$2,342 to \$2,958 millions. This is almost unique in American banking history, as ordinarily a contraction in loans and investments causes a reduction in deposits.

The expansion programme entered a third phase in the middle of April, 1938. It was then announced that the entire Inactive Gold Fund would be released, and that required cash reserves in the Member Banks would be reduced by about 13½ per cent., equal to \$690 millions. The latter provision took effect immediately, with the result that excess reserves rose from \$1,730 millions on April 13th to \$2,490 millions on April 20th. The Inactive Gold Fund stood at \$1,183 millions on April 13th, but the amount released was almost \$1,400 millions, that is, about \$200 millions more than had been reported. The effect on the Reserve Bank statement is shown below:—

RESERVE BANK ITEMS (\$ millions)	Apr. 13, 1938			Apr. 20, 1938		
	1938	1938		1938	1938	
Gold certificates and due from U.S. Treasury	9,245	10,642	+ 1,397			
Member bank reserve account	7,472	7,547	+ 75			
U.S. Treasurer, general account	140	1,428	+ 1,288			

It has been announced that these Treasury balances will be fed into the Member Banks by the retirement of \$50

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millions of Treasury bills a week. The immediate sequel to this programme was a strong demand for Government securities. The rate on Treasury bills fell to about 0.7 per cent.; and the long Governments were in such demand that the Federal Reserve Bank, which had been a buyer in March, sold almost \$100 millions within the week.

German Banking

(By a Correspondent)

SINCE the advent to power of the Third Reich, the German banking system has naturally and inevitably formed part of the general economic machine which has gradually been evolved under the present Nazi regime. Thus to understand the trend of German banking, it is necessary to realise some of the fundamental concepts of Nazi economics. Briefly, these may be summarised as follows:—

(1) The ultimate basis of the internal credit structure is not gold, but *work*.

(2) The supply of credit, and indeed, of money (in the loose sense of the word), must be made available to the legitimate demand.

(3) Credit, like any of the other important factors of production, must primarily be made to serve national ends. *Inter alia*, this implies control over the capital market.

(4) To prevent any expansion in the supply of credit from dissipating its momentum through a rise in prices, internal prices, wages and costs must be controlled.

(5) To prevent any efflux of capital, and also because the reichsmark itself is based on "work" and not on gold, an elaborate system of exchange restriction is necessary.

(6) It is equally necessary to make the size of the country's import trade dependent upon its ability to export; and the consequent limitation of imports at once raises the question of self-sufficiency, which since 1936 has found expression in the second Four Year Plan.

From the banking point of view, this new system implies first and foremost that the banks must act as the main channels for the distribution of credit in the desired directions. The actual machinery is comparatively simple, for it depends merely on the fact that in Germany the private and commercial banks are free to rediscount at the Reichsbank. Thus, once it is thought desirable to finance any particular project, all that is necessary is for the contractor to draw his bill and have it duly accepted and endorsed by two out of various official bodies. The bill then carries three names and is eligible for rediscount at the Reichsbank. The contractor can therefore discount it at his own bank, which in turn rediscounts it at the Reichsbank. The result is an expansion in the Reichsbank's bill portfolio offset by an increase in the note circulation, and the bill remains with the Reichsbank, being renewed from time to time, until it proves possible to redeem it out of the proceeds of a more definite loan.

The effect upon the banking system has been very marked. The change in the position of the Reichsbank alone is shown in the following table:—

POSITION OF THE REICHSBANK AT CLOSE OF YEAR
(Rm. millions)

	Gold	Bills and Cheques	Advances	Securities		Note circulation	Other daily maturing liabilities
				Covered	Sundry		
1933	386.2	3,177.0	183.3	259.4	321.7	3,645.0	639.8
1934	79.1	4,020.6	145.7	444.8	318.6	3,900.6	983.6
1935	82.5	4,498.3	84.2	348.6	315.1	4,285.2	1,031.8
1936	66.5	5,447.6	74.4	221.3	302.5	4,980.1	1,012.4
1937	70.6	6,012.9	60.3	105.8	286.4	5,492.9	1,058.5

Since 1933, Reichsbank's gold holdings have shrunk to a negligible size. There has been a continual increase in the note circulation and also in other daily maturing obli-

gations, which include the private and commercial banks' balances at the Reichsbank. The counterpart to the whole of this expansion is to be found in the rapid growth in the Reichsbank's holdings of bills and cheques. Thus the national currency has come to be based more and more upon bills rediscounted by the Reichsbank, these bills representing work on various projects, many of which have long ago reached completion. For good or for evil, the currency now rests upon "work" instead of upon gold.

The next table gives certain items in the aggregate balance sheets of all the banks in the country. These include the "big five" Berlin banks, and also provincial banks, credit institutes, land banks and savings banks, together with the giro-zentralen, which now form the organisation through which the savings banks' resources are invested.

COMBINED GERMAN BANKING RESOURCES
(Rm. millions)

	Assets			Liabilities		
	Cash	Bills	Debtors	Deposits (general)	Deposits (savings)	Total Deposits
1933	438	2,760	8,670	14,787	...	14,787
1934	463	3,541	8,193	16,009	...	16,009
1935	514	3,808	7,015	14,920	1,314	16,234
1936	467	3,972	6,725	15,881	1,346	17,227
1937	384	4,557	5,971	16,592	1,308	17,900

This table also shows the growth in the importance of bills as one of the chief assets of the banks. There has been no inordinate expansion in deposits, just as there has been no markedly disproportional growth in the note circulation—for the German currency expansion of about 50 per cent. since 1933 compares with a parallel increase of 30 per cent. in the British note circulation. On the other hand, bank deposits, like the note circulation, have come to be backed to an increasing extent by bills of exchange. Conversely, bank advances have decreased in their aggregate amount. The explanation is first that the general recovery of the country has facilitated the repayment of loans previously frozen; and second that it is unnecessary for a contractor to borrow from his bank, when at any moment he can discount his bills drawn against the work in hand.

Thus the banking system has been easily adapted so as to play its part in the new German economic machine. There is, however, the question whether this is sound from the banking point of view. Too much stress must not be laid upon such doubts, for financial "orthodoxy" has quite a different meaning in Germany to-day from what it had before the days of the Third Reich or what it has in England and other countries to-day. Still, there is one apparent source of weakness. So long as the commercial banks can rediscount freely at the Reichsbank, they are under no incentive themselves to maintain adequate cash reserves. This throws the whole onus of defence against inflation back upon the Reichsbank. There is not the second line of defence, which in other countries is provided by the obligation, legal or traditional, of the commercial banks to maintain an adequate ratio of cash to deposits. The second table shows the minute amount of cash carried by the German banks in proportion to their deposits.

This fact has become of some theoretical importance during recent months. German production, the German national income, the savings of the people, and the revenues of the Reich have expanded to the point where it may soon become possible to dispense with undisclosed and unlimited borrowing from the banking system through the drawing and rediscounting of bills. Instead, the Government may be able to finance its needs out of tax revenue or out of disclosed borrowing by the issue of loans taken up out of the national savings. If so, the period of credit inflation will be brought to an end, and an opportunity will arise for tightening up the banking system and perhaps for establishing their cash as a second line of defence.

This is looking ahead in many important respects. There is no certainty that undisclosed borrowing will be eschewed in the future. The absorption of Austria, rearmament extension and renewals, new changes in policy, the progress of the Four Year Plan, all raise doubts in this direction. In any case, the final decision rests with the Government of the Reich. If the present regime adheres without modification to its basic concepts that work not gold lies at the basis of credit, and that the supply of credit must be equated to the legitimate demand, then unless it so happens that full employment can be financed out of current income and savings without a further credit expansion, any suggestion for tightening-up the banking system must be abortive. Indeed, the need for any such change in banking practice will be denied. Still, in certain ways there is now a better opportunity for this change in

practice than has existed since the advent to power of the third Reich.

As regards the German foreign exchange outlook, one fact can be taken for granted. There is not the smallest inclination inside Germany either to devalue the mark or to relax the present system of exchange control. This may appear a disappointing view, especially as the opinion has already been expressed in international banking circles that devaluation is becoming practicable. Moreover, the monetary sections of the Van Zeeland Report contained a broad hint at the need for German devaluation and relaxation as one of the basic conditions for the attainment of the objects of the Report. Such hopes are probably doomed to disappointment. Exchange control is an integral part of the German economic machine, and the Government neither wants devaluation nor free exchange dealings, or sees the need for them. On the contrary, while the existing restrictions may be irksome to numbers of German bankers, traders and manufacturers, the Government and the Party believe in the new economy, and think that the needs of the country are met, so far as they can be met, by export subsidies and clearing and compensation agreements. The latter also are a useful political instrument, whose value in Central and South-East Europe will be enhanced by the absorption of Austria.

To sum up, German banking and exchange may have reached a turning-point, if the authorities desired to reorientate their policy. There is, however, not the slightest sign of any desire to do so. On the contrary, they are likely to continue along the present lines.

Scandinavian Banking

(By a Correspondent)

DESPITE the many disturbing political and economic features of 1937, the past year must be considered a remarkably good one in the history of Scandinavian banking. In the case of Sweden and Finland—there is always a certain parallelism in the development of these two—it was actually a peak year, when the climax of several years of unbroken economic expansion was reached, the gloomy prognostications of those who after the record successes of 1936 foretold an imminent recession, thus proving hopelessly wrong. As to Norway and Denmark, it was a period of recovery and consolidation, the Norwegian position being as ever somewhere midway between that of Sweden and Denmark. In contributing to this recovery, Central Bank policy at times appeared more helpful than Government policy.

Thus in Norway the methods of taxing interest on bank deposits have given rise to much controversy, while in Sweden some already existing regulations that hampered the normal functioning of the banks have of late been further extended. There have always been obstacles to foreign investment in Swedish securities, which finally resulted in the creation of the "B" share by many companies. These "B" shares, as well as certain other "free" securities, can be bought for foreign account, but apart from that the Swedish banks—who also act as brokers—dare not accept a Stock Exchange order from abroad. Therefore, the recent influx of foreign money into Sweden has merely gone to swell the already enormous banking deposits. Then again the law demands that the banks should liquidate their industrial holdings, and in a country where in the past there has been a marked reluctance on the part of the public to finance industry direct through subscription to shares, so that this task was almost entirely left to the banks, it is no easy matter to bring about a complete reversal of procedure. Finally, stricter control of bank credits has recently been imposed, and this must seriously curtail the banks' future possibilities of giving their support to the establishment of new or expansion of old industrial and commercial undertakings.

It cannot be denied that the old Swedish system of financing industry through the banks has sometimes involved the banks themselves in considerable losses. More-

over, it must be admitted that in many cases the banks did go too far in their credit accommodation to industry and commerce. It may also be true that the present need for industrial expansion is extremely limited, but there can be little doubt that the day will come when the experience and the resources of the banks will once more be required for maintaining or further building up the country's industry and commerce. To restrict, as has been done so rigorously, the normal and healthy activities of the Swedish banks, which have played their part in helping to increase the standard of living, may in the long run prove to have been a very unwise step.

Under the circumstances it is nothing short of remarkable how well the Swedish banks managed their affairs in the past year. There are twenty-eight of them in number, the three leading banks transacting by far the greater part of all the business.

The net profits of the twenty-eight banks aggregated in 1937 the sum of Kr. 60.35 millions (£3,320,000 at par)—on a total share capital of Kr. 481 millions—against Kr. 64 millions for the preceding year. If the profits compared with the corresponding figures for 1936 appear smaller, this is entirely due to a different method of presenting the account. For the past year the banks have in most cases made provision for taxation prior to the calculation of net profits; moreover, a number of the banks have likewise made certain other provisions, such as for pension funds, before striking their net profits. Consequently, and owing to a number of direct transfers having been made from hidden reserve accounts to visible funds, i.e. to special reserves and the like, comparisons with the preceding year are rendered difficult.

The most important features in the development of the Swedish banks in recent years, and not least during 1937, may be summarised under the following main headings:

(1) The greatly enhanced liquidity of the banking system, notably in the three biggest banks.

(2) The increased importance acquired by short-term deposits in relation to long-term deposits, this feature being also most marked in the case of the three principal banks.

(3) The change in the relative position of the commercial banks' foreign assets and liabilities. This has taken place gradually, and became especially pronounced in 1937 on account of the public discussion that was then going on concerning the possibility of abandoning the Swedish krona's connection with the pound.

(4) The steady consolidation of the commercial banks' position which has been effected *inter alia* by the gradual liquidation of the banks' interest as direct or indirect owners of industrial and commercial undertakings.

Statistically, this trend is made apparent by the following figures taken from the balance sheets. From the end of the boom year 1929 to the close of 1937 the cash ratios have approximately been quintupled—from 3.7 per cent. of the total deposits at the end of 1929 to 15.3 per cent. at the end of 1937. During the same period the short-term deposits have increased by about 50 per cent., and now amount to nearly 25 per cent. of the total deposits, compared with about 19 per cent. at the end of 1929. At the end of 1929 the difference between the Swedish claims on abroad and foreign claims on the Swedish banks amounted to a surplus of approximately Kr. 183 millions, whereas the corresponding figure at the end of 1937 represented a deficit of about Kr. 4 millions. The causes of the commercial banks' enhanced liquidity and increased importance of sight deposits are to be found, apart from the changes already mentioned, in the fact that favourable economic conditions have allowed industry (and not the least Sweden's export industries) to increase its deposits and reduce its demands for credit from the banks. Finally, a striking feature is that despite the sharp rise on the Bourse there was a decline in loans against shares. This suggests that share buying is becoming more of a form of capital investment and less pure speculation than was the case in the past.

On the other hand, there has been a certain amount of domestic and foreign speculation in the Swedish krona, though it has been very limited in extent. Indeed, all the four Scandinavian countries have throughout the year managed to maintain the established sterling parity.

Out of Finland's nine joint-stock banks, three—and especially two—are responsible for something like 80 per cent. of all banking business. All the banks experienced in 1937 an excellent year. Deposits grew by nearly 1.5 million marks to the huge figure of ten milliards at the close of the year, and since then have even further improved on that record total by adding yet another 600 millions to it during the first three months of 1938. Credits, which had been steadily shrinking since 1929, expanded in 1937 by 1.2 milliard marks, reaching the imposing sum of 8.6 milliards last February. Unable fully to utilise their cash, the banks saw it rise to 1.3 milliard marks as compared with 851 millions at the close of 1936 and 633 millions in 1935.

The Finnish banking law stipulates that cash and cash reserves should represent a minimum of 20 per cent. of sight liabilities; but so great was the liquidity of the banks in 1937 that this ratio actually amounted to nearly 70 per cent., viz. to 67.2 per cent. at the close of December. To bring their own resources into more adequate relation with their liabilities, the two principal banks increased their share capital by 40 and 50 million marks respectively, and now each dispose of about 520 millions of their own funds.

In Norway the banks experienced all-round expansion and consolidation, though not quite so spectacular as in

Sweden or Finland. Shipping had a most excellent year, whaling was good, and so on the whole was industry, but conditions in agriculture and fishing can only be described as average. As the result of the general expansion the banks were able either wholly to wind up or considerably reduce some of their previous engagements which had appeared rather risky. These had been incurred either through excessive zeal in boom periods or had been forced on the banks during the years of crisis, but in their aggregate they represented a serious danger to Norwegian banking. During 1937 a great step forward was taken in this "melting process," but it is not completed yet. Two of the leading banks, whose liquidity had become greatly impaired in the past, will continue to enjoy for some time—though in a much curtailed form—the special support of the Bank of Norway.

All the figures for 1937 show progress, and a good indication of improved economic activity will be found in the fact that the turnover at the Oslo Bankers' Clearing House amounted to Kr. 3,735 millions in the past year as compared with Kr. 3,184 millions and Kr. 2,854 millions respectively in 1936 and 1935.

In Denmark, the two most striking features of the year have been the wide price fluctuations and the improved foreign exchange position. During the first half of 1937 the export price index declined by 5 per cent., while that for imports rose by 17 per cent.; but during the second half-year the very opposite process took place—the import index dropping nine and the export index rising twenty-four points. It is obvious that so violent a change in the trend of foreign trade must have affected the whole economic life of the country, and the adverse conditions prevailing up to June, 1937, resulted in a severe drain on Denmark's foreign currency resources. During the six months that followed, however, there was a spectacular recovery, enhanced by the record earnings of Danish shipping.

The result of this was an improvement of no less than Kr. 110 millions in the foreign exchange position, the National Bank's holdings increasing by Kr. 85 millions and those of the private banks by Kr. 25 millions. The total net credit foreign currency balance of the banks amounted at the close of 1937 to Kr. 67.5 millions. During the first two months of 1938 the foreign exchange situation, which up to a point is the determining factor of the country's prosperity, continued to improve, but since then there has been a certain recession. The liquidity position of the private banks showed some strain during the first months of 1937, but during the second half-year the influx of foreign currency which they sold to the National Bank greatly eased the situation. Thus the year ended on a fairly cheerful tone, with larger resources, higher earnings than in 1936 and increased dividends in many cases.

There were 162 banks in Denmark in 1937, but out of these the three large banks in Copenhagen alone regularly transact as much or more business than all the others put together. While the pace at which banking activity expanded during 1937 was not quite as spectacular as in 1936, both loans and deposits continued to increase and at the end of the year showed totals that were Kr. 44 and Kr. 38 millions larger, respectively, than corresponding figures in the previous year. During the first quarter of the present year this movement has been maintained. Nevertheless, Denmark's economic position remains largely dependent on British commercial and agricultural policy, and that adds further uncertainty to the general international complications affecting all the four Scandinavian countries.

South American Banking

(By a Correspondent)

EVENTS during the past 18 months have amply demonstrated the liability of the fortunes of the South American countries to sharp fluctuations in relation to the vicissitudes in world markets for primary products. Factors such as European political uncertainties and crop failures in North America led in the last few months of 1936 and early 1937 to a sharp upward movement in prices of metals and food-stuffs produced in South America, and the resulting expansion in export trade brought with it some improvement in exchange rates and in the currency transfer position generally. Conversely, the pronounced fall in world prices of primary products since May, 1937, has led to a contraction in exports from South America, which has already resulted in a return to stringency in the foreign exchange markets of the principal countries concerned. Therefore, there has on balance been little, if any, relaxation of exchange control restrictions, which weigh heavily upon all activities, and especially banking.

The overseas trade of the Latin American Republics continues to be based mainly upon principles of reciprocity, which find practical expression in bilateral commercial agreements, compensation arrangements, quotas, etc., and this tendency will become aggravated by the return of difficulties to the export trade. In the River Plate countries of Argentina and Uruguay, this policy of trade reciprocity has so far been successfully pursued without accompanying entanglements of a "compensation" nature, but, on the other hand, many of the other republics—especially those in a state of over-production—have been enabled to sustain their export trade only by entering into compensation arrangements, the outstanding example of which is the German Ask mark system. Such arrangements result in a large part of the proceeds of exports from countries such as Brazil, Chile, Peru and the Central American Republics, being restricted to the payment for imports from the country buying their exports, and so not yielding balances of freely negotiable currencies.

The suddenness with which, in the South American countries, a period of prosperity may be followed by one of depression has been well exemplified in the case of Argentina. Following drought in North America, the economic recovery of Argentina reached a remarkably high level early in 1937, when monthly exports, especially of grain, attained record dimensions. In the result, total exports for last year reached 2,308 million pesos, against 1,656 millions in 1936, and, despite an increase of 40 per cent. in imports, the favourable trade balance for the year was nearly 751 million pesos (say, £47,000,000 sterling), against 539 millions (£34,000,000) in 1936.

This balance for 1937, however, was mainly accumulated in the early months of the year, and, with the exhaustion of grain stocks and imports running at a high level, there actually emerged an adverse balance in the month of November. This recession in export trade became even more marked in the early months of 1938, crops of fine cereals having turned out short, with Argentine farmers unwilling to accept the ruling level of wheat prices. Moreover, the coming maize crop is estimated to be only about 50 per cent. of that of 1936-37, so that total maize exports during 1938 will probably not exceed about 3,400,000 tons, compared with 9,000,000 tons in 1937 and average exports for the last six years of over 7,000,000 tons. Although purchases from abroad are now being restricted, imports are still running at a high level—due to the usual time-lag after a year of prosperity. Therefore, the adverse trade balance as at end-March, 1938, was 22 million pesos, compared with an export surplus of over 530 million pesos twelve months previously, total exports for the first three months of this year having been 392 million pesos, against 838 millions in the like period of 1937, and total imports 414 million pesos, against 307 million pesos.

Despite the sudden turn for the worse in agricultural

affairs, the Argentine banking and credit situation may be considered very sound. This is unquestionably due to the fact that the Central Bank has fulfilled expectations and has persistently followed a cautious policy carefully based upon the idea of general average and not simply on the strength of one particular favourable agricultural year. It was through the exercise of this policy that the Bank scientifically prevented the undue credit expansion, which, under the previous regime of banking organisation, would almost inevitably have occurred under circumstances of such economic prosperity as were experienced during the early part of 1937. The favourable outlook which then existed brought in its train increasing investment of foreign capital, including "hot" balances, which, added to the abundant proceeds of exports, threatened to cause an undue expansion of credit. The Central Bank, however, followed the policy of the absorption of surplus banking funds, the tendency for the expansion of credit being arrested in two ways: first, by paying for the foreign exchange purchased from the banks with certificates of participation in Consolidated Treasury Bonds, special Treasury Bills, or gold and foreign exchange custody certificates; or, secondly, by using the resources of the exchange fund to pay for the purchases of foreign exchange made from the banks without the necessity of creating new banking funds. The total of banking funds absorbed by these means reached a maximum of 1,060.5 million pesos in May, 1937, but this amount included the sums remaining from the revaluation of gold.

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That figure, however, was reduced by the utilisation of part of the foreign currencies for the debt repatriation fund, and by the egress of foreign exchange in the second half of 1937 to compensate for the disequilibrium which had risen in the balance of payments. Thanks to this policy of retiring banking funds by the Central Bank, cash holdings of the banks averaged 832.0 million pesos in 1937, or only 34.2 millions more than the average of 1936.

The magnitude of the reserves of gold and foreign exchange, the Bank stated, assures the stability of the official exchange market, which, as the medium for conducting the fundamental business operations of the Republic, is unaffected by movements of international floating funds, such movements being now confined to the "free" market. Some 83 per cent. of imports is paid for at the official selling rate of 16 pesos per £, in which there has been no alteration during the past year, and it is sincerely to be hoped that no weakening of the rate will occur, particularly as official exchange is smoothly forthcoming for imports from Great Britain. With regard to the "free" exchange market, this weakened sharply in the spring of 1938, owing to the withdrawal of support by the Central Bank. The latter had intervened where necessary since 1934 in the "free" exchange market, but, owing to the recent sharp fall in exports, the cost of doing so had seriously depleted the reserves destined to supply the official market.

The actual position of the Central Bank is very strong, the proportion of gold and foreign exchange reserves as at March 15th representing 84.78 of notes in circulation and other sight liabilities. The Central Bank continues smoothly to regulate the bases of credit, and, with that Institution's rediscount rate unchanged throughout 1937 at 3½ per cent., interest rates have remained at a low level, while the keen competition in the money market was reflected in the low rates of discount at which Treasury Bills continued to be placed regularly by tender. The Bank Investments Mobilising Institute which was formed in March, 1935, as an integral part of Argentina's financial organisation, indicated in its report for 1937 that there had been active liquidation of the frozen banking assets originally acquired by it.

During the first quarter of 1937 the Brazilian "free" exchange rate was steady at around 80 milreis to the £, subsequently improving gradually to 75. In September, however, a certain degree of stringency developed, probably owing to the shortage of coffee export bills and, in October, certain additional restrictions were placed upon exchange operations. By the end of October, the "free" rate was approaching 90, and, early in November, the Government announced their intention of modifying the coffee policy in an endeavour to recapture part of their lost world markets. This modification, so far as it affected exchange, took the form of abolishing the system whereby a proportion—usually 35 per cent.—of exchange arising from exports had to be sold to the Bank of Brazil at the official rate of about 56 milreis to the £. The result was an automatic increase in the supply of exchange to the "free" market.

About the same time, a new Federal Constitution was promulgated and the suspension of the External Debt service was announced. Following these vital economic and political changes, there was a temporary improvement in the value of the milreis, but the rapidly dwindling trade balance remained an adverse factor. An intensification of exchange control was brought about by Decrees passed at

the end of December and early in January by which the Bank of Brazil was granted a monopoly to purchase all export bills and transfers from abroad, and accounts in milreis of parties domiciled abroad were blocked. From the exchange acquired in this manner the Bank of Brazil supplies the Government's requirements, and the balance is distributed in specified order, preference being given to payments for imports. In order to avoid the protest of foreign import bills for which exchange is unobtainable at maturity, deposits in milreis are made on due date by the drawees at a provisional rate. Since the beginning of January, 1938, the Bank of Brazil have made periodical announcements regarding the distribution of exchange cover in payment of foreign import bills for which deposits in milreis at the stipulated provisional rate had been duly effected. Such cover was at first provided by them weekly for delivery within 60 days, but some improvement in the exchange situation was indicated on February 21st, when it was announced that exchange cover would be distributed daily for delivery in 30 days. Purchasers of exchange pay a tax of 3 per cent.

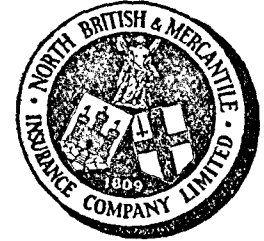
All aspects of Brazil's economy are so bound up with the coffee industry that the outlook will continue obscure pending definite indications of the result of her new competitive policy in world coffee markets. Although coffee exports now show a tendency to expand, there is much leeway to make up for the heavy cut in prices, whilst the vital problem of over-production still awaits solution. Whatever the immediate sacrifices incurred, it is to be hoped that Brazil will now adhere to the sound policy of placing the industry upon a basis regulated by the laws of supply and demand.

Although projects have been drawn up for the establishment of a Central Bank in Brazil, as also for regulating general banking operations, nothing concrete has recently transpired. The same remark applies to the powers in respect of the nationality of shareholders of foreign banks provided for in the new Brazilian Constitution. Public confidence in foreign banks is demonstrated by the fact that total deposits therein at end-September last—latest date available—were 1,733,504 contos, compared with combined capital and reserves of 173,267 contos, whilst, in the case of Brazilian banks, deposits were 6,898,542 contos, against total capital and reserves of 1,602,301 contos. Moreover, the deposits with the foreign banks were higher than the figure twelve months earlier of 1,584,135 contos.

Prices of all grades of coffee have fallen following Brazil's recent change of policy, and this is adversely affecting Colombia and the Central American "coffee" States, where currencies show signs of weakening and where there is, generally speaking, intensified effort to restrict imports and to control the exchange markets. Peru has avoided exchange control, and foreign trade has shown considerable expansion, but much will depend upon cotton prices.

Owing to the heavy demand for copper early in 1937, Chile's total exports in that year were almost double in value those of 1936. Steady contraction in exports over recent months, however, is again leading to exchange stringency, and there has been no relaxation of the strict exchange control. Credit is ably controlled by the Central Bank, however, and the position of the money market has continued normal. With the expansion in trade, total bank advances increased during 1937 by a little over 7 per cent., which was a satisfactory movement in the circumstances, as was also the position of the cash holdings of the banks.

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BANK	Year Ended	Profits	Dividend	Rate	Reserve	Premises	Staff	To Carry Forward		Profits a Year Ago
								Increase	Decrease	
ENGLISH	1937	£	£	%	£	£	£	£	£	£
Barclays.....	Dec. 31	2,133,825	1,562,202	{ A10, B & C 14 }	500,000	200,000	...	...	128,377	1,894,361
British Mutual	Dec. 31	22,461	18,000	10	5,000	100	...	...	639	21,570
District	Dec. 31	519,255	372,881	{ A&C17½ B 10 }	...	60,000	70,000	16,374	...	490,324
Lloyds	Dec. 31	1,832,501	1,347,465	{ A 12 B 5 }	400,000	100,000	...	...	14,963	1,743,955
London Merchant.....	Dec. 31	14,663	...	...	14,663	...	...	...	...	15,549
Martins	Dec. 31	853,566	665,607†	16†	...	75,000	100,000	12,959	...	769,988
Midland	Dec. 31	2,508,009	1,764,049	16	300,000	400,000	...	43,960	...	2,467,894
National Provincial	Dec. 31	1,874,960	1,421,912	15	500,000	100,000	250,000	...	396,952	1,770,173
Union of Manchester	Dec. 31	134,213	56,250	10	35,000	5,000	37,000	963	...	126,885
Westminster.....	Dec. 31	1,750,589	1,271,508††	{ A 18 B 12½ }	...	200,000	300,000	...	20,918	1,731,955
Williams Deacon's.....	Dec. 31	310,921	234,375	12½	...	30,000	...	46,546	...	293,636
Totals		11,954,963	8,714,249	...	1,754,663	1,170,100	757,000	120,802	561,849	11,326,290
SCOTTISH	1938									
Bank of Scotland	Feb. 28	313,253	204,164	12	50,000	25,000	30,000	...	105,911	317,713
British Linen	Jan. 15	290,203	150,000	16	100,000	40,000	...	203	...	293,388
	1937									
Clydesdale	Dec. 31	320,249	229,000†	16	50,000	20,000	35,000	13,750	...	315,518
Commercial of Scotland	Nov. 1	395,664	247,500	{ A 16 B 10 }	50,000	50,000	45,000	3,164	...	399,733
National of Scotland.....	Nov. 1	276,012	132,000	16	50,000	35,000	55,000	4,012	...	272,441
North of Scotland	Dec. 31	246,148	182,560	16	35,000	5,000	15,000	542	...	261,786
Royal of Scotland	Oct. 9	636,420	481,974	17	94,445	30,000	30,000	7,417	...	632,035
	1938									
Union of Scotland	Apr. 2	312,625	216,000	18	50,000	20,000	25,000	1,625	...	318,175
Totals		2,790,574	1,843,198	...	479,445	225,000	235,000	30,713	105,911	2,807,364
IRISH	1937									
Belfast Banking.....	Dec. 31	106,718	66,000	11	100,000	...	...	...	59,282	106,056
Northern	Dec. 31	82,251	71,875	{ A 11½ B 5½ }	25,000	1,272	...	2,073	...	99,017
Ulster	Dec. 31	183,873	140,000	14	50,000	...	...	...	6,127	182,602
Totals		372,842	277,875	...	175,000	1,272	...	2,073	65,409	387,675

† Includes Centenary Bonus.

†† Includes Bonus of 2 per cent. on the £4 shares.

BANK OF ENGLAND
END OF YEAR POSITION

Last Return of Year	Number of Branches	LIABILITIES								Total Liabilities or Assets	ASSETS				
		Capital	Per Cent.	Rest	Per Cent.	Note Circulation	Per Cent.	Post Bills	Per Cent.		Coin and Bullion	Per Cent.	Govt. Securities	Per Cent.	Other Securities
1910 ...	11	£ 14,553,000	14.2	£ 3,187,804	3.1	£ 28,610,215	28.0	£ 24,848	...	£ 55,962,890	54.7	£ 102,338,727	31.3	£ 34,349,568	33.6
1920 ...	10	14,553,000	4.3	3,338,587	1.0	132,851,150	39.0	7,639	...	189,859,334	55.7	340,610,710	128,267,670	37.6	86,028,242
1925 ...	10	14,553,000	4.4	3,344,696	1.1	144,730,510	43.6	2,021	...	169,044,292	51.0	331,674,489	144,556,367	43.6	83,837,526
1928 ...	10	14,553,000	2.8	3,381,508	0.6	388,242,899	73.8	2,500	...	119,970,102	22.8	526,150,059	159,306,490	30.3	311,882,028
1929 ...	10	14,553,000	2.8	3,390,838	0.7	379,573,841	74.0	1,984	...	115,666,738	22.5	513,186,401	150,548,712	29.4	311,761,133
1930 ...	9	14,553,000	2.7	3,400,255	0.6	368,801,506	65.5	1,264	...	175,189,157	31.2	561,945,242	152,640,787	27.2	325,174,789
1931 ...	9	14,553,000	2.6	3,417,512	0.6	364,150,042	65.4	1,071	...	174,471,488	31.4	556,593,093	125,401,728	22.6	349,065,659
1932 ...	9	14,553,000	2.7	3,430,563	0.6	371,193,057	69.4	1,510	...	145,035,194	27.2	534,213,324	124,309,107	23.3	368,598,410
1933 ...	9	14,553,000	2.5	3,421,526	0.6	391,981,846	68.7	1,429	...	159,916,147	28.2	569,873,948	195,228,035	34.3	342,245,007
1934 ...	9	14,553,000	2.6	3,436,737	0.6	405,163,800	72.5	...	...	135,422,521	24.3	558,576,058	195,234,129	35.0	344,114,924
1935 ...	9	14,553,000	2.6	3,428,981	0.6	424,506,785	75.3	...	...	121,333,662	21.5	563,822,428	201,914,149	35.8	339,211,232
1936 ...	9	14,553,000	2.1	3,451,737	0.5	467,406,210	67.5	...	...	202,185,316	29.9	687,317,263	314,223,879	45.7	334,332,960
1937 ...	9	14,553,000	2.1	3,441,563	0.5	505,317,131	73.0	...	...	168,591,894	24.4	691,903,588	327,243,763	47.2	334,300,927
1938 ...	9	14,553,000	2.1	3,441,563	0.5	505,317,131	73.0	...	...	168,591,894	24.4	691,903,588	327,243,763	47.2	334,300,927

BANK RATE SINCE 1853

Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average
1854 ...	2	5½	5	5.2	1875 ...	12	6	5½	5.7	1896 ...	3	4	3½	3.8
1855 ...	2	5½	5	5.2	1876 ...	12	6	5½	5.7	1897 ...	3	4	3½	3.8
1856 ...	2	5½	5	5.2	1877 ...	12	6	5½	5.7	1898 ...	3	4	3½	3.8
1857 ...	2	5½	5	5.2	1878 ...	12	6	5½	5.7	1899 ...	3	4	3½	3.8
1858 ...	2	5½	5	5.2	1879 ...	12	6	5½	5.7	1900 ...	3	4	3½	3.8
1859 ...	2	5½	5	5.2	1880 ...	12	6	5½	5.7	1901 ...	3	4	3½	3.8
1860 ...	2	5½	5	5.2	1881 ...	12	6	5½	5.7	1902 ...	3	4	3½	3.8
1861 ...	2	5½	5	5.2	1882 ...	12	6	5½	5.7	1903 ...	3	4	3½	3.8
1862 ...	2	5½	5	5.2	1883 ...	12	6	5½	5.7	1904 ...	3	4	3½	3.8
1863 ...	2	5½	5	5.2	1884 ...	12	6	5½	5.7	1905 ...	3	4	3½	3.8
1864 ...	2	5½	5	5.2	1885 ...	12	6	5½	5.7	1906 ...	3	4	3½	3.8
1865 ...	2	5½	5	5.2	1886 ...	12	6	5½	5.7	1907 ...	3	4	3½	3.8
1866 ...	2	5½	5	5.2	1887 ...	12	6	5½	5.7	1908 ...	3	4	3½	3.8
1867 ...	2	5½	5	5.2	1888 ...	12	6	5½	5.7	1909 ...	3	4	3½	3.8
1868 ...	2	5½	5	5.2	1889 ...	12	6	5½	5.7	1910 ...	3	4	3½	3.8
1869 ...	2	5½	5	5.2	1890 ...	12	6	5½	5.7	1911 ...	3	4	3½	3.8
1870 ...	2	5½	5	5.2	1891 ...	12	6	5½	5.7	1912 ...	3	4	3½	3.8
1871 ...	2	5½	5	5.2	1892 ...	12	6	5½	5.7	1913 ...	3	4	3½	3.8
1872 ...	2	5½	5	5.2	1893 ...	12	6	5½	5.7	1914 ...	3	4	3½	3.8
1873 ...	2	5½	5	5.2	1894 ...	12	6	5½	5.7	1915 ...	3	4	3½	3.8
1874 ...	2	5½	5	5.2	1895 ...	12	6	5½	5.7	1916 ...	3	4	3½	3.8

POSITION OF THE BANK OF ENGLAND FROM MAY 5, 1937, TO APRIL 27, 1938

(000's omitted)																	
Date	Issue Department		Banking Department			Gold in or out of Bank (a)	Bank Rate	Issue Department		Both Depts.		Banking Department					
	Notes Issued	Circulation	Public Deposits	Bankers' Deposits	Other Deposits			Govt. Debt and Securities	Other Securities	Gold Coin and Bullion and Reserve Ratio	Govt. Securities	Discounts and Advances	Other Securities	Reserve and the "Proportion"			
1937	£	£	£	£	£	£	%	£	£	£	%	£	£	£	£	%	
May 5	513,682	475,159	16,381	97,175	37,661	Nil	2	195,129	4,860	314,611	50 1/2	103,095	5,441	20,962	39,452	26 1/2	
12	518,662	479,909	32,520	87,664	37,185	5,000 in	2	195,158	4,834	319,526	50 1/2	108,338	5,893	21,275	39,616	25 1/2	
19	521,261	481,433	19,194	97,431	37,580	2,600 in	2	194,622	5,367	322,149	50 1/2	103,273	6,571	21,420	40,716	26 1/2	
26	521,261	475,220	24,864	91,372	37,480	Nil	2	194,660	5,331	322,121	51 1/2	99,472	4,865	20,267	46,901	30 1/2	
June 2	521,261	475,553	10,232	109,499	37,301	Nil	2	194,740	5,246	322,090	50 1/2	100,822	4,749	20,736	46,537	29 1/2	
9	521,261	476,541	10,687	107,429	36,776	Nil	2	195,103	4,885	322,154	51 1/2	101,203	4,833	21,074	45,613	29 1/2	
16	521,261	479,781	10,013	102,261	37,151	Nil	2	195,156	4,834	322,170	51 1/2	101,329	3,738	19,854	42,389	28 1/2	
23	521,261	483,719	15,459	94,987	37,186	5,145 in	2	195,112	4,878	327,308	51 1/2	98,028	3,756	20,178	43,389	29 1/2	
30	526,407	488,444	10,785	140,533	40,155	Nil	2	195,152	4,839	327,320	48 1/2	140,603	6,279	23,680	38,876	20 1/2	
July 7	526,407	494,425	15,255	88,541	37,155	Nil	2	195,098	4,889	327,294	51 1/2	96,625	9,035	20,493	32,570	23 1/2	
14	526,407	493,406	23,121	89,173	37,129	Nil	2	195,162	4,829	327,354	50 1/2	103,961	8,819	20,743	33,949	22 1/2	
21	526,407	493,133	17,502	97,181	38,150	Nil	2	195,064	4,925	327,379	50 1/2	107,449	5,830	23,369	34,246	22 1/2	
28	526,407	498,339	10,529	104,259	37,322	Nil	2	196,150	3,836	327,516	50 1/2	114,410	5,812	20,815	29,177	19 1/2	
Aug. 4	526,407	503,877	9,810	95,491	36,995	Nil	2	196,801	3,193	327,521	50 1/2	110,205	6,445	20,146	23,644	16 1/2	
11	526,407	497,867	19,036	93,574	36,383	Nil	2	198,139	1,852	327,628	50 1/2	111,130	5,907	20,340	29,761	19 1/2	
18	526,407	490,971	28,540	88,500	36,531	Nil	2	198,482	1,505	327,776	50 1/2	107,137	6,187	21,629	36,801	23 1/2	
25	526,407	488,267	25,377	92,819	35,998	Nil	2	199,311	679	327,861	50 1/2	108,837	4,318	19,643	33,594	25 1/2	
Sept. 1	526,407	490,310	14,111	104,172	36,531	Nil	2	199,287	703	327,960	50 1/2	109,275	5,368	20,755	37,651	24 1/2	
8	526,407	489,148	11,969	105,702	36,256	Nil	2	199,309	679	328,026	51 1/2	107,142	5,121	21,030	38,878	25 1/2	
15	526,407	488,153	12,463	108,397	36,091	Nil	2	199,661	327	328,048	50 1/2	109,073	5,938	21,199	39,895	25 1/2	
22	526,407	485,970	15,664	105,601	26,243	Nil	2	199,670	320	328,032	51 1/2	106,868	5,208	21,641	42,062	26 1/2	
29	526,407	488,470	21,805	95,122	37,179	Nil	2	199,686	304	328,068	51 1/2	105,838	6,191	20,768	39,598	25 1/2	
Oct. 6	526,407	491,834	17,954	102,131	36,805	Nil	2	199,693	297	328,104	50 1/2	106,533	10,837	20,897	36,270	23 1/2	
13	526,407	489,859	26,060	92,921	36,413	Nil	2	199,409	579	328,145	50 1/2	105,068	9,248	20,437	38,286	24 1/2	
20	526,407	484,346	29,774	89,329	36,232	Nil	2	199,446	542	328,061	51 1/2	99,603	6,468	23,250	43,714	28 1/2	
27	526,407	483,148	32,174	87,679	36,595	Nil	2	199,244	746	328,024	51 1/2	100,238	8,109	20,909	44,876	28 1/2	
Nov. 3	526,407	485,909	30,285	89,435	36,632	Nil	2	199,129	857	327,992	51 1/2	103,413	7,820	20,751	42,083	26 1/2	
10	526,407	485,573	30,679	90,909	36,094	Nil	2	199,153	838	327,935	50 1/2	103,908	8,413	20,743	42,362	26 1/2	
17	546,407	481,108	33,172	86,698	36,141	Nil	2	219,152	838	327,952	51 1/2	76,613	9,029	21,301	66,845	42 1/2	
24	546,407	480,374	35,358	83,598	36,348	Nil	2	218,752	1,238	327,952	51 1/2	76,153	8,601	20,868	67,487	43 1/2	
Dec. 1	546,407	485,676	11,985	105,673	36,566	Nil	2	219,339	649	327,697	51 1/2	78,823	10,522	20,708	62,021	40 1/2	
8	546,407	492,801	11,742	106,310	36,658	Nil	2	219,700	289	327,579	50 1/2	87,243	9,641	20,955	54,748	35 1/2	
15	546,407	501,954	11,432	103,382	36,463	Nil	2	219,702	288	327,563	50 1/2	95,008	7,849	20,717	45,609	30 1/2	
22	546,407	509,315	10,722	98,216	36,497	Nil	2	219,701	287	327,303	50 1/2	96,458	7,486	21,500	37,988	26 1/2	
29	546,407	505,317	11,384	120,641	35,587	Nil	2	219,703	287	327,303	48 1/2	114,598	9,205	20,867	41,916	24 1/2	
1938																	
Jan. 5	546,407	492,576	14,442	129,234	37,387	Nil	2	219,696	292	327,109	48 1/2	108,338	15,088	21,137	54,533	30 1/2	
12	546,407	492,132	13,190	123,368	36,780	Nil	2	219,694	295	327,064	49 1/2	90,168	15,795	20,508	64,931	37 1/2	
19	526,407	475,671	11,051	124,358	36,938	Nil	2	199,683	305	326,991	50 1/2	104,368	12,966	21,766	51,319	29 1/2	
26	526,407	473,198	13,555	113,072	37,349	Nil	2	199,433	556	326,961	51 1/2	98,943	10,428	18,957	53,764	32 1/2	
Feb. 2	526,407	476,694	11,404	111,383	36,591	Nil	2	199,037	954	326,988	51 1/2	98,078	10,478	18,672	50,293	31 1/2	
9	526,407	476,071	16,077	102,907	35,549	Nil	2	199,327	662	326,988	51 1/2	93,273	9,559	18,957	50,917	32 1/2	
16	526,407	474,083	15,772	106,405	35,496	Nil	2	199,332	657	327,130	51 1/2	97,863	6,155	18,808	53,047	33 1/2	
23	526,407	474,524	16,376	105,600	35,536	Nil	2	199,337	653	327,181	51 1/2	97,426	6,517	19,454	52,637	33 1/2	
Mar. 2	526,407	478,344	11,426	115,711	36,023	Nil	2	199,607	381	327,172	51 1/2	104,446	7,076	21,043	48,829	29 1/2	
9	523,407	479,260	12,571	114,289	36,091	Nil	2	199,960	28	327,232	50 1/2	105,221	6,524	21,473	47,972	29 1/2	
16	526,407	479,476	11,109	119,046	35,667	Nil	2	199,965	23	327,249	50 1/2	112,206	3,640	20,464	47,773	28 1/2	
23	526,407	479,485	15,557	109,143	36,647	Nil	2	199,185	807	327,277	51 1/2	105,086	6,635	20,095	47,792	29 1/2	
30	526,407	485,410	17,767	108,132	37,383	Nil	2	199,190	800	327,234	50 1/2	110,816	8,702	20,220	41,824	25 1/2	
April 6	526,407	489,694	12,833	112,447	36,760	Nil	2	199,963	23	327,250	50 1/2	111,886	10,120	20,174	37,556	23 1/2	
13	526,407	497,248	17,732	103,951	35,995	Nil	2	199,838	150	327,231	49 1/2	116,136	9,598	19,648	29,982	19 1/2	
20	526,407	495,577	18,027	106,461	36,125	Nil	2	199,618	373	327,221	49 1/2	117,616	8,231	20,823	31,614	19 1/2	
27	526,407	489,262	10,800	113,228	36,512	Nil	2	199,618	373	327,223	50 1/2	113,696	7,064	19,379	37,961	23 1/2	

COMPARATIVE STATEMENTS

JOINT STOCK BANKS OF ENGLAND AND WALES (EXCLUDING BANK OF ENGLAND)

Year	Banks	No. of Branches	Capital and Reserves	% of Liabilities	Deposits	% of Liabilities	Acceptances	% of Liabilities	Total Liabilities	Cash in Hand and Money at Call & Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1890	104	2,203	£ 67,826,000	14.5	£ 368,663,000	79.4	£ 22,693,000	4.9	£ 464,075,000	£ 83,955,000	18.0	£ 182,816,000	17.8	£ 269,507,000	58.0
1895	99	2,690	£ 69,213,000	12.4	£ 455,561,000	81.6	£ 23,724,000	4.2	£ 558,744,000	£ 111,208,000	19.9	£ 107,498,000	19.2	£ 311,678,000	56.7
1900	77	3,757	£ 73,847,000	11.3	£ 586,726,000	84.0	£ 21,530,000	3.0	£ 698,762,000	£ 144,400,000	20.7	£ 127,766,000	18.3	£ 395,313,000	56.6
1905	59	4,558	£ 82,010,000	10.8	£ 627,529,000	82.6	£ 39,225,000	5.2	£ 758,712,000	£ 179,530,000	23.6	£ 131,731,000	17.3	£ 401,485,000	52.9
1910	45	5,202	£ 80,946,000	9.4	£ 720,687,000	83.6	£ 52,263,000	6.0	£ 862,134,000	£ 199,724,000	23.0	£ 137,711,000	16.8	£ 467,880,000	54.3
1915	37	6,027	£ 81,731,000	7.1	£ 992,555,000	86.4	£ 62,512,000	5.5	£ 1,146,807,000	£ 262,453,000	22.9	£ 310,771,000	14.2	£ 503,617,000	43.9
1917	34	6,004	£ 84,475,000	5.5	£ 1,365,297,000	89.2	£ 65,775,000	4.3	£ 1,528,631,000	£ 427,855,000	28.0	£ 339,631,000	24.6	£ 685,677,000	44.9
1918	26	6,501	£ 92,902,000	5.3	£ 1,583,412,000	90.9	£ 68,850,000	3.4	£ 1,742,724,000	£ 481,220,000	27.6	£ 347,230,000	22.2	£ 834,668,000	47.9
1919	21	7,195	£ 106,273,000	5.0	£ 1,874,184,000	87.9	£ 151,138,000	7.1	£ 2,137,908,000	£ 452,755,000	21.3	£ 398,611,000	20.0	£ 1,129,582,000	53.0
1920	20	7,612	£ 128,154,000	5.8	£ 1,961,527,000	89.0	£ 102,920,000	4.7	£ 2,200,317,000	£ 449,153,000	20.4	£ 368,734,000	18.7	£ 1,263,091,000	57.4
1921	20	7,963	£ 129,131,000	5.9	£ 1,974,898,000	90.0	£ 74,166,000	3.4	£ 2,185,438,000	£ 438,519,000	20.0	£ 375,564,000	16.7	£ 1,280,171,000	58.3
1922	20	8,235	£ 129,173,000	6.3	£ 1,833,971,000	89.0	£ 85,687,000	4.2	£ 2,056,242,000	£ 423,092,000	20.6	£ 424,413,000	17.1	£ 1,102,643,000	53.7
1923	19	8,491	£ 129,004,000	6.2	£ 1,822,067,000	88.1	£ 111,490,000	5.4	£ 2,069,847,000	£ 413,532,000	20.0	£ 404,392,000	20.6	£ 1,116,866,000	54.0
1924	18	8,676	£ 132,103,000	6.3	£ 1,813,513,000	86.9	£ 132,318,346	6.3	£ 2,085,016,802	£ 437,889,000	20.9	£ 361,416,000	19.5	£ 1,132,070,000	54.3
1925	18	8,873	£ 134,846,000	6.5	£ 1,806,810,000	87.1	£ 125,005,000	6.0	£ 2,073,810,000	£ 441,787,000	21.3	£ 317,572,000	17.3	£ 1,167,952,000	56.3
1926	18	9,105	£ 138,717,000	6.6	£ 1,848,174,000	87.9	£ 108,686,000	5.2	£ 2,102,747,000	£ 444,014,000	21.1	£ 307,661,000	15.3	£ 1,208,975,000	57.5
1927	17	9,381	£ 139,444,000	6.4	£ 1,892,948,000	86.8	£ 140,159,000	6.4	£ 2,179,372,000	£ 492,652,000	22.6	£ 290,544,000	14.6	£ 1,220,983,000	56.0
1928	16	9,595	£ 141,516,505	6.1	£ 1,951,477,697	83.5	£ 237,140,923	10.1	£ 2,337,234,765	£ 493,841,201	21.1	£ 293,156,061	13.3	£ 1,268,803,467	54.3
1929	16	9,816	£ 141,593,545	6.3	£ 1,911,007,360	85.4	£ 179,295,205	8.0	£ 2,238,855,706	£ 481,341,704	21.5	£ 285,176,223	12.5	£ 1,250,763,477	55.8
1930	16	10,082	£ 144,323,133	6.4	£ 1,976,805,092	87.6	£ 128,023,846	5.7	£ 2,255,681,859	£ 472,358,357	20.9	£ 329,286,947	12.7	£ 1,281,039,732	56.8
1931	16	10,178	£ 134,472,636	6.5	£ 1,820,986,812	87.9	£ 109,740,433	5.3	£ 2,071,539,059	£ 414,540,355	20.0	£ 329,472,822	14.6	£ 1,165,818,695	56.3
1932	16	10,066	£ 135,224,636	5.9	£ 2,064,334,875	89.5	£ 96,673,580	4.2	£ 2,302,302,796	£ 446,214,089	19.4	£ 520,853,312	22.6	£ 1,188,312,612	51.6
1933	16	10,060	£ 135,352,136	5.9	£ 2,025,230,732	88.5	£ 122,069,412	5.2	£ 2,288,936,892	£ 446,089,501	19.5	£ 612,298,669	26.8	£ 1,057,004,290	46.1
1934	16	10,086	£ 137,709,293	5.9	£ 2,061,910,349	88.1	£ 131,156,679	5.6	£ 2,337,238,827	£ 477,430,516	20.4	£ 636,807,780	27.2	£ 1,040,932,750	44.5
1935	15	10,118	£ 137,741,609	5.7	£ 2,172,713,497	89.5	£ 109,137,702	4.5	£ 2,425,754,979	£ 498,889,932	20.6	£ 653,702,429	27.0	£ 1,113,833,463	45.9
1936	15	10,074	£ 138,529,709	5.5	£ 2,329,107,565	92.1	£ 85,564,837	3.4	£ 2,529,458,732	£ 566,088,487	22.2	£ 691,628,326	30.0	£ 1,173,840,689	46.4
1937	15	10,097	£ 142,056,407	5.4	£ 2,348,198,851	90.0	£ 117,880,182	4.5	£ 2,614,250,601	£ 522,103,210	20.0	£ 663,858,022	25.4	£ 1,263,082,359	48.4

PRIVATE BANKS

Year	Number of Banks	LIABILITIES						ASSETS					
		Capital and Reserves	Notes	Miscellaneous	Deposits	Total Liabilities or Assets	Cash in Hand and Money at Call and Notice	Investments	Discounts and Advances	Total Liabilities or Assets	Cash in Hand and Money at Call and Notice	Investments	Discounts and Advances
1895	38	£ 11,834,400	£ 412,600	£ 2,864,800	£ 70,372,000	£ 85,483,700	£ 20,476,300	£ 25,099,700	£ 36,320,000	£ 85,483,700	£ 20,476,300	£ 25,099,700	£ 36,320,000
1900	19	£ 6,192,800	£ 151,750	£ 1,264,100	£ 40,420,500	£ 48,029,200	£ 10,523,400	£ 14,633,700	£ 20,919,600	£ 48,029,200	£ 10,523,400	£ 14,633,700	£ 20,919,600
1905	12	£ 4,393,900	£ 83,500	£ 1,018,000	£ 27,775,000	£ 33,270,400	£ 7,271,500	£ 10,150,500	£ 14,738,600	£ 33,270,400	£ 7,271,500	£ 10,150,500	£ 14,738,600
1910	9	£ 5,535,100	£ 57,920	£ 1,096,700	£ 26,808,000	£ 30,369,900	£ 6,478,000	£ 8,113,100	£ 15,912,700	£ 30,369,900	£ 6,478,000	£ 8,113,100	£ 15,912,700
1915	7	£ 3,180,707	£ 60,400	£ 786,018	£ 32,890,739	£ 37,168,216	£ 8,038,863	£ 8,879,329	£ 18,635,160	£ 37,168,216	£ 8,038,863	£ 8,879,329	£ 18,635,160
1917	7	£ 3,189,219	£ 93,755	£ 675,379	£ 44,698,800	£ 49,035,099	£ 12,007,542	£ 10,100,618	£ 25,135,069	£ 49,035,099	£ 12,007,542	£ 10,100,618	£ 25,135,069
1918	7	£ 3,735,082	£ 122,930	£ 821,153	£ 51,271,230	£ 56,950,395	£ 13,183,181	£ 14,325,897	£ 31,728,558	£ 56,950,395	£ 13,183,181	£ 14,325,897	£ 31,728,558
1919	6	£ 3,536,591	£ 60,400	£ 1,188,226	£ 56,246,064	£ 61,124,571	£ 11,537,610	£ 6,186,350	£ 35,501,368	£ 61,124,571	£ 11,537,610	£ 6,186,350	£ 35,501,368
1920	5	£ 3,123,098	£ 5.7	£ 1,024,656	£ 50,864,631	£ 55,012,385	£ 8,484,742	£ 6,108,554	£ 36,214,429	£ 55,012,385	£ 8,484,742	£ 6,108,554	£ 36,214,429
1921	5	£ 3,186,738	£ 6.1	£ 970,412	£ 48,306,822	£ 52,463,972	£ 8,593,043	£ 11,524,744	£ 33,301,519	£ 52,463,972	£ 8,593,043	£ 11,524,744	£ 33,301,519
1922	8	£ 3,813,420	£ 6.8	£ 1,124,254	£ 50,955,682	£ 55,893,356	£ 3,185,610	£ 5,159,713	£ 27,756,144	£ 55,893,356	£ 3,185,610	£ 5,159,713	£ 27,756,144
1923	5	£ 2,816,442	£ 7.2	£ 2,557,537	£ 33,485,334	£ 38,859,363	£ 2,590,161	£ 6,021,018	£ 22,933,848	£ 38,859,363	£ 2,590,161	£ 6,021,018	£ 22,933,848
1924	4	£ 2,575,000	£ 7.1	£ 4,431,214	£ 29,151,063	£ 36,157,277	£ 2,809,784	£ 5,131,034	£ 22,287,452	£ 36,157,277	£ 2,809,784	£ 5,131,034	£ 22,287,452
1925	4	£ 2,625,000	£ 7.4	£ 4,968,029	£ 27,780,929	£ 35,373,958	£ 3,597,586	£ 4,670,175	£ 24,104,002	£ 35,373,958	£ 3,597,586	£ 4,670,175	£ 24,104,002
1926	4	£ 2,675,000	£ 7.2	£ 4,573,707	£ 29,928,971	£ 37,177,678	£ 3,613,589	£ 6,417,668	£ 22,912,522	£ 37,177,678	£ 3,613,589	£ 6,417,668	£ 22,912,522
1927	4	£ 2,775,000	£ 7.2	£ 5,530,068	£ 30,366,826	£ 38,671,894	£ 4,072,927	£ 5,820,754	£ 24,169,112	£ 38,671,894	£ 4,072,927	£ 5,820,754	£ 24,169,112
1928	4	£ 3,300,000	£ 7.9	£ 7,398,759	£ 31,004,479	£ 41,703,238	£ 4,263,007	£ 6,081,262	£ 29,730,437	£ 41,703,238	£ 4,263,007	£ 6,081,262	£ 29,730,437
1929	4	£ 3,450,000	£ 8.7	£ 7,077,700	£ 29,182,776	£ 39,710,476	£ 3,794,203	£ 6,081,262	£ 29,730,437	£ 39,710,476	£ 3,794,203	£ 6,081,262	£ 29,730,437
1930	4	£ 3,475,000	£ 9.5	£ 6,414,745	£ 26,790,316	£ 36,680,061	£ 2,059,269	£ 2,219,390	£ 20,908,349	£ 36,680,061	£ 2,059,269	£ 2,219,390	£ 20,908,349
1931	4	£ 3,175,000	£ 10.5	£ 4,663,988	£ 22,246,034	£ 30,745,893	£ 2,262,439	£ 2,737,529	£ 11,879,072	£ 30,745,893	£ 2,262,439	£ 2,737,529	£ 11,879,072
1932	4	£ 2,425,000	£ 11.7	£ 3,413,679	£ 14,907,214	£ 21,757,792	£ 2,740,484	£ 2,861,751	£ 12,924,038	£ 21,757,792	£ 2,740,484	£ 2,861,751	£ 12,924,038
1933	4	£ 2,425,000	£ 11.1	£ 2,880,952	£ 16,451,840	£ 14,054,324	£ 4,121,418	£ 2,748,714	£ 3,664,703	£ 14,054,324	£ 4,121,418	£ 2,748,714	£ 3,664,703
1934	4	£ 3,165,000	£ 22.6	£ 2,757,272	£ 19,132,052	£ 15,121,195	£ 4,903,053	£ 2,803,933	£ 3,846,868	£ 15,121,195	£ 4,903,053	£ 2,803,933	£ 3,846,868
1935	4	£ 3,165,000	£ 20.9	£ 2,751,486	£ 18,290,709	£ 16,423,434	£ 5,886,031	£ 2,983,239	£ 3,712,600	£ 16,423,434	£ 5,886,031	£ 2,983,239	£ 3,712,600
1936	4	£ 3,165,000	£ 19.3	£ 3,026,456	£ 18,410,231	£ 13,142,404	£ 3,008,127	£ 2,217,475	£ 5,352,154	£ 13,142,404	£ 3,008,127	£ 2,217,475	£ 5,352,154
1937	3	£ 2,150,000	£ 16.4	£ 2,202,237	£ 8,730,167	£ 13,142,404	£ 3,008,127	£ 2,217,475	£ 5,352,154	£ 13,142,404	£ 3,008,127	£ 2,217,475	£ 5,352,154

JOINT STOCK BANKS OF SCOTLAND

Year	Banks	No. of Branches	Capital and Reserves	% of Liabilities	Deposits	% of Liabilities	Notes
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ENGLISH JOINT STOCK BANKS

1 Name of Bank	2 Date	3 No. of Branches & Sub-branches	4 Capital Subscribed	5 Uncalled Capital		6 Capital Paid up	7 Reserve Funds	8 Dividend payable and undivided Profits	9 Notes in Circulation (d)	10 Drafts, etc.	11 Acceptances and Endorsements
				Callible	Reserved						
1 Barclays Bank	Dec. 31, '37	2,122	15,358,217	Nil	Nil	15858217	10750000	...	...	...	8,532,516
2 Baring Bros. & Co....	Dec. 31, '37	1	2,050,000	Nil	Nil	2,050,000	1,000,000	22,473	...	...	3,158,659
3 Brit. Mut. Bankg. Co.	Dec. 31, '37	None	300,000	120,000	Nil	180,000	135,700	27,074	...	...	...
4 Coutts and Co.	Dec. 31, '37	4	1,000,000	Un-limited	...	1,000,000	1,000,000	...	...	...	744,173
5 District Bank	Dec. 31, '37	559	10,560,428	1,264,000	6,320,000	2,976,428	2,976,428	480,365	...	...	9,346,536
6 Glyn Mills and Co....	Dec. 31, '37	2	1,060,000	Un-limited	...	1,060,000	820,000	...	...	...	3,222,131
7 Isle of Man Bank ...	Dec. 31, '37	10	300,000	Un-limited	200,000	100,000	252,000	20,358	99,387	394	...
8 Lloyds Bank	Dec. 31, '37	1,904	73,302,076	3,593,239	53,898,585	15810252	9,500,000	1198437	6,948	...	28,511,965
9 London Merch. Bank	Dec. 31, '37	None	1,350,000	525,000	Nil	825,000	...	...	...	...	661,281
10 Martins Bank	Dec. 31, '37	562	20,602,272	5,167,558	11,274,672	4,160,042	3,500,000	683,410	21,218	...	9,818,362
11 Midland Bank	Dec. 31, '37	2,137	42,409,061	7,172,697	20,083,553	15152811	12404799	1500213	...	...	20,729,945
12 National Provincial...	Dec. 31, '37	1,327	43,617,080	5,839,611	28,298,053	9,479,416	8,500,000	573,714	...	...	9,531,975
13 Union Bk. of Mchstr.	Dec. 31, '37	169	1,500,000	750,000	Nil	750,000	500,000	15,476	...	...	1,150,655
14 Westminster Bank...	Dec. 31, '37	1,094	30,533,127	7,070,990	14,141,980	9,320,157	9,320,157	1184805	13,461	...	20,945,433
15 Williams Deacon's Bk	Dec. 31, '37	206	8,125,000	1,562,500	4,687,500	1,875,000	800,000	267,428	...	...	1,526,551
Totals		10097	252567261	33065595	138704343	80597323	61459084	5973753	141,014	394	117880182

(d) In Isle of Man.

SCOTTISH BANKS

1 Bank of Scotland	Feb. 28, '38	264	2,400,000	750,000	Nil	2,400,000	2,050,000	252,999	3,363,767	388,512	3,712,585
2 British Linen Bank....	Jan. 15, '38	215	1,250,000	Nil	Nil	1,250,000	2,500,000	173,948	2,635,669	338,918	906,551
3 Clydesdale Bank	Dec. 31, '37	207	5,300,000	Nil	4,000,000	1,300,000	1,750,000	247,173	2,900,981	...	755,725
4 Com. Bank of Scotland	Nov. 1, '37	380	7,500,000	2,450,000	2,800,000	2,250,000	3,100,000	192,144	3,768,419	...	3,380,406
5 Nat. Bk. of Scotland	Nov. 1, '37	191	5,000,000	900,000	3,000,000	1,100,000	1,800,000	220,077	2,881,209	...	2,608,672
6 N. of Scotland Bank	Dec. 31, '37	161	3,260,000	163,000	1,956,000	1,141,000	1,300,000	190,606	2,302,208	...	...
7 Royal Bank of Scot.	Oct. 9, '37	256	3,780,192	Nil	Nil	3,780,192	4,038,617	240,987	3,021,131	910,352	4,226,203
8 Union Bank of Scot.	Apr. 2, '38	215	5,200,000	Nil	4,000,000	1,200,000	1,800,000	369,605	2,662,235	...	1,025,347
Totals		1,889	33,690,192	4,263,000	15,756,000	14,421,192	18,338,617	1,887,539	23,535,619	1,637,782	16,615,489

NORTHERN IRISH BANKS

1 Belfast Banking Co.	Dec. 31, '37	51	2,500,000	200,000	1,500,000	800,000	900,000	88,707	1,006,618	...	...
2 Northern Bank, Ltd.	Dec. 31, '37	93	3,500,000	700,000	2,100,000	700,000	500,000	68,738	1,242,957	...	149,079
3 Ulster Bank	Dec. 31, '37	115	3,000,000	Nil	2,000,000	1,000,000	1,000,000	78,343	1,629,743	44,902	...
Totals		259	9,000,000	900,000	5,600,000	2,500,000	2,400,000	235,788	3,879,318	44,902	149,079

PRIVATE BANKS

1 Name of Bank	2 Date	3 Partners' Capital and Reserve	4 Deposit and Current Accounts	5 Miscellaneous	6 Total Liabilities	7 Cash on Hand, etc., at Call and Short Notice	8 Investments	9 Advances, Bills, Loans, and Other Securities	10 Miscellaneous (Premises, etc.)	11 Total Assets
1 Blydenstein (B. W.) & Co.	1937 Sept. 30	100,000	2,596,391	2,463	2,698,854	189,643	298,132	2,186,205	24,874	2,698,854
2 Hoare (Chas.) & Co.	July 5	500,000	3,686,793	...	4,186,793	977,761	1,284,119	1,824,913	100,000	4,186,793
3 S. Japhet & Co.	Dec. 31	1,550,000	2,446,983	2,259,774	6,256,757	1,840,723	635,224	1,341,036	2,439,774	6,256,757
Totals		2,150,000	8,730,167	2,262,237	13,142,404	3,008,127	2,217,475	5,352,154	2,564,648	13,142,404

ENGLISH JOINT STOCK BANKS

11 Deposit and Current Accounts	12 TOTAL LIABILITIES AND ASSETS	13 Cash		14 Investments		15 Discounts and Advances		16 Premises and Sundries, including Cover for Acceptances	17 Name of Bank
		In Hand and at Bank of England	At Call and Short Notice	British Govt. Secs. Where Stated Separately	Bonds, Stocks and Other Investments	Discounts Where Stated Separately	Advances, Loans, etc.		
434,645,323	469,786,056	70,783,320	27,068,850	95,033,196	14,358,742	50,362,681	196,264,896	15,914,371	Barclays Bank.
19,257,111	25,488,243	5,329,951	...	6,270,740	2,387,215	5,136,029	...	6,364,308	Baring Bros. & Co.
1,053,835	1,396,609	152,942	...	40,916	605,392	...	580,825	16,534	Brit. Mut. Bankg. Co.
23,441,396	26,185,569	3,187,199	2,244,650	5,444,760	3,456,157	1,423,167	9,273,463	1,156,173	Coutts & Co.
81,059,979	96,839,736	11,693,311	8,283,450	27,036,381	2,585,232	5,479,737	30,834,823	10,926,802	District Bank.
37,375,503	42,477,634	8,845,095	9,349,950	9,387,894	1,164,705	656,589	9,111,270	3,962,131	Glyn Mills and Co.
3,280,270	3,752,409	460,758	...	1,866,116	962,132	...	433,403	30,000	Isle of Man Bank.
410,070,661	465,098,263	63,908,329	24,541,244	97,111,458	20,470,807	43,017,115	180,008,557	36,040,753	Lloyds Bank.
196,988	1,683,269	35,050	210,000	32,515	45,142	55,873	442,350	862,339	London Merch. Bank.
95,508,182	113,691,214	14,526,656	7,275,000	24,203,108	7,189,172	3,850,442	44,181,798	12,465,038	Martins Bank.
496,296,378	546,084,146	72,669,102	25,449,442	114,995,983	11,201,851	83,158,554	208,198,219	30,410,995	Midland Bank.
320,537,671	348,622,776	44,987,206	21,845,490	79,356,381	10,064,203	35,098,267	140,445,454	16,825,775	National Provincial.
18,055,995	20,472,126	6,403,576	...	1,523,927	553,767	341,327	10,049,171	1,600,358	Union Bk. of Mchstr.
368,855,148	409,639,161	52,461,734	27,898,633	110,252,251	4,753,244	51,781,304	136,454,623	26,037,372	Westminster Bank.
38,564,411	43,033,390	6,455,589	6,036,683	10,487,245	1,017,390	2,085,549	14,356,873	2,594,061	Williams Deacon's Bk.
2348198851	2614250601	361,899,818	160,203,392	583,042,871	80,815,151	282,446,634	980,635,725	165,207,010	Totals.

SCOTTISH BANKS

39,298,450	51,466,313	5,627,456	4,798,000	25,190,222	921,572	883,190	9,868,288	4,177,585	Bank of Scotland.
38,153,162	45,958,248	10,786,866	...	23,315,520	436,203	...	10,131,223	1,288,436	British Linen Bank.
37,401,462	44,355,341	6,094,744	4,589,800	14,130,557	4,620,503	642,161	12,895,409	1,382,167	Clydesdale Bank.
46,055,659	58,746,628	8,773,534	2,944,500	26,611,296	274,490	1,178,807	14,633,595	4,330,406	Com. Bank of Scot.
37,002,384	45,612,342	5,389,478	4,536,000	17,715,813	926,199	1,356,625	12,527,832	3,160,395	Nat. Bank of Scot.
29,432,825	34,366,639	4,448,602	1,857,500	19,554,928	610,585	125,975	7,592,764	176,285	N. of Scotland.
69,674,162	85,891,644	7,673,577	8,024,182	27,718,846	5,849,820	3,883,250	27,371,314	5,370,655	Royal Bank of Scot.
33,436,818	40,494,005	2,769,693	4,984,881	15,970,043	3,678,096	1,416,375	10,239,116	1,435,801	Union Bank of Scot.
330,454,922	406,891,160	51,563,950	31,734,863	170,207,225	17,317,468	9,486,383	105,259,541	21,321,730	Totals.

NORTHERN IRISH BANKS

13,783,282	16,578,607	1,716,601	...	7,011,368	629,861	211,413	6,967,049	42,315	Belfast Banking Co.
13,668,799	16,329,573	1,561,142	...	4,642,620	1,495,116	...	8,181,616	449,079	Northern Bank, Ltd.
21,641,750	25,394,738	2,476,712	...	11,496,593	1,423,315	...	9,710,551	287,567	Ulster Bank.
49,093,831	58,302,918	5,754,455	...	23,150,581	3,548,292	211,413	24,859,216	778,961	Totals.

DISCOUNT COMPANIES

1 Name of Bank	2 Date	3 Capital and Reserves	4 Loans, Deposits, etc. (Inc. Undivided Profits)	5 Bills Rediscounted	6 Rebate, etc.	7 Total Liabilities	8 Cash at Bankers	9 Investments	10 Bills Discounted	11 Loans and Sundry Accounts	12 Total Assets
Alexanders ...	1937 Dec. 31	2,000,000	26,683,054	1,374,670	152,748	30,424,973	653,126	14,014,462	15,387,020	370,364	30,424,973
National	Dec. 31	2,050,000	37,408,746	16,769,534	355,645	56,890,088	1,041,597	12,400,070	43,057,739	390,682	56,890,088
Union of Lond.	Dec. 31	3,750,000	56,152,939	10,167,314	358,454	70,760,877	1,562,630	9,542,486	57,011,303	2,206,039	70,760,877
Totals..		7,800,000	120,244,739	28,311,518	866,847	158,075,938	3,257,353	35,957,018	115,456,062	2,967,085	158,075,938

JOINT STOCK BANKS OF ENGLAND AND WALES

BARCLAYS BANK LIMITED

(Member of London Clearing)

ESTABLISHED AS A PRIVATE BANK PRIOR TO 1729. INCORPORATED 1896 AS BARCLAY AND COMPANY, LIMITED,
NAME CHANGED AS ABOVE FEBRUARY, 1917.

- 1896—Formed by amalgamation of 20 private banks.
1897—Absorbed Woods and Company.
1899—Swaledale and Wensleydale Banking Company, Limited, taken over.
1900—Milbanke, Woodbridge and Company, Woodbridge, Lacy and Company, and Parsons, Thomson and Company absorbed.
1902—York Union Banking Company, Limited, Marten Part and Company, J. and J. W. Pease, and Roper and Priestman absorbed.
1904—Absorbed Thomas Ashby and Company, Staines, etc.
1905—Absorbed Bolitho, Williams, Foster, Coode, Grylls and Company, Limited, Hammond and Company, Newmarket.
1906—Absorbed Leatham, Tew and Company, Wakefield and Pontefract.
1909—Wootton and Company, Oxford, absorbed.
1911—Stamford, Spalding and Boston Banking Company, Limited, acquired.
1913—Absorbed J. and C. Simonds and Company.
1914—Neville Reid and Company acquired.
1916—Absorbed United Counties Bank, Limited.
1918—Absorbed London, Provincial and South Western Bank, Limited (see below).
1919—Absorbed Gillett and Company, Oxford, etc.
The Union Bank of Manchester Limited and The British Linen Bank affiliated to Barclays Bank Limited.
1920—Absorbed Tubb and Company, Bicester.
1922—Sole control secured of Cox and Company (France) Limited, and business now conducted under the title of Barclays Bank (France) Limited.
1925—Barclays Bank S.A.I., Rome, established.

1925—Affiliation with Barclays Bank (Dominion, Colonial and Overseas), formerly the Colonial Bank, with which are amalgamated the Anglo-Egyptian Bank Limited, and the National Bank of South Africa Limited.

1929—Barclays Bank (Canada), Montreal, established. A branch was afterwards opened at Toronto.
1932—Barclays Trust Company of Canada, Montreal, established.

1864—Provincial Banking Corporation, Limited, formed to take over the firm of Day, Nicholson and Stone and the East of England Bank.

1865—Absorbed the Bank of Wales.
1870—Reconstructed under the title of London and Provincial Bank, Limited.

1871—Absorbed Fincham and Simpson, Diss and Eye.
1873—Absorbed J. and J. W. Walters, Haverfordwest, &c.
1878—Absorbed North Kent Bank.

1918—Amalgamated with London and South Western Bank, Limited.

										CAPITAL		1933.....		1,804,680		0-39		1,804,202		B & C 14		100,000									
										Subscribed		Paid-up		Callable		Reserved		1934.....		1,708,174		0-41		1,614,275		A Shs 10		100,000		564,137	
										3,430,356		3,430,356		Nil		Nil		1935.....		1,783,784		0-40		1,614,275		A Shs 10		150,000		583,645	
"A" Shares										11,760,811		11,760,811		Nil		Nil		1936.....		1,894,361		0-41		1,588,239		A Shs 10		250,000		639,768	
"B" Shares										667,050		667,050		Nil		Nil		1937.....		2,133,825		0-45		1,562,202		A Shs 10		700,000		511,391	
"C" Shares										£4		£4		Nil		Nil															
Per Cent										£1		£1		Nil		Nil															
Per Cent										£1		£1		Nil		Nil															
										LIABILITIES										ASSETS											
Dec. 31																															
										Capital and Reserves										Buildings and Sundries, including Cover for Acceptances											
										Per Cent.										Per Cent.											
										Acceptances and Endorsements										Investments											
										Per Cent.										Per Cent.											
										Deposit and Current Accounts (c)										Discounts											
										Per Cent.										Per Cent.											
										Total Liabilities or Assets										Advances											
										Per Cent.										Per Cent.											
										Cash in Hand and at Bank, etc. (a)										Per Cent.											
										Per Cent.										Per Cent.											
										Cash at Call and Short Notice										Per Cent.											
										Per Cent.										Per Cent.											
										Investments (b)										Per Cent.											
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(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom. (b) Includes investments in affiliations. (c) Including balances in account with subsidiary banks.

BRITISH MUTUAL BANKING COMPANY, LIMITED

ESTABLISHED 1857

CAPITAL					PROFITS AND DIVIDENDS									
Subscribed	Paid-up	Callable	Reserved	Per Share	Year Ended Dec. 31	Net Profits	Per cent. of Resources	Dividends Amount	Rate %	Reserve, Invest-ments, etc.	Carried Forward	Year Ended Dec. 31	Net Profits	Per cent. of Resources
300,000	180,000	120,000	Nil	£3	1927.....	16,363	1-94	9,600	12	5,000	8,395	1927.....	16,363	1-94
					1928.....	17,780	1-99	9,600	12	8,000	8,575	1928.....	17,780	1-99
					1929.....	20,292	1-93	14,400	12	6,000	8,467	1929.....	20,292	1-93
					1930.....	27,191	2-72	14,400	12	12,500	8,758	1930.....	27,191	2-72
					1931.....	24,315	2-44	14,400	12	10,000	8,673	1931.....	24,315	2-44
					1932.....	18,756	1-84	14,400	12	5,500	7,529	1932.....	18,756	1-84
					1933.....	20,081	1-45	14,400	12	5,500	7,710	1933.....	20,081	1-45
					1934.....	29,809	2-57	14,400	12	15,000	8,119	1934.....	29,809	2-57
					1935.....	38,524	3-95	14,400	12	21,500	10,743	1935.....	38,524	3-95
					1936.....	21,570	1-54	17,500	10	5,100	9,713	1936.....	21,570	1-54
					1937.....	22,461	1-61	18,000	10	5,100	9,073	1937.....	22,461	1-61

This Bank has no branches.

LLOYDS BANK LIMITED



For every
Banking Service

TOTAL ASSETS EXCEED
£465,000,000

Chairman
The Rt. Hon. Lord Wardington

Deputy Chairman
Sir Austin E. Harris, K.B.E.

Vice-Chairman
Francis A. Beane

Chief General Manager
G. F. Abell

Joint General Managers
W. G. Johns, D.S.O., R. A. Wilson, Sydney Parkes, S. P. Cherrington

Head Office: 71 LOMBARD STREET, LONDON, E.C.3

THE
STANDARD BANK OF SOUTH AFRICA
LIMITED

Bankers to the Imperial Government in South Africa and to the Governments of Northern Rhodesia, Southern Rhodesia, Nyasaland and Tanganyika

CAPITAL AUTHORISED & SUBSCRIBED - £10,000,000
CAPITAL PAID-UP - £2,500,000
RESERVE FUND - £3,000,000
CAPITAL UNCALLED - £7,500,000

Head Office: 10, CLEMENTS LANE, LOMBARD STREET,
and 77, KING WILLIAM STREET, LONDON, E.C.4
LONDON WALL BRANCH: 63, London Wall, E.C.2
New York Agency: 67, Wall Street
WEST END BRANCH: 9, Northumberland Ave., W.C.2
Hamburg Agency: 49, Schauenburgerstrasse
Over 370 Branches, Sub-Branches and Agencies in South, East and Central Africa

EXECUTOR AND TRUSTEE BUSINESS CONDUCTED.

COMMERCIAL SERVICE

The Bank has over 370 Branches in Africa, and Agents and Correspondents throughout the world. The closest touch with Trade and Industrial conditions is maintained with special attention to Commercial and Credit Intelligence. This service is available to Exporters, Importers and others wishing to develop trade with South, East and Central Africa.

THE STANDARD BANK MONTHLY REVIEW, which is sent post free on application, gives the latest information on all South, East and Central African matters of Trade and Commercial Interest.

RALPH GIBSON, London Manager

BRITISH MUTUAL BANKING COMPANY, LIMITED—Continued from page 26

Year Ended December 31	LIABILITIES						Total Liabilities or Assets	ASSETS							
	Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Investments	Per Cent.	Loans and Advances	Per Cent.	Premises and Sundries	Per Cent.
1927	155,000	18.3	17,995	2.1	671,217	79.6	844,212	118,291	14.0	78,126	9.3	644,655	76.3	3,140	0.4
1928	163,000	18.2	18,175	2.1	713,589	79.7	894,774	68,361	7.6	110,482	12.6	712,941	79.5	2,990	0.3
1929	200,000	19.3	22,867	2.2	814,460	78.5	1,037,327	173,805	16.7	151,041	14.6	665,368	64.2	47,115	4.5
1930	212,500	21.3	23,158	2.3	759,625	76.4	995,283	108,014	10.8	126,199	12.7	712,634	71.6	48,436	4.8
1931	222,500	22.3	23,073	2.3	750,885	75.4	995,458	124,781	12.5	167,573	16.9	680,732	68.3	42,972	4.3
1932	222,500	21.8	21,929	2.2	773,022	76.0	1,017,451	152,338	14.9	219,368	21.6	627,012	61.7	18,735	1.8
1933	228,000	16.5	22,110	1.5	1,130,068	82.0	1,380,178	96,827	7.0	398,505	28.8	866,210	62.8	18,636	1.4
1934	243,000	21.0	22,519	1.9	895,464	77.1	1,160,983	108,064	9.3	367,848	31.7	662,272	57.0	22,799	2.0
1935	254,500	20.4	25,143	2.0	963,472	77.6	1,243,115	92,302	7.4	472,133	38.0	662,146	53.3	16,534	1.3
1936	310,600	21.8	27,213	1.8	1,083,367	76.4	1,421,180	107,037	7.5	608,294	42.7	689,316	48.4	16,534	1.4
1937	315,700	22.6	27,074	1.9	1,053,835	75.5	1,396,609	152,942	10.9	646,308	46.3	590,825	41.6	16,534	1.2

BARING BROTHERS & CO., LIMITED

ESTABLISHED 1890

CAPITAL				Total Liabilities or Assets
Subscribed	Paid-up	Callable	Reserved	
£60,000	£50,000	Nil	Nil	
4% cum. 1st Pref.	1,000,000	Nil	Nil	
4½% non-cum. Red. Pref.	1,000,000	Nil	Nil	

Year Ended December 31		Number of Branches.	LIABILITIES						Total Liabili- ties or Assets	ASSETS											
			Capital and Reserves	Per Cent.	Balance Carried Forward	Per Cent.	Acceptances	Per Cent.		Deposit and Current Accounts	Per Cent.	Cash in Hand, at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills Receiv- able	Per Cent.	Adv'ce's & Liability of Cus- tomers on Acceptances	Per Cent.	Prem- ises	Per Cent.
1927	1	1	2,025,000	6.3	16,964	0.1	7,638,264	23.8	22,462,368	69.9	32,142,596	7,651,115	23.8	2,068,308	6.5	12,349,739	38.4	9,926,434	30.9	127,000	0.4
1928	1	1	2,025,000	6.1	17,266	0.1	9,253,107	27.8	22,095,857	68.1	33,392,230	7,393,421	22.1	1,066,301	3.2	11,331,487	33.9	13,474,021	40.4	127,000	0.4
1929	1	1	2,025,000	7.0	18,440	0.1	6,685,344	23.2	20,069,156	69.7	28,807,940	6,822,887	23.7	1,420,502	4.9	9,426,284	32.7	11,011,267	33.8	127,000	0.4
1930	1	1	3,050,000	11.6	19,283	0.1	5,508,494	21.1	17,557,057	67.2	26,134,834	6,323,962	24.2	3,715,247	14.2	7,000,415	26.8	8,968,210	34.3	127,000	0.4
1931	1	1	3,050,000	13.0	20,540	0.1	2,735,714	11.7	17,640,574	75.2	23,446,828	6,073,108	25.9	2,915,224	12.4	6,998,954	29.8	7,332,542	31.3	127,000	0.4
1932	1	1	3,050,000	13.2	21,385	0.1	2,529,109	11.0	17,411,784	75.7	23,012,778	5,655,572	24.6	4,640,669	20.2	6,223,092	27.0	6,365,945	27.6	127,000	0.4
1933	1	1	3,050,000	12.5	21,598	0.1	1,795,521	7.4	19,540,425	69.0	24,407,544	5,394,166	22.1	5,787,619	23.7	6,197,177	25.4	6,901,592	28.3	127,000	0.4
1934	1	1	3,050,000	12.3	21,812	0.1	2,104,732	8.5	19,689,010	79.1	24,845,554	5,565,472	22.4	7,054,632	28.4	5,119,454	20.6	6,978,982	28.1	127,000	0.4
1935	1	1	3,050,000	12.2	22,030	0.1	2,696,813	10.7	19,312,257	77.0	25,081,100	5,892,942	23.5	6,372,703	25.5	5,675,712	22.6	7,775,243	27.9	127,000	0.4
1936	1	1	3,050,000	10.9	22,251	0.1	3,424,240	12.2	21,420,013	76.8	27,916,504	6,686,742	23.9	8,050,502	28.8	6,874,716	24.6	6,117,543	22.2	127,000	0.4
1937	1	1	3,050,000	12.0	22,473	0.1	3,158,659	12.4	19,257,111	75.5	25,488,243	5,329,951	20.9	8,657,955	34.0	5,136,029	20.1	6,237,303	24.5	127,000	0.4

COUTTS AND COMPANY

440 Strand, W.C.

(Members of London Clearing.)

(Affiliated with National Provincial Bank, Limited.)

City Office: 15 Lombard Street (formerly Roberts, Lubbock, and Company). Branches: 1 Park Lane, 16 Cavendish Square; Sloane Street (1 Cadogan Place) and 1 Brook Gate, Park Lane.

Established 1692, and Incorporated 1892 as a Joint Stock company, with unlimited liability. The businesses of Coutts and Company and Roberts, Lubbock, and Company were amalgamated in 1914.

Year Ended Dec. 31	LIABILITIES						Total Liabilities or Assets	ASSETS							
	Capital and Reserve	Per Cent.	Acceptances	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.
1927...	2,000,000	10.4	270,456	1.4	16,998,453	88.2	19,268,909	2,730,859	14.2	1,635,950	8.5	4,226,708	21.9	10,030,936	52.1
1928...	2,000,000	9.9	463,613	2.3	17,715,988	87.8	20,179,601	2,938,070	14.6	1,717,000	8.5	3,774,434	18.7	10,914,484	54.0
1929...	2,000,000	9.0	400,020	1.8	18,801,165	89.2	20,201,185	3,098,242	14.0	2,103,050	9.5	3,787,454	17.0	12,440,419	56.0
1930...	2,000,000	9.1	534,018	2.4	19,487,171	88.5	22,021,189	2,951,895	13.4	3,525,920	16.0	3,758,115	17.2	10,871,741	49.3
1931...	2,000,000	10.2	497,316	2.5	17,030,426	87.3	19,527,742	2,445,055	12.5	2,213,000	11.3	3,901,796	20.0	10,091,075	51.7
1932...	2,000,000	8.8	590,262	2.6	20,084,621	88.6	22,674,883	2,911,158	12.8	1,840,900	8.1	6,082,901	26.8	10,837,664	47.9
1933...	2,000,000	8.6	769,189	3.3	20,512,016	88.1	23,281,205	3,288,189	14.2	1,880,400	8.1	7,934,488	31.4	9,506,939	47.2
1934...	2,000,000	8.5	709,493	3.0	20,741,995	88.5	23,451,488	2,760,659	11.8	2,410,300	10.3	7,870,748	33.6	9,288,289	39.6
1935...	2,000,000	7.8	798,456	3.1	22,751,748	89.1	25,550,204	2,991,532	11.7	2,839,700	11.1	8,519,163	33.4	9,989,353	39.1
1936...	2,000,000	7.6	500,745	1.9	23,864,920	90.5	26,365,665	3,180,455	12.1	1,676,500	6.4	8,925,122	33.8	11,670,844	44.2
1937...	2,000,000	7.6	744,173	2.8	23,441,396	89.6	26,185,569	3,187,199	12.2	2,244,650	8.6	8,900,917	34.0	10,696,630	40.8
Weekly Averages, April, 1938	2,000,000	7.5	782,000	2.9	23,981,000	89.6	26,763,000	2,671,000	10.0	2,146,000	8.0	8,877,000	33.2	11,875,000	44.3

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

DISTRICT BANK LIMITED

ESTABLISHED 1829—(Member of the London Bankers' Clearing House)

1863—Business of Loyd, Entwistle, Bury, and Jervis, of King Street, Manchester, acquired.

1891—Business of Wm. John and Thos. Brocklehurst, Macclesfield, taken over.

1907—Amalgamation with Lancaster Banking Company, Limited.

1916—Absorbed Bank of Whitehaven Limited.

1924—Title shortened from Manchester and Liverpool District Banking Company, Limited, to above.

1935—Amalgamation with County Bank Limited.

Year Ended Dec. 31	CAPITAL				Market Value, April 29, 1938
	Subscribed	Paid-up	Callable	Reserved	
1927	£10,560,428	£2,976,428	£1,261,000	£6,320,000	£10,069,250
1928	£10,560,428	£2,976,428	£1,261,000	£6,320,000	£10,069,250
1929	£10,560,428	£2,976,428	£1,261,000	£6,320,000	£10,069,250
1930	£10,560,428	£2,976,428	£1,261,000	£6,320,000	£10,069,250
1931	£10,560,428	£2,976,428	£1,261,000	£6,320,000	£10,069,250
1932	£10,560,428	£2,976,428	£1,261,000	£6,320,000	£10,069,250
1933	£10,560,428	£2,976,428	£1,261,000	£6,320,000	£10,069,250
1934	£10,560,428	£2,976,428	£1,261,000	£6,320,000	£10,069,250
1935	£10,560,428	£2,976,428	£1,261,000	£6,320,000	£10,069,250
1936	£10,560,428	£2,976,428	£1,261,000	£6,320,000	£10,069,250
1937	£10,560,428	£2,976,428	£1,261,000	£6,320,000	£10,069,250

Profits and Dividends
Year Ended Dec. 31
1927 452,521 0.77 347,600 18% 144,000 258,167
1928 455,132 0.77 347,600 18% 144,000 258,167
1929 507,727 0.85 347,600 18% 144,000 258,167
1930 451,239 0.77 379,200 18% 60,000 201,264
1931 424,238 0.75 347,600 18% 60,000 217,903
1932 416,412 0.66 347,600 18% 60,000 226,715
1933 418,529 0.66 347,600 18% 60,000 237,645
1934 430,329 0.68 347,600 18% 70,000 250,274
1935 419,589 0.49 318,759 18% 90,000 261,103
1936 490,324 0.53 362,192 18% 120,000 269,237
1937 519,255 0.54 372,811 18% 130,000 285,611

* Tax paid. † Including capitalised bonus of £200,000.
‡ Net Profits for 1935, 1936 and 1937 are shown after payment of all tax.
§ Expenditure on bank properties, formerly charged against net profits, is now charged to Bank Property Account.

(Continued on page 29)

DISTRICT BANK LIMITED—continued from page 28

Year ended December 31	Number of Branches	LIABILITIES						Total Liabilities and Assets	ASSETS													
		Capital and Res- erves		Un- divided Profits		Accept- ances	Depo- sits and Current Accounts		Cash in Hand and at Bank, etc. (a)	Cash at Call and Short Notice	Invest- ments	Bills of Exchange	Advances	Buildings and Sundries, including Cover for Accept- ances								
		Per Cent.	Per Cent.	Per Cent.	Per Cent.									Per Cent.	Per Cent.							
1927	382	3,896,000	6.6	431,967	0.7	1,025,527	1.7	53,721,367	91.0	59,078,861	8,246,430	14.0	5,786,620	9.8	14,783,705	25.1	3,402,174	5.8	25,120,405	42.4	1,729,527	2.9
1928	387	3,896,000	6.6	499,499	0.8	2,464,878	4.2	52,254,949	88.4	59,115,328	8,043,460	13.6	4,724,125	8.0	14,786,850	25.0	5,146,318	8.7	23,249,695	39.3	3,164,878	5.6
1929	391	4,212,000	7.1	378,825	0.6	2,400,469	4.0	52,240,453	88.2	59,231,747	8,063,750	13.6	3,857,140	6.5	14,827,230	25.0	5,029,778	8.5	23,327,280	41.1	3,266,566	5.5
1930	396	4,212,000	7.2	390,864	0.7	1,071,945	1.8	52,443,952	90.3	58,118,761	7,349,197	13.5	4,409,670	7.6	16,651,547	28.7	6,798,954	7.0	20,577,118	35.7	3,887,226	6.6
1931	400	4,212,000	7.4	391,703	0.7	1,796,045	3.5	50,322,361	88.7	56,722,109	7,108,669	12.5	4,274,545	7.5	18,893,206	33.3	3,857,226	6.8	19,952,329	35.2	2,606,634	4.6
1932	400	4,212,000	6.6	400,516	0.6	1,999,827	3.2	56,829,351	89.6	63,441,694	8,476,606	13.3	5,441,095	8.6	21,805,876	34.4	7,188,260	11.3	17,690,457	27.9	2,339,400	4.5
1933	400	4,212,000	6.6	411,445	0.6	5,239,159	8.3	53,537,893	84.5	63,420,497	7,703,349	12.1	4,436,950	9.8	23,565,795	36.9	4,886,484	7.7	17,107,971	26.8	11,149,848	9.6
1934	400	4,212,000	6.6	411,445	0.6	5,239,159	8.3	53,537,893	84.5	63,420,497	7,703,349	12.1	4,436,950	9.8	23,565,795	36.9	4,886,484	7.7	17,107,971	26.8	11,149,848	9.6
1935	405	4,212,000	6.7	424,074	0.7	5,376,865	8.5	52,888,706	84.1	62,901,645	7,605,514	12.1	4,408,730	10.2	21,266,507	33.8	6,838,462	10.9	19,463,615	26.2	6,318,822	10.1
1936	583	5,952,856	6.7	445,168	0.6	11,194,213	7.7	52,984,452	85.3	58,576,689	10,594,439	17.9	7,238,285	5.4	29,417,700	50.0	8,113,318	13.8	25,983,760	29.2	7,175,186	9.1
1937	559	5,952,856	6.8	450,332	0.5	7,282,007	6.7	59,210,245	87.7	66,839,736	9,764,618	14.6	8,764,618	9.5	29,398,248	43.2	6,533,395	7.1	27,138,273	29.8	8,835,386	9.6
1937	559	5,952,856	6.7	440,368	0.5	5,346,536	6.9	51,059,979	83.7	66,839,736	11,693,311	17.2	8,283,450	8.5	29,621,613	43.6	5,479,737	5.7	30,834,823	31.1	10,926,802	11.3
Weekly Averages, April, 1938		5,953,000	6.6	444,000	0.5	8,220,000	9.0	76,822,000	84.4	90,995,000	9,869,000	10.8	7,533,000	8.3	29,601,000	32.6	3,561,000	3.9	30,631,000	33.6	9,800,000	10.8

LLOYDS BANK LIMITED

(Member of the London Bankers' Clearing House)

Established as Lloyds and Company in 1765 and incorporated as a Joint Stock Company under the name of Lloyds Banking Company Limited in 1865, upon amalgamation with Messrs. Moilliet and Sons (established in 1766). Name changed to Lloyds Bank Limited in 1889.

Since 1865 the following Private and Joint Stock Banks have been absorbed:—

1865—Lloyds and Company, Birmingham Old Bank.
1865—Moilliet and Sons, Birmingham.
1865—P. and H. Williams, Wednesbury Old Bank.
1866—Stevenson, Salt and Company, Stafford Old Bank.
1866—Warwick and Leamington Banking Company.
1868—A. Butlin and Son, Rugby Old Bank.
1872—R. and W. F. Fryer, Wolverhampton Old Bank.
1874—Shropshire Banking Company.
1879—Coventry and Warwickshire Banking Company.
1880—Beck and Company, Shrewsbury and Welshpool Old Bank.
1884—Barnetts, Hoares and Company, London.
1884—Bosanquet, Salt and Company, London.
1888—Pritchard, Gordon and Company, Broseley and Bridgnorth.
1889—Birmingham Joint Stock Bank, Limited.
1889—Worcester City and County Banking Company, Limited.
1890—Wilkins and Company, Old Bank, Brecon, Cardiff, etc.
1890—Beechings and Company, Tunbridge Wells, Hastings, etc.
1891—Praeds and Company, London.
1891—Cobb and Company, Margate, etc.
1891—Hart, Fellows and Company, Nottingham.
1892—R. Twining and Company, London.
1892—Bristol and West of England Bank, Limited.
1893—Curteis, Pomfret and Company, Rye.
1893—Herries, Farquhar and Company, London.
1894—Bromage and Company, Old Bank, Monmouth.
1895—Paget and Company, Leicester Bank.
1897—County of Gloucester Bank, Limited.
1897—Williams and Company, Chester, etc.
1898—Jenner and Company, Sandgate and Shorncliffe Bank.
1899—Burton Union Bank, Limited.
1899—Stephens, Blandy and Company, Reading, etc.
1900—Vivian, Kitson and Company, Torquay Bank.
1900—Liverpool Union Bank, Limited.
1900—Cunliffe, Brooks and Company, Manchester, etc.
1900—Brooks and Company, London.
1900—William Williams Brown and Company, Leeds.

1900—Brown, Janson and Company, London.
1902—Bucks and Oxon Union Bank, Limited.
1902—Pomfret, Burra and Company, Ashford Bank.
1903—Hodgkin, Barnett and Company, Newcastle-upon-Tyne, etc.

1903—Grant and Maddison's Union Banking Company, Limited.

1905—Hedges, Wells and Company, Wallingford Bank.
1906—Devon and Cornwall Banking Company, Limited.
1908—Lambton and Company, Newcastle-upon-Tyne, etc.
1909—David Jones and Company, Llandoverly, etc.
1911—Hill and Sons, West Smithfield, E.C., etc.
1912—Peacock, Willson and Company, Seaforth, etc.
1914—Wilts and Dorset Banking Company, Limited.
1918—Capital and Counties Bank, Limited.
1919—West Yorkshire Bank, Limited.
1921—Fox, Fowler and Company, Wellington (Som.), etc.
1923—Cox and Company, London, etc.
1923—Henry S. King and Company, London, etc.

CAPITAL (December 31, 1937)						Market Value
	Subscribed	Paid-up	Callible	Reserved		
"A" shares ...	71,864,780	14,372,956	3,593,239	53,898,585	April 29, 1938 £43,837,515	
"B" shares ...	1,437,296	1,437,296	Nil	Nil	£1,972,532	
	Per Share	Per Share	Per Share	Per Share	Per Share	
	£5	£1	5s.	£3 15s.	£3 1s. 0d.	
	£1	£1	Nil	Nil	£1 7s. 6d.	
PROFITS AND DIVIDENDS						
Year Ended Dec. 31	Net Profits £	Per Cent. of Resources	Dividends		Reserves, etc. £	Carried Forward
			Amount £	Rate %		
1927	2,475,674	0.58	1,973,886	"A" 16½ "B" 5	550,000	485,780
1928	2,528,143	0.58	1,973,886	"A" 16½ "B" 5	550,000	490,037
1929	2,542,084	0.59	1,973,886	"A" 16½ "B" 5	550,000	508,235
1930	2,129,516	0.49	1,726,551	"A" 15 "B" 5	400,000	511,199
1931	1,926,904	0.49	1,516,048	"A" 13½ "B" 5	400,000	522,055
1932	1,550,511	0.35	1,357,820	"A" 12½ "B" 5	200,000	514,746
1933	1,438,822	0.33	1,347,465	"A" 12½ "B" 5	100,000	506,104
1934	1,651,506	0.37	1,392,380	"A" 12½ "B" 5	250,000	515,230
1935	1,642,785	0.36	1,392,380	"A" 12½ "B" 5	250,000	515,635
1936	1,743,955	0.37	1,369,922	"A" 12½ "B" 5	350,000	539,667
1937	1,832,501	0.39	1,347,465	"A" 12½ "B" 5	500,000	524,704

Year ended December 31	Number of Offices	LIABILITIES						Total Liabilities or Assets	ASSETS													
		Paid-up Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances and Endorse- ments	Per Cent.		Current, Deposit and Other Accounts	Per Cent.	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills of Ex- change	Per Cent.	Advances	Per Cent.	Buildings and Sundries, including Cover for Accept- ances	Per Cent.
1927	1,772	25,810,252	6.0	1,472,723	0.3	43,768,116	10.2	357,189,821	83.5	428,240,912	57,945,584	13.5	27,797,328	6.5	46,149,711	10.8	52,043,834	12.1	187,738,225	43.9	56,501,320	13.2
1928	1,813	25,810,252	6.0	1,476,980	0.3	43,768,116	10.2	357,189,821	83.5	428,240,912	57,945,584	13.5	27,797,328	6.5	46,149,711	10.8	52,043,834	12.1	187,738,225	43.9	56,501,320	13.2
1929	1,853	25,810,252	6.0	1,495,178	0.3	43,768,116	10.2	357,189,821	83.5	428,240,912	57,945,584	13.5	27,797,328	6.5	46,149,711	10.8	52,043,834	12.1	187,738,225	43.9	56,501,320	13.2
1930	1,947	25,810,252	6.0	1,281,649	0.3	43,768,116	10.2	357,189,821	83.5	428,240,912	57,945,584	13.5	27,797,328	6.5	46,149,711	10.8	52,043,834	12.1	187,738,225	43.9	56,501,320	13.2
1931	1,963	25,810,252	6.0	1,267,652	0.3	43,768,116	10.2	357,189,821	83.5	428,240,912	57,945,584	13.5	27,797,328	6.5	46,149,711	10.8	52,043,834	12.1	187,738,225	43.9	56,501,320	13.2
1932	1,923	25,810,252	6.0	1,116,614	0.3	43,768,116	10.2	357,189,821	83.5	428,240,912	57,945,584	13.5	27,797,328	6.5	46,149,711	10.8	52,043,834	12.1	187,738,225	43.9	56,501,320	13.2
1933	1,915	25,810,252	6.0	1,179,836	0.3	43,768,116	10.2	357,189,821	83.5	428,240,912	57,945,584	13.5	27,797,328	6.5	46,149,711	10.8	52,043,834	12.1	187,738,225	43.9	56,501,320	13.2
1934	1,917	25,810,252	6.0	1,211,420	0.3	43,768,116	10.2	357,189,821	83.5	428,240,912	57,945,584	13.5	27,797,328	6.5	46,149,711	10.8	52,043,834	12.1	187,738,225	43.9	56,501,320	13.2
1935	1,913	25,810,252	6.0	1,211,825	0.3	43,768,116	10.2	357,189,821	83.5	428,240,912	57,945,584	13.5	27,797,328	6.5	46,149,711	10.8	52,043,834	12.1	187,738,225	43.9	56,501,320	13.2
1936	1,901	25,810,252	6.0	1,224,629	0.3	43,768,116	10.2	357,189,821	83.5	428,240,912	57,945,584	13.5	27,797,328	6.5	46,149,711	10.8	52,043,834	12.1	187,738,225	43.9	56,501,320	13.2
1937	1,904	25,810,252	6.0	1,198,437	0.3	43,768,116	10.2	357,189,821	83.5	428,240,912	57,945,584	13.5	27,797,328	6.5	46,149,711	10.8	52,043,834	12.1	187,738,225	43.9	56,501,320	13.2
Weekly Averages, April, 1938	25,310,000	5.7	...	...	33,329,000	7.5	383,964,000	85.8	442,610,000	48,806,000	11.0	23,699,000	5.4	115,104,000	26.0	34,820,000	7.9	179,327,000	40.5	40,854,000	9.2	

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom, and balances with Banks abroad.

(b) Includes investments in affiliations. (c) Includes balances in account with subsidiary companies, items in transit, and other assets and accounts.

LONDON MERCHANT BANK, LIMITED

Late LONDON AND HANSEATIC BANK, LIMITED

ESTABLISHED 1873

The Bank has no Branches

CAPITAL			
Subscribed	Paid-up	Callible	Reserved
£	£	£	£
1,350,000	825,000	525,000	Nil
Per Share	Per Share	Per Share	Per Share
"A" £5	£5	Nil	Nil
"B" £7	£3 10s.	£3 10s.	Nil

Year Ended Dec. 31	PROFITS AND DIVIDENDS				Reserve, etc.	Carried Forward
	Net Profits	Per Cent. of Resources	Dividends Amount	Rate %		
1927	67,011	1.37	47,250	"A" 7½ "B" 5	20,000	24,721
1928	71,845	1.26	47,250	"A" 7½ "B" 5	20,000	29,317
1929	74,419	1.35	47,250	"A" 7½ "B" 5	25,000	31,485
1930	50,838	1.05	42,000	"A" 7½ "B" 7	10,000	30,323
1931	42,799	1.73	Nil	Nil	73,122	Nil
1932	18,755	0.88	Nil	Nil	193,884	Dr. 175,129
1933	14,138	0.75	Nil	Nil	14,138	Dr. 175,129
1934	17,782	0.89	Nil	Nil	17,782	Dr. 175,129
1935	15,660	0.79	Nil	Nil	15,660	Dr. 175,129
1936	15,549	0.80	Nil	Nil	15,549	Dr. 175,129
1937	14,663	0.87	Nil	Nil	14,663	Dr. 175,129

* Of which £143,884 is provision for loss on debts.

Continued on page 32

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

OVER 400 BRANCHES IN

THE UNION OF SOUTH AFRICA

KENYA . TANGANYIKA . UGANDA . NYASALAND

NORTHERN & SOUTHERN RHODESIA . PORTUGUESE EAST AFRICA

SOUTH-WEST AFRICA . BRITISH WEST AFRICA

MALTA . GIBRALTAR . CYPRUS . EGYPT . SUDAN . PALESTINE

MAURITIUS . BRITISH WEST INDIES . BRITISH GUIANA

LONDON . LIVERPOOL . MANCHESTER . HAMBURG . NEW YORK

HEAD OFFICE:

54 LOMBARD STREET, LONDON, E.C.3

BARCLAYS BANK (CANADA)
Montreal and Toronto

OTTOMAN BANK

(INCORPORATED IN TURKEY WITH LIMITED LIABILITY)
Founded 1863

Capital : £10,000,000

Paid-up : £5,000,000

Reserve : £1,250,000

General Committee

LONDON				PARIS			
General the Hon. SIR HERBERT A. LAWRENCE, G.C.B.	SIR JOHN P. HEWETT, G.C.S.I., K.B.E., C.I.E.	CHARLES RIST	PHILIPPE MALLET				
E. W. H. BARRY	LORD HILLINGDON	RENÉ BECHMANN	JACQUES DE NEUFLIZE				
ALBERT G. GLADSTONE	A. G. A. JAMIESON	JEAN BOISSONNAS	LE COMTE FRÉDÉRIC PILLET-WILL				
VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., G.B.E., V.D.	SIR JOHN GORDON NAIRNE, Bart.	CHARLES DE GERJAT	ANATHASE ROUDY				
SIR W. GUY GRANET, G.B.E.	Lieut.-Col. SIR ALBERT STERN, K.B.E., O.M.G.	LE BARON HENRI HOTTINGUER	EDOUARD VERNES				

LONDON : 26 THROMORTON STREET, E.C.2

Manager: E. W. H. Barry
Assistant Manager: F. Fisher

Deputy Manager: R. S. C. Pearce
Sub-Managers: A. Sampson, A. Brown

Secretary to the Committee: W. Stewart McKim

PARIS : 7 RUE MEYERBEER

MANCHESTER:
56-60 Cross Street

MARSEILLES:
38 rue St. Ferréol

NICE:
13 Place Masséna

ISTANBUL

Branches throughout the Near East

TURKEY EGYPT PALESTINE TRANSJORDANIA
CYPRUS IRAK IRAN

Affiliated Banks : { SYRIA : Banque de Syrie & du Grand Liban
ROUMANIA : Bank of Roumania, Ltd.
YUGO-SLAVIA : Banque Franco-Serbe
GREECE : British-French Discount Bank, Ltd.

Drafts and Telegraphic Transfers issued. Letters of Credit granted.
Exchange and Insurance operations effected.

LONDON MERCHANT BANK—cont.

Year Ended Dec. 31	LIABILITIES							Total Liabilities or Assets	ASSETS										
	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances	Per Cent.	Deposit & Current Accounts (inc. Contin. Agency Acct.)		Per Cent.	Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Dis- counts and Ad- vances	Per Cent.	Premises and Cover for Ac- ceptances	Per Cent.
1927.....	£ 825,000	16.9	£ 40,471	0.8	£ 2,614,522	53.7	£ 1,393,204	28.6	£ 4,873,197	69.511	1.4	£ 715,000	14.7	£ 166,519	3.4	£ 1,268,287	26.0	£ 2,655,900	54.1
1928.....	825,000	14.5	45,068	0.8	3,377,291	59.4	1,437,214	25.3	5,684,571	74,544	1.3	705,000	12.4	162,753	2.9	1,324,901	24.9	3,417,373	60.1
1929.....	825,000	14.9	47,335	0.9	3,293,152	59.6	1,356,754	24.6	5,622,141	80,237	1.5	729,293	12.4	165,101	3.0	965,622	17.6	3,331,888	60.1
1930.....	825,000	17.0	40,823	0.8	2,924,803	60.2	1,067,059	22.0	6,268,767	4,857,485	58.267	1,274,898	15.3	157,413	3.2	934,981	19.2	2,961,938	61.5
1931.....	825,000	33.3	...	...	1,403,036	56.7	247,138	10.0	2,475,174	37,676	1.5	1,508,113	12.4	41,748	1.7	597,022	24.1	1,490,615	60.9
1932.....	825,000	43.0	...	...	899,555	46.9	193,604	10.1	1,918,159	30,295	1.6	1,629,000	15.2	74,244	3.9	400,191	20.8	1,121,429	58.5
1933.....	825,000	43.5	...	...	875,779	46.3	195,638	10.2	1,896,417	24,610	1.3	1,309,186	16.3	88,866	5.2	370,241	19.6	1,093,514	57.6
1934.....	825,000	41.5	...	...	841,192	47.2	226,361	11.3	1,992,553	26,180	1.3	1,346,000	17.4	88,163	4.4	366,946	18.1	1,165,264	58.5
1935.....	825,000	41.6	...	...	826,287	46.7	231,323	11.7	1,982,610	34,133	1.7	1,330,000	16.7	111,973	5.6	360,518	18.2	1,146,086	57.8
1936.....	825,000	42.4	...	...	839,339	45.8	229,243	11.8	1,943,583	33,452	1.7	1,370,000	19.0	113,436	5.5	322,236	16.6	1,104,459	51.2
1937.....	825,000	49.0	...	...	661,281	39.3	196,988	11.7	1,683,289	35,051	2.1	210,000	12.5	77,657	4.6	438,223	29.6	862,339	51.2

MARTINS BANK LIMITED

Member of the London Bankers' Clearing House.

ESTABLISHED IN 1831 as the Bank of Liverpool.

Absorbed:—

1883—Arthur Heywood, Sons and Company, Liverpool.

1889—Liverpool Commercial Banking Company, Limited.

1893—Wakefield, Crewdson and Company, Kendal, etc.

1906—Craven Bank, Limited.

1911—Carlisle and Cumberland Banking Company, Limited.

1914—North-Eastern Banking Company, Limited.

1918—Martins Bank Limited, London (a sixteenth-century bank first registered as a private banking firm in 1890); and name changed to Bank of Liverpool and Martins Limited.

1919—Palatine Bank, Limited, Manchester.

1919—Cocks, Biddulph and Company, London.

1920—Halifax Commercial Banking Company, Limited.

1923—Cattle Trade Bank, Limited, Birkenhead.

1927—Equitable Bank, Limited.

1928—Amalgamated with Lancashire and Yorkshire Bank, Limited; and name changed to Martins Bank Limited.

PROFITS AND DIVIDENDS

Year ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount	Rate %	Reserve, Invest., etc.	Carried Forward
1927...	£55,229	0.75	£383,822	16	£175,000	£101,671
1928...	£25,434	0.88	£665,607	16	£150,000	£111,499
1929...	£86,240	0.85	£665,607	16	£150,000	£132,132
1930...	£793,551	0.86	£665,607	16	£150,000	£110,078
1931...	£703,154	0.86	£82,406	14	£100,000	£130,324
1932...	£636,950	0.65	£82,406	14	£50,000	£207,908
1933...	£54,940	0.70	£82,406	14	£75,000	£222,735
1934...	£72,258	0.71	£82,406	14	£100,000	£233,486
1935...	£693,117	0.69	£82,406	14	£125,000	£296,048
1936...	£769,888	0.70	£82,406	14	£125,000	£296,048
1937...	£53,566	0.75	£665,607	16	£175,000	£309,007

Year ended December 31	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS													
		Capital and Re- serves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances, Endorse- ments, etc.	Per Cent.	Deposit and Re- current Accounts		Per Cent.	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills of Ex- change	Per Cent.	Short Loans on Stocks and Ad- vances	Per Cent.	Buildings & Sundries including Cover for Accept- ances	Per Cent.	
1927	*417	4,695,890	6.3	298,791	0.4	6,899,235	8.6	62,890,872	84.7	74,277,748	9.978	920	13.4	6,679,533	9.0	10,421,736	14.0	2,646,294	3.6	36,572,971	49.3	7,980,294	10.7
1928	560	7,617,914	7.5	445,915	0.4	10,949,041	10.7	82,832,881	81.4	10,196,502	12,116,604	11.9		5,420,745	5.3	25,104,768	24.6	3,702,147	3.6	42,600,479	41.8	13,017,759	12.8
1929	564	7,667,914	7.8	464,935	0.4	11,841,161	7.4	82,820,494	84.4	9,993,529	13,305,171	13.6		6,278,861	6.4	17,807,668	18.2	2,332,087	7.4	43,942,731	44.8	9,382,811	9.6
1930	578	7,067,914	8.3	422,879	0.5	5,999,786	6.1	78,562,604	85.1	9,289,957	11,969,514	13.0		6,952,126	5.1	18,677,148	20.2	2,382,145	8.0	39,134,819	42.4	8,174,205	8.9
1931	557	7,080,042	7.2	476,571	0.5	4,752,518	4.8	85,832,338	87.5	8,176,777	11,166,374	12.7		7,094,914	8.0	18,947,309	21.5	2,313,868	8.3	38,068,900	40.9	7,535,412	8.6
1932	555	7,160,042	7.2	499,106	0.5	4,714,439	5.0	81,578,545	86.8	9,932,129	12,323,624	13.1		5,291,162	5.6	32,181,908	34.3	6,893,785	7.3	29,684,058	31.7	7,577,592	8.1
1933	550	7,160,042	7.3	513,958	0.5	4,693,136	5.0	82,620,032	87.1	9,497,168	12,619,902	13.3		5,671,209	6.0	32,235,431	33.9	5,534,208	5.8	31,472,599	33.1	7,453,799	7.9
1934	550	7,260,042	7.2	524,669	0.5	5,695,696	5.6	87,287,563	86.6	9,967,790	13,178,457	13.1		4,945,004	5.3	30,905,292	34.1	68,366,885	6.0	30,784,584	30.6	8,585,677	8.7
1935	555	7,460,042	8.8	587,251	0.5	7,871,226	7.2	93,475,145	85.5	10,939,664	13,695,277	12.5		5,535,000	5.1	32,992,921	30.1	18,496,363	3.3	44,999,470	39.2	10,446,680	9.6
1937	562	7,660,042	6.7	683,411	0.6	9,839,580	8.6	95,508,182	84.1	11,969,124	14,528,656	12.8		7,275,000	6.4	31,392,280	27.6	3,850,442	3.4	44,181,798	38.9	12,465,038	11.0
Weekly Average, April 1935	7,660,000	7.1	...	...	7,894,000	7.3	92,826,000	85.6	10,839,000	12,298,000	11.3		5,976,000	5.5	31,450,000	29.0	3,425,000	3.2	44,652,000	41.2	10,500,000	9.8	

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom. * Exclusive of Lancashire and Yorkshire Branches.
† Includes an amount of Treasury Bonds and first-class securities maturing within six months. ‡ Includes a distribution in lieu of a "1931 Centenary Bonus" of 2 per cent.

MIDLAND BANK LIMITED

Member of the London Bankers' Clearing House

ESTABLISHED 1836 as The Birmingham and Midland Bank.

Amalgamations and absorptions have been as follows:—

1851—Bate and Robins, Stourbridge.
1862—Nichols, Baker and Crane, Bewdley.
1883—Union Bank of Birmingham, Limited.
1889—Coventry Union Banking Company.
1889—Leamington Priors and Warwickshire Banking Company, Limited.
1890—Leeds and County Bank, Limited.
1890—Derby Commercial Bank, Limited.
1890—Exchange and Discount Bank, Limited, Leeds.
1891—Central Bank of London, Limited. New title—The London and Midland Bank Limited.
1891—Lacy, Hartland, Woodbridge and Company, West Smithfield.
1892—Manchester Joint Stock Bank, Limited.
1893—Bank of Westmorland, Limited.
1894—Preston Banking Company, Limited.
1896—Carlisle City and District Banking Company, Limited.
1897—Channel Islands Bank, Limited.
1897—Huddersfield Banking Company, Limited.
1897—North-Western Bank, Limited, Liverpool.
1898—Oldham Joint Stock Bank, Limited.
1898—City Bank Limited. New title—The London City and Midland Bank Limited.

1899—City of Birmingham Bank, Limited.
1900—Leicestershire Banking Company, Limited.
1901—Sheffield Union Banking Company, Limited.
1901—Yorkshire Banking Company, Limited.
1905—Nottingham Joint Stock Bank, Limited.
1908—North and South Wales Bank, Limited.
1910—Bradford Banking Company, Limited.
1913—Sheffield and Hallamshire Bank, Limited.
1913—Lincoln and Lindsey Banking Company, Limited.
1914—Metropolitan Bank (of England and Wales), Limited.
1917—Belfast Banking Company, Limited. Purchase of share capital.
1918—London Joint Stock Bank Limited. New title—London Joint City and Midland Bank Limited.
1920—Clydesdale Bank Limited. Purchase of share capital.
1923—New title—Midland Bank Limited.
1924—North of Scotland Bank Limited. Purchase of share capital.

1893—London Joint Stock Bank amalgamated with Imperial Bank, Limited.
1909—London Joint Stock Bank amalgamated with York City and County Bank, Limited.

MIDLAND BANK—contd.

CAPITAL, May 1938						Market Value, April 29, 1938	PROFITS AND DIVIDENDS						
Authorised		Subscribed	Paid-up	Callable	Reserved		Year Ended Dec. 31	Net Profits, less tax at end of Year		Dividend, less tax at end of Year		Allocations to Reserve and other Funds	
No. of Shares	Denomination					Amount £		% of Resources	Amount £	Rate %	£	£	
						1927.....	2,554,650	0.58	1,823,874	18	720,000	835,797	
						1928.....	2,656,554	0.53	1,923,788	18	720,000	848,563	
						1929.....	2,665,042	0.60	1,934,347	18	720,000	859,258	
2,869,079	12	£ 34,428,948	7,172,697	7,172,697	20,083,553	1930.....	2,318,190	0.51	1,976,660	18	350,000	851,288	
2,000,000	2½	£ 4,804,192	4,804,192	Nil	Nil	1931.....	2,056,986	0.51	1,738,257	16	320,000	850,016	
5,771,052	1	£ 3,178,061	3,178,061	Nil	Nil	1932.....	2,019,143	0.44	1,709,762	16	300,000	859,397	
						1933.....	2,266,846	0.50	1,709,762	16	550,000	866,483	
						1934.....	2,292,217	0.50	1,766,753	16	520,000	871,946	
...	...	Per Share	Per Share	Per Share	Per Share	1935.....	2,353,099	0.48	1,937,598	18	770,000	467,447	
...	...	£12 10s.	£2 10s.	£2 10s.	£7 10s.	1936.....	2,467,894	0.46	1,738,257	16	650,000	547,084	
...	...	£2 10s.	£2 10s.	Nil	Nil	1937.....	2,508,009	0.46	1,764,049	16	700,000	591,044	
...	...	£1	£1	Nil	Nil								

† Includes 2 per cent. centenary bonus

December 31		Number of Offices, Dec. 31	LIABILITIES							Total Liabilities or Assets	ASSETS												
			Paid-up Capital and Reserve Fund	Per Cent.	Profit Balance and Dividend Payable	Per Cent.	Acceptances, etc.	Per Cent.	Current, Deposit and Other Accounts		Per Cent.	Cash in Hand and at Bank of England	Per Cent.	Money at Call and Short Notice a	Per Cent.	Investments	Per Cent.	Bills Dis- counted	Per Cent.	Ad- vances	Per Cent.	Premises, Cover for Accept- ances, etc., & Invest. in Affilia- tions	Per Cent.
1927	1,969	25,331,596	5.8	1,747,735	0.4	36,997,594	8.4	374,375	147	85.4	438,452,072	49,763,778	11.4	46,150,346	10.5	35,435,530	8.1	49,314,778	11.2	206,487,910	47.1	51,299,730	11.7
1928	2,013	26,865,936	5.6	1,815,737	0.4	44,441,134	10.4	394,591	227	79.3	497,714,034	54,440,918	9.1	47,928,380	9.6	36,868,698	7.4	63,347,503	12.8	214,050,922	43.0	90,077,563	18.1
1929	2,040	28,085,936	5.6	1,815,737	0.4	44,441,134	10.4	394,591	227	79.3	497,714,034	54,440,918	9.1	47,928,380	9.6	36,868,698	7.4	63,347,503	12.8	214,050,922	43.0	90,077,563	18.1
1930	2,090	28,496,024	6.1	1,845,786	0.4	45,310,193	10.3	399,605	549	87.7	455,252,549	47,219,369	10.0	46,835,769	8.8	38,271,576	5.8	93,727,588	18.4	215,637,388	43.1	64,753,716	2.2
1931	2,128	25,748,012	5.6	1,704,897	0.4	19,222,279	4.7	3,760,244	498	88.6	406,922,668	38,505,989	9.4	31,335,676	7.7	42,940,162	10.6	137,132,580	14.0	199,685,856	49.1	33,722,653	9.2
1932	2,103	25,748,012	5.6	1,704,897	0.4	19,222,279	4.7	3,760,244	498	88.6	406,922,668	38,505,989	9.4	31,335,676	7.7	42,940,162	10.6	137,132,580	14.0	199,685,856	49.1	33,722,653	9.2
1933	2,136	25,748,012	5.6	1,704,897	0.4	19,222,279	4.7	3,760,244	498	88.6	406,922,668	38,505,989	9.4	31,335,676	7.7	42,940,162	10.6	137,132,580	14.0	199,685,856	49.1	33,722,653	9.2
1934	2,120	25,748,012	5.6	1,704,897	0.4	19,222,279	4.7	3,760,244	498	88.6	406,922,668	38,505,989	9.4	31,335,676	7.7	42,940,162	10.6	137,132,580	14.0	199,685,856	49.1	33,722,653	9.2
1935	2,133	25,748,012	5.6	1,704,897	0.4	19,222,279	4.7	3,760,244	498	88.6	406,922,668	38,505,989	9.4	31,335,676	7.7	42,940,162	10.6	137,132,580	14.0	199,685,856	49.1	33,722,653	9.2
1936	2,136	25,748,012	5.6	1,704,897	0.4	19,222,279	4.7	3,760,244	498	88.6	406,922,668	38,505,989	9.4	31,335,676	7.7	42,940,162	10.6	137,132,580	14.0	199,685,856	49.1	33,722,653	9.2
1937	2,137	27,357,610	3.0	1,500,213	0.3	20,729,345	3.8	486,296	378	90.9	546,018,486	53,968,247	9.1	50,130,297	8.1	128,823,691	21.7	83,158,534	15.2	218,198,219	38.1	36,285,133	7.0
Weekly Averages.																							
A pril, 1938		27,562,000	5.0	...	...	19,359,000	3.5	497,794,000	91.5	544,715,000	54,943,000	10.1	35,159,000	6.4	125,210,000	23.0	78,435,000	14.4	214,063,000	39.3	36,994,000	6.8	

THE UNION BANK OF MANCHESTER LIMITED

ESTABLISHED 1836

1888—Sewell and Nephew absorbed.
1904—E. W. Yates and Company Liverpool, absorbed.
1906—Blackburn Bank, Limited, absorbed.
1907—Downes & Co., of Nantwich, absorbed.
1917—Halifax and District Permanent Banking Company, Limited, absorbed.
1918—East Morley and Bradford Deposit Bank, Limited, acquired.
1919—Associated with Barclays Bank, Limited.

Year Ended Dec. 31	Number of Branches	CAPITAL					Total Liabilities or Assets	ASSETS									
		Subscribed	Paid-up	Callable	Reserved	Per Share		Cash in Hand at Call, and Short Notice	Per Cent.	Investments	Per Cent.	Bills of Exchange	Per Cent.	Advances	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1927	165	1,425,000	750,000	750,000	Nil	£5	19,813,793	4,551,541	23.0	2,664,208	13.4	743,228	3.8	10,780,258	54.4	1,674,558	8.4
1928	165	1,425,000	750,000	750,000	Nil	£5	20,219,419	6,557,551	32.4	2,637,659	13.0	619,913	3.1	9,258,142	45.8	1,146,054	5.7
1929	169	1,425,000	750,000	750,000	Nil	£5	18,869,102	5,514,919	29.2	2,877,592	15.2	469,466	2.5	8,926,802	47.4	1,080,323	5.7
1930	169	1,425,000	750,000	750,000	Nil	£5	19,817,127	7,292,869	36.8	2,299,180	11.6	429,427	2.2	8,832,515	44.5	983,136	4.9
1931	166	1,250,000	750,000	750,000	Nil	£5	17,543,212	5,365,020	30.6	2,756,486	15.7	334,889	1.9	8,000,858	45.6	1,085,959	6.2
1932	165	1,250,000	750,000	750,000	Nil	£5	20,934,525	7,838,614	37.5	3,271,497	15.6	1,383,418	6.6	7,491,713	35.8	949,235	4.5
1933	164	1,250,000	750,000	750,000	Nil	£5	19,253,704	7,205,493	37.4	3,804,709	19.7	305,395	1.6	6,902,926	35.9	1,035,188	5.4
1934	164	1,250,000	750,000	750,000	Nil	£5	19,511,879	7,201,394	36.9	3,610,807	18.5	271,480	1.4	7,199,520	36.9	1,228,678	6.3
1935	163	1,250,000	750,000	750,000	Nil	£5	18,571,634	8,083,598	43.6	2,110,721	11.4	316,418	1.7	7,951,793	42.8	1,409,104	7.1
1936	169	1,250,000	750,000	750,000	Nil	£5	19,676,760	6,593,950	33.6	2,091,907	10.6	360,933	1.8	8,918,032	45.3	1,711,937	8.7
1937	169	1,250,000	750,000	750,000	Nil	£5	20,472,126	6,403,576	31.3	2,077,694	10.1	341,327	1.7	10,049,171	49.1	1,600,358	7.8

WESTMINSTER BANK LIMITED

ESTABLISHED 1836

Members of London Bankers' Clearing House.

1834—London and Westminster Bank established.
1836—London and County Banking Company established.
1864—Jones, Loyd and Company absorbed by London and Westminster Bank.
1865—Parr's Banking Company established.
1891—Fuller, Banbury and Company amalgamated with Parr's Banking Company, Limited.
1892—Alliance Bank, Limited, amalgamated with Parr's Banking Company, Limited, under title of Parr's Banking Company and the Alliance Bank, Limited.
1894—Sir Samuel Scott, Bart., and Company amalgamated with Parr's Banking Company and Alliance Bank, Limited.
1896—Title changed to Parr's Bank, Limited, and amalgamated with Consolidated Bank, Limited.
1909—Stuckey's Banking Company, Limited, amalgamated with Parr's Bank, Limited.

1909—London and Westminster Bank and London and County Banking Company amalgamated as London County and Westminster Bank, Limited.
1913—Crompton and Evans' Union Bank, Limited, Derby, amalgamated with Parr's Bank, Limited.
1917—Ulster Bank, Limited, affiliated with London County and Westminster Bank, Limited.
1918—Parr's Bank, Limited (established 1865), amalgamated under combined title of London County Westminster and Parr's Bank, Limited.
1919—Nottingham and Nottinghamshire Banking Company Limited, absorbed.
1921—Beckett and Company absorbed.
1923—Title changed to Westminster Bank, Limited.
1923—Stilwell and Sons absorbed.
1924—Guernsey Commercial Banking Company, Limited, absorbed.

Year Ended Dec. 31	Number of Branches	CAPITAL					Market Value, April 29, 1938	ASSETS									
		Authorised	Paid-up	Callable	Reserved	Per Share		Cash in Hand at Call, and Short Notice	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1927	956	18,640,314	7,070,990	7,070,990	14,141,980	£4 18 0	34,647,851	2,132,815	0.68	1,356,275	4.2	750,000	2.3	775,000	2.3	535,083	1.6
1928	1,009	18,640,314	7,070,990	7,070,990	14,141,980	£4 18 0	34,647,851	2,148,408	0.63	1,356,275	4.2	775,000	2.3	775,000	2.3	552,196	1.6
1929	1,050	18,640,314	7,070,990	7,070,990	14,141,980	£4 18 0	34,647,851	2,160,384	0.65	1,356,275	4.2	850,000	2.6	850,000	2.6	506,305	1.5
1930	1,075	18,640,314	7,070,990	7,070,990	14,141,980	£4 18 0	34,647,851	1,821,888	0.66	1,313,891	4.1	550,000	1.6	550,000	1.6	464,301	1.4
1931	1,083	18,640,314	7,070,990	7,070,990	14,141,980	£4 18 0	34,647,851	1,601,882	0.52	1,184,867	3.4	450,000	1.3	450,000	1.3	431,256	1.2
1932	1,083	18,640,314	7,070,990	7,070,990	14,141,980	£4 18 0	34,647,851	1,495,171	0.44	1,165,443	3.3	300,000	0.9	300,000	0.9	460,984	1.3
1933	1,073	18,640,314	7,070,990	7,070,990	14,141,980	£4 18 0	34,647,851	1,464,955	0.43	1,165,443	3.3	300,000	0.9	300,000	0.9	460,496	1.3
1934	1,072	18,640,314	7,070,990	7,070,990	14,141,980	£4 18 0	34,647,851	1,524,890	0.42	1,204,291	3.5	300,000	0.9	300,000	0.9	481,085	1.4
1935	1,072	18,640,314	7,070,990	7,070,990	14,141,980	£4 18 0	34,647,851	1,402,656	0.38	1,313,891	3.8	200,000	0.6	200,000	0.6	369,849	1.1
1936	1,090	18,640,314	7,070,990	7,070,990	14,141,980	£4 18 0	34,647,851	1,731,955	0.42	1,184,867	3.4	400,000	1.2	400,000	1.2	516,937	1.5
1937	1,094	18,640,314	7,070,990	7,070,990	14,141,980	£4 18 0	34,647,851	1,750,539	0.43	1,271,508	3.7	500,000	1.4	500,000	1.4	493,018	1.4

Year Ended Dec. 31	Number of Branches	LIABILITIES					Total Liabilities or Assets	ASSETS									
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Acceptances and Endorsements		Cash in Hand at Call, and Short Notice	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1927	956	18,640,314	0.1	12,572,869	0.1	13,934	313,052,337	42,727,387	13.6	36,520,212	11.7	43,024,466	13.7	173,893,812	55.6	16,886,460	5.4
1928	1,009	18,640,314	0.1	12,572,869	0.1	13,934	313,052,337	42,727,387	13.6	36,520,212	11.7	43,024,466	13.7	173,893,812	55.6	16,886,460	5.4
1929	1,050	18,640,314	0.1	12,572,869	0.1	13,934	313,052,337	42,727,387	13.6	36,520,212	11.7	43,024,466	13.7	173,893,812	55.6	16,886,460	5.4
1930	1,075	18,640,314	0.1	12,572,869	0.1	13,934	313,052,337	42,727,387	13.6	36,520,212	11.7	43,024,466	13.7	173,893,812	55.6	16,886,460	5.4
1931	1,083	18,640,314	0.1	12,572,869	0.1	13,934	313,052,337	42,727,387	13.6	36,520,212	11.7	43,024,466	13.7	173,893,812	55.6	16,886,460	5.4
1932	1,083	18,640,314	0.1	12,572,869	0.1	13,934	313,052,337	42,727,387	13.6	36,520,212	11.7	43,024,466	13.7	173,893,812	55.6	16,886,460	5.4
1933	1,073	18,640,314	0.1	12,572,869	0.1	13,934	313,052,337	42,727,387	13.6	36,520,212	11.7	43,024,466	13.7	173,893,812	55.6	16,886,460	5.4
1934	1,072	18,640,314	0.1	12,572,869	0.1	13,934	313,052,337	42,727,387	13.6	36,520,212	11.7	43,024,466	13.7	173,893,812	55.6	16,886,460	5.4
1935	1,090	18,640,314	0.1	12,572,869	0.1	13,934	313,052,337	42,727,387	13.6	36,520,212	11.7	43,024,466	13.7	173,893,812	55.6	16,886,460	5.4
1936	1,090	18,640,314	0.1	12,572,869	0.1	13,934	313,052,337	42,727,387	13.6	36,520,212	11.7	43,024,466	13.7	173,893,812	55.6	16,886,460	5.4
1937	1,094	18,640,314	0.1	12,572,869	0.1	13,934	313,052,337	42,727,387	13.6	36,520,212	11.7	43,024,466	13.7	173,893,812	55.6	16,886,460	5.4

* In circulation in the Isle of Man.

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

(b) Includes investments in affiliations.

B. W. BLYDENSTEIN & Co.

54-55-56 Threadneedle Street,
London, E.C.2.

BANKERS

ALL BANKING AND DISCOUNT
BUSINESS TRANSACTED.

*Dealers in British Treasury
Bills of any Maturity.*

Deposits received for short and
longer periods at rates to be obtained
on application.

*Special Facilities for Business
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FORWARD CONTRACTS IN FOREIGN
CURRENCIES.

NATIONAL DISCOUNT COMPANY, LIMITED

ESTABLISHED 1856

35 CORNHILL, LONDON, E.C.3

Telegraphic Address:
"NARDIS, STOCK, LONDON."

Telephones:
MANSON HOUSE 5241 (3 lines)

SUBSCRIBED CAPITAL - £2,153,335
PAID-UP CAPITAL - £1,000,000
RESERVE FUND - £1,050,000

DIRECTORS:

Col. The Hon. Sir SIDNEY PEEL, BART., C.B., D.S.O., Chairman
Lt.-Col. The Hon. GEORGE AKERS-DOUGLAS
The Hon. ARTHUR M. ASQUITH, D.S.O.
FRANCIS GOLDSMITH

Manager—FRANCIS GOLDSMITH

Sub-Manager—R. E. de B. BATE

Asst. Sub-Manager
H. R. W. BROWN

Chief Accountant & Secretary
S. S. JOHNSON

Registrar—G. H. ELLIABY

Auditors:
PRICE, WATERHOUSE & Co.

Bankers:
BANK OF ENGLAND
NATIONAL PROVINCIAL BANK, LIMITED

Treasury Bills, Bank and Mercantile Bills negotiated.
Money received on Deposit at Call and Short Notice at the
Current Market Rates of Interest, and for longer periods
upon specially agreed terms.
Loans granted upon approved securities.
All communications to be addressed to the Manager.

To all Travellers

Whether you make your journeys by road, rail,
sea or air, there is no need to carry more cash
than is immediately necessary if you hold

MIDLAND BANK
TRAVELLERS' CHEQUES
or alternatively a
MIDLAND BANK
LETTER OF CREDIT.

Money requirements for long or short journeys,
at home or abroad, may be covered with
safety and ease by using Midland Bank
Travellers' Cheques for £2, £5, £10 or £20.

These Cheques may be changed into cash at
banking offices in all countries and are accepted
in payment of accounts at the following points:

The world's leading hotels
European air line offices
Ships cruising to all parts
British railway stations
Principal London Stores.

Midland Bank Travellers' Cheques are obtain-
able free of commission at any of the 2600
branches of the Midland Bank and its affiliated
companies, the Belfast Banking Company, The
Clydesdale Bank and the North of Scotland Bank.

A copy of
"TRAVEL IN EUROPE"
may be obtained upon application to any branch, the
Overseas Branch, 122 Old Broad Street, London,
E.C.2. or the Head Office, Poultry, London, E.C.2.

MIDLAND BANK
LIMITED

To have all
your insurances
with the 'Royal'
is a convenience
with the basic
essential of
Security



Head Offices:

LIVERPOOL: North John Street
LONDON: Lombard Street

WILLIAMS DEACON'S BANK, LIMITED

ESTABLISHED 1836.—Member of London Clearing

1874—Absorbed Heywood Brothers and Company, Manchester.

1878—Absorbed Hardcastle, Cross, and Company, Bolton.

1882—Absorbed Clement Roys and Company, Rochdale.

1890—Manchester and Salford Bank amalgamated with Williams, Deacon and Company. New title—Williams Deacon and Manchester and Salford Bank, Limited.

1901—Title changed to Williams Deacon's Bank, Limited

1907—Sheffield and Rotherham Joint Stock Banking Company, Limited, absorbed.

1930—Associated with the Royal Bank of Scotland.

CAPITAL			
Subscribed	Paid-up	Callible	Reserved
8,125,000	1,875,000	1,562,500	4,687,500
Per Share A £5 B £1	Per Share A £1 B £1	Per Share A £1 B nil	Per Share A £1 B nil

Year Ended Dec. 31	Net Profits £	Per Cent. of Resources	PROFITS AND DIVIDENDS		Reserves, etc.	Carried Forward
			Amount £	Rate %		
1927	310,585	0.83	253,906	A 13 1/2 B 12 1/2	75,000	29,031
1928	305,340	0.82	253,906	A 13 1/2 B 12 1/2	50,000	27,465
1929	297,901	0.83	244,141	A 13 1/2 B 12 1/2	50,000	31,226
1930	278,527	0.78	234,375	12 1/2	50,000	25,478
1931	275,465	0.82	234,375	12 1/2	40,000	26,568
1932	268,005	0.71	234,375	12 1/2	25,000	35,198
1933	272,995	0.71	234,375	12 1/2	25,000	48,818
1934	274,180	0.71	234,375	12 1/2	30,000	58,623
1935	278,536	0.69	234,375	12 1/2	30,000	72,785
1936	293,634	0.70	234,375	12 1/2	30,000	102,046
1937	310,921	0.72	234,375	12 1/2	30,000	148,592

Year ended Dec. 31	Number of Branches	LIABILITIES								Total Liabilities or Assets	ASSETS									
		Capital, and Reserves	Per Cent.	Un- div- ided Profits	Per Cent.	Accept- ances, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	Build- ings and Sund- ries, including Cover for Accept- ances	Per Cent.
1927	198	3,225,000	8.6	155,188	0.4	1,393,259	3.7	32,662,567	87.3	37,436,014	6,093,211	16.3	2,952,915	7.9	5,294,671	14.1	20,749,553	55.4	2,356,664	6.3
1928	200	3,225,000	8.7	156,696	0.4	1,520,117	4.1	32,221,395	86.8	37,123,008	5,219,565	14.1	2,871,374	7.7	5,349,678	14.4	21,194,159	57.1	2,488,432	6.7
1929	200	2,575,000	8.0	151,123	0.4	1,023,094	2.9	31,792,889	88.7	33,842,006	5,208,318	14.5	3,412,190	9.5	6,017,161	16.8	19,199,898	53.6	2,004,439	5.6
1930	202	2,575,000	8.0	144,565	0.4	796,522	2.1	32,006,087	89.5	33,765,174	5,156,125	14.4	2,488,863	7.0	8,306,444	23.2	18,982,989	50.6	1,730,753	4.8
1931	202	2,675,000	8.0	145,405	0.4	1,561,497	4.7	29,043,586	88.9	33,425,438	4,211,102	12.6	3,774,807	9.7	4,008,886	12.2	15,925,271	47.6	2,607,422	7.8
1932	202	2,675,000	7.1	154,035	0.4	1,164,066	3.1	33,912,463	89.4	37,305,564	5,961,067	15.8	4,816,463	12.7	7,753,892	20.8	18,036,118	39.8	2,188,024	5.8
1933	202	2,675,000	6.9	167,654	0.4	2,430,036	6.2	33,498,484	86.5	38,771,174	6,306,885	16.3	5,518,038	14.2	10,124,277	26.2	13,381,376	34.5	3,440,598	8.8
1934	203	2,675,000	6.9	177,459	0.5	2,068,097	5.3	33,742,376	87.3	38,663,432	6,003,721	15.5	6,116,738	15.8	9,575,350	24.8	13,887,772	35.9	3,079,851	8.0
1935	203	2,675,000	6.6	191,520	0.5	2,047,759	5.1	35,429,629	87.8	40,344,008	6,172,435	15.3	7,287,359	18.1	9,703,386	24.1	14,105,960	34.9	3,074,868	7.6
1936	203	2,675,000	6.4	220,882	0.5	1,360,678	3.3	37,577,981	89.8	41,894,541	6,458,197	15.4	6,600,269	13.4	12,783,423	30.8	14,454,651	34.6	2,443,141	5.8
1937	206	2,675,000	6.2	267,428	0.6	1,526,551	3.5	38,564,411	89.7	43,093,390	6,455,589	15.0	6,036,693	14.0	11,504,633	26.8	16,442,422	38.2	2,594,091	6.0
Weekly Averages, April, 1938		2,675,000	6.5	...	...	1,672,000	4.1	36,505,000	89.4	40,832,000	5,534,000	13.5	5,819,000	14.2	11,494,000	28.0	15,263,000	37.4	2,742,000	6.7

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

ERLANGERS, LIMITED

December 31	LIABILITIES						ASSETS									
	Capital and Reserves	Current, Deposit and Other Accounts, etc.	Current Accounts of Sub- sidiary Companies	Accept- ances on Account of Customers	Cash in Hand and with Bankers	Cash at Call and Short Notice	British Govt. Treasury Bills	Receivable Bills	British Govt. Securities	Dominion and Col. Govt. and British Corp. Stocks and Bonds	Other In- vestments	Advances, etc.	Per Cent.	Per Cent.	Per Cent.	Per Cent.
1933	1,925,000	2,014,140	7,358	2,920,202	142,660	715,000	414,366	155,638	507,995	168,238	522,280	1,396,556	...	...	...	...
1934	1,925,000	2,015,657	10,546	3,678,318	201,469	745,000	183,842	158,842	380,489	217,742	480,057	1,396,198	...	...	...	...
1935	1,925,000	2,481,949	9,481	3,773,550	147,716	800,000	459,521	177,627	393,975	245,885	537,931	1,781,075	...	...	...	...
1936	1,925,000	3,784,789	6,677	4,847,606	275,469	1,060,000	554,372	223,778	400,485	306,927	576,866	2,426,574	...	...	...	...
1937	1,925,000	5,054,265	8,815	4,730,999	1,300,661	935,000	619,255	283,405	321,047	212,700	469,578	3,078,487	...	...	...	...

YORKSHIRE PENNY BANK, LIMITED

December 31	LIABILITIES				ASSETS							
	Capital and Reserves	Deposits and other Accounts, etc.	Un- called Capital	Cash in Hand, at Bank and at Short Notice	British Govt. Securities	Colonial Govt. and English Corp. Stocks	Loans to Local Authorities	Loans on Se- curity and Other Accounts	Premises	Per Cent.	Per Cent.	Per Cent.
1933	2,000,000	31,836,494	500,000	8,543,833	20,539,025	321,177	1,894,605	1,987,854	550,000	...	...	...
1934	2,000,000	31,363,019	500,000	9,167,873	21,659,087	293,103	1,629,231	2,063,725	550,000	...	...	...
1935	2,000,000	35,400,246	500,000	9,607,552	23,334,204	260,413	1,261,083	2,396,995	550,000	...	...	...
1936	2,500,000	37,036,692	500,000	9,267,022	25,582,627	105,663	...	4,051,380	550,000	...	...	...
1937	2,500,000	38,119,733	500,000	9,331,099	27,469,529	35,698	...	3,233,408	550,000	...	...	...

PRIVATE BANKS OF ENGLAND AND WALES

B. W. BLYDENSTEIN AND COMPANY, LONDON

Year Ended Dec. 31	LIABILITIES						ASSETS									
	Partners' Capital and Reserves	Per Cent.	Miscel- laneous	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank	Per Cent.	Invest- ments	Per Cent.	Advances, Loans, Bills, etc.*	Per Cent.	Prem- ises, etc.	Per Cent.	Per Cent.
1927	625,000	4.7	103,680	0.8	12,525,450	94.5	13,254,130	186,997	1.4	2,755,149	20.8	10,279,114	77.6	32,870	0.2	...
1928	700,000	5.1	92,387	0.7	12,872,105	94.2	13,664,492	200,049	1.5	1,869,054	13.7	11,563,789	84.6	31,600	0.2	...
1929	700,000	5.7	113,228	0.9	11,490,770	93.4	12,303,998	114,951	0.9	306,247	2.5	11,852,385	96.4	30,415	0.2	...
1930	700,000	6.5	62,615	0.5	9,989,817	83.0	10,752,482	105,437	0.9	2,552,173	23.8	8,065,598	75.0	29,274	0.3	...
1931	700,000	8.1	99,922	1.2	7,651,622	90.7	8,651,544	119,913	1.4	...	...	8,503,454	99.3	28,177	0.3	...
1932	1,100,000	3.8	12,631	0.5	2,506,176	95.7	2,618,807	186,937	7.1	308,837	11.8	2,095,778	89.1	26,307	0.9	...
1933	1,100,000	3.4	14,457	0.5	2,839,268	96.1	2,953,743	242,194	8.2	578,854	19.6	2,106,388	71.3	26,307	0.9	...
1934	1,100,000	3.7	3,296	0.1	2,560,927	96.2	2,664,223	1,370,559	51.4	533,642	20.8	713,441	26.8	26,581	1.0	...
1935	1,100,000	3.2	5,173	0.2	3,053,209	96.6	3,158,382	1,926,350	61.0	397,069	12.6	890,034	25.6	25,929	0.8	...
1936	1,100,000	2.7	3,020	0.1	3,557,078	97.2	3,660,098	2,123,759	58.2	475,368	13.0	1,025,459	28.0	25,512	0.8	...
1937	1,100,000	3.7	2,463	0.1	2,596,991	99.2	2,698,834	189,643	7.0	298,132	11.0	2,186,205	81.1	24,874	0.9	...

* Provided by the Twente Bank (London) Ltd., which has an authorised and subscribed capital of £1,000,000.

* Nine months ended Sept. 30.

** Year ended Sept. 30.

* Includes Treasury Bills.

HOARE (CHAS.) AND COMPANY

Year Ended July 5	LIABILITIES				Total Liabili- ties or Assets	ASSETS									
	Partners' Capital and Reserves	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand, at Bank, and at Call and Short Notice	Per Cent.	British Govern- ment Se- curities	Per Cent.	Other Se- curities and Invest- ments	Per Cent.	Discounts Advances	Per Cent.	Premises, etc.	Per Cent.
	£		£		£	£					£	£			
1927	500,000	14.1	3,051,358	85.9	3,551,358	1,051,250	29.6	1,006,750	28.3	377,482	10.6	1,013,876	28.7	100,000	2.8
1928	500,000	13.9	3,093,254	86.1	3,593,254	1,097,214	30.5	972,632	27.5	258,746	7.8	1,164,662	32.4	100,000	2.8
1929	500,000	14.3	2,994,121	85.7	3,494,121	1,018,670	29.1	995,521	28.5	181,001	5.2	1,198,929	34.3	100,000	2.9
1930	500,000	15.5	2,718,857	84.5	3,218,857	720,808	22.4	850,004	26.4	186,457	5.8	1,361,588	42.3	100,000	3.1
1931	500,000	15.9	2,629,718	84.1	3,129,718	825,480	26.4	647,550	20.7	121,778	3.9	1,434,910	45.8	100,000	3.2
1932	500,000	16.9	2,463,636	83.1	2,963,636	858,682	28.9	538,850	19.9	162,688	5.5	1,253,416	42.3	100,000	3.4
1933	500,000	12.2	3,592,287	87.8	4,092,287	1,179,450	28.9	894,483	21.9	27,719	0.7	1,648,545	40.2	100,000	2.2
1934	500,000	13.2	3,288,995	86.8	3,788,995	1,022,367	27.1	1,159,000	30.6	205,741	5.4	1,801,637	34.3	100,000	2.6
1935	500,000	11.9	3,711,318	88.1	4,211,318	1,129,437	26.7	1,341,086	31.9	200,467	4.8	1,447,418	34.3	100,000	2.4
1936	500,000	11.4	3,853,504	88.6	4,353,504	1,176,466	27.0	1,291,210	29.9	261,397	6.1	1,524,432	35.0	100,000	2.3
1937	500,000	11.9	3,686,793	83.1	4,186,793	977,761	23.3	832,950	19.6	451,169	10.8	1,824,913	43.6	100,000	2.4

NATIONAL DISCOUNT COMPANY, LIMITED—Continued from page 37

Year Ended Dec. 31	LIABILITIES								Total Liabilities or Assets	ASSETS										
	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Deposits and Sundry Balances	Per Cent.	Bills Re-dis- counted	Per Cent.		Rebate	Per Cent.	Cash at Bankers	Per Cent.	Securi- ties	Per Cent.	Loans at Call, Short and Fixed Dates	Per Cent.	Bills Dis- counted	Per Cent.	Build- ings and Sundries
	£		£		£		£		£		£		£		£		£		£	
1927	1,850,000	3.3	286,277	0.5	29,208,384	52.0	24,201,139	43.1	597,985	1.1	56,143,785	1.1	2,847,684	5.1	2,215,187	3.9	50,357,207	89.7	129,974	0.2
1928	1,885,000	4.1	297,164	0.7	25,182,037	55.5	17,526,806	38.6	521,966	1.1	45,392,773	1.3	3,205,021	7.1	1,225,388	2.7	40,239,735	88.6	120,318	0.3
1929	1,890,000	3.6	297,976	0.6	26,570,013	50.8	25,001,203	44.1	443,890	0.9	52,203,082	1.3	3,211,915	5.6	1,360,007	2.6	47,141,632	90.3	130,111	0.2
1930	2,000,000	4.0	259,629	0.5	26,858,059	53.2	20,883,210	41.4	429,855	0.9	50,430,483	1.4	4,038,844	8.0	719,346	1.4	44,813,614	88.9	163,772	0.3
1931	2,000,000	4.0	251,085	0.5	26,011,337	52.5	20,801,933	42.0	497,442	1.0	49,561,797	1.3	2,533,104	5.1	131,805	0.3	46,033,915	92.9	129,874	0.3
1932	2,000,000	3.9	250,541	0.5	26,446,346	53.1	21,250,923	41.9	336,297	0.7	50,798,107	1.5	3,518,457	6.9	28,049	0.1	46,355,840	91.2	142,464	0.3
1933	2,000,000	3.7	258,756	0.5	30,252,464	56.0	21,154,907	39.2	332,275	0.6	53,998,402	1.6	4,453,505	12.0	567,789	1.0	46,008,565	85.2	179,434	0.3
1934	2,000,000	4.4	272,382	0.6	30,387,614	66.3	12,888,748	28.1	287,774	0.6	45,836,518	1.8	8,666,263	18.9	557,377	1.2	35,633,675	77.7	163,985	0.4
1935	2,000,000	3.9	301,770	0.6	31,679,076	61.2	17,525,346	33.8	286,336	0.5	51,792,528	1.7	8,684,745	16.8	437,912	0.8	41,610,156	80.3	185,214	0.4
1936	2,000,000	3.5	322,891	0.6	36,308,796	63.4	18,472,103	32.1	259,191	0.4	57,401,981	1.8	11,866,200	19.5	486,292	0.9	44,484,008	77.4	211,644	0.4
1937	2,050,000	3.6	306,163	0.5	37,408,746	65.8	16,769,534	29.5	355,645	0.6	56,990,038	1,041,597	12,000,070	21.8	251,037	0.4	43,037,739	75.8	139,645	0.2

UNION DISCOUNT COMPANY OF LONDON, LIMITED

ESTABLISHED 1885

CAPITAL*				PROFITS AND DIVIDENDS				Allocations to	
Authorised and Issued	Reserved	Market Value, April 29, 1938	Year Ended Dec. 31	Net Profit	Per Cent.	Dividend	Rate %	Reserves, etc.	Carried Forward
					Resources	of Amount			
	£	£		£	£	£			
2,750,000	Nil	6,359,375	1927	232,915	0.39	191,250	20**	70,000	223,221
			1928	245,365	0.36	196,980	20**	30,000	241,607
			1929	260,186	0.42	212,500	20**	20,000	269,292
			1930	268,177	0.40	207,813	20**	30,000	299,656
			1931	293,856	0.42	189,843	20†	10,000	303,669
			1932	225,828	0.36	187,500	20†	15,000	326,997
			1933	228,016	0.37	187,500	20†	15,000	352,514
			1934	230,833	0.38	193,750	20†	15,000	374,597
			1935	233,840	0.33	193,750	20†	15,000	399,687
			1936	243,576	0.35	204,286	20*	265,000	173,976
			1937	250,533	0.35	206,250	10***	15,000	203,261

* As at 31st December, 1937.

Per £1 of Stock
£2 ½

* For 6 months ended 30th June, 1936, dividend of 15 per cent. per annum on shares of £5 each, £2 10s. paid, and 2 per cent. interest on instalments on new shares. For 6 months ended 31st December, 1936, dividend of 7½ per cent. per annum and bonus of 6d. per £1 unit (equal to 2½ per cent. per annum on £1 units of stock fully paid). (All less tax.)

† Dividend of 15 per cent. + bonus of 5 per cent., both less tax.

** Bonus of 5 per cent., free of tax.

*** The equivalent to the 1936 dividends and bonus.

Year Ended Dec. 31	LIABILITIES								Total Liabilities or Assets	ASSETS																							
	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Loans and Deposits	Per Cent.	Bills Redis- counted	Per Cent.		Rebate	Per Cent.	Cash at Bankers	Per Cent.	Securi- ties	Per Cent.	Loans at Call and Short Date, and Other Accounts	Per Cent.	Bills Dis- counted, etc.	Per Cent.	Buildings and Sundries	Per Cent.												
1927...	£	2,650,000	4.5	£	346,971	0.6	£	44,801,420	75.8	£	10,554,812	17.8	£	786,228	1.3	£	59,139,431	1.3	£	2,828,062	2.2	£	7,494,791	12.7	£	1,175,192	2.0	£	48,908,891	82.7	£	232,495	0.4
1928...	£	3,000,000	4.6	£	371,086	0.6	£	45,875,810	70.0	£	15,634,655	23.9	£	585,005	0.9	£	65,466,556	1.3	£	3,129,129	2.0	£	8,863,231	13.8	£	123,231	0.2	£	54,842,540	83.7	£	198,425	0.3
1929...	£	3,000,000	4.8	£	406,792	0.7	£	45,591,128	73.6	£	12,310,529	19.9	£	634,034	1.0	£	61,942,482	1.3	£	3,298,872	2.1	£	7,629,621	12.8	£	208,768	0.3	£	52,574,107	85.0	£	201,109	0.3
1930...	£	3,000,000	4.5	£	434,812	0.6	£	47,521,063	70.8	£	15,527,441	23.1	£	678,184	1.0	£	67,161,500	1.3	£	3,501,871	2.0	£	8,601,576	12.8	£	516,522	0.8	£	56,595,142	84.3	£	97,389	0.1
1931...	£	3,000,000	6.0	£	420,856	0.8	£	36,300,272	72.8	£	9,480,539	19.2	£	600,588	1.2	£	49,802,235	1.0	£	3,835,226	2.1	£	11,777,163	18.9	£	351,945	1.6	£	48,734,912	78.2	£	138,715	0.2
1932...	£	3,000,000	4.8	£	444,185	0.7	£	52,437,710	83.7	£	6,323,839	10.1	£	405,205	0.7	£	62,610,939	1.3	£	3,526,281	2.1	£	11,615,857	18.6	£	2,132,695	3.4	£	47,367,354	75.6	£	164,417	0.3
1933...	£	3,000,000	4.8	£	489,701	0.8	£	55,435,138	88.9	£	3,103,928	5.0	£	305,494	0.5	£	62,306,261	1.5	£	4,421,214	17.4	£	174,895	23.5	£	1,588,953	2.8	£	42,978,622	71.3	£	97,892	0.2
1934...	£	3,000,000	5.0	£	495,690	0.8	£	52,224,719	88.6	£	4,243,019	7.1	£	300,355	0.5	£	60,666,043	1.5	£	4,421,214	17.4	£	174,895	23.5	£	1,588,953	2.8	£	42,978,622	71.3	£	97,892	0.2
1935...	£	3,000,000	4.3	£	520,780	0.7	£	59,240,040	85.1	£	6,646,842	9.5	£	303,666	0.4	£	69,711,328	1.4	£	4,421,214	17.4	£	174,895	23.5	£	1,588,953	2.8	£	42,978,622	71.3	£	97,892	0.2
1936...	£	3,750,000	5.4	£	305,030	0.5	£	57,285,704	82.0	£	8,164,125	11.7	£	346,593	0.4	£	69,831,452	1.5	£	4,421,214	17.4	£	174,895	23.5	£	1,588,953	2.8	£	42,978,622	71.3	£	97,892	0.2
1937...	£	3,750,000	5.3	£	250,538	0.4	£	56,152,939	79.4	£	10,167,314	14.4	£	358,454	0.5	£	70,760,877	1.5	£	4,421,214	17.4	£	174,895	23.5	£	1,588,953	2.8	£	42,978,622	71.3	£	97,892	0.2

GILLETT BROTHERS DISCOUNT COMPANY, LIMITED

LIABILITIES

ASSETS

January 31	Capital and Reserves	Deposits, Loans, Rediscounts, and Sundry Accounts	Cash at Bankers and in Hand	British, Indian, and Dominion Govt. Securities *and Brit. Corp. Stock	Bills discounted including Rediscounts	Loans on Security and Sundry Accounts
1934	325,000	12,021,123	152,264	1,341,500	10,578,041	274,318
1935	325,000	11,339,236	211,821	2,200,000*	8,741,218	511,197
1936	345,000	12,666,512	228,985	1,425,000	11,004,566	352,962
1937	345,000	12,361,148	219,874	1,600,000	10,276,116	610,158
1938	345,000	12,230,412	220,269	1,580,000	10,302,147	472,996

JOINT STOCK BANKS OF SCOTLAND

BANK OF SCOTLAND

ESTABLISHED 1695

1868—Acquired the business of the Central Bank of Scotland | 1907—Absorbed Caledonian Banking Company, Limited

CAPITAL			
Authorised	Issued	Paid-up	Reserved
£	£	£	£
4,500,000	2,400,000	2,400,000	Nil
Stock			
£1	£1	£1	£1
Authorised note issue	£396,852.		

Year Ended Feb. 28	Net Profits	PROFITS AND DIVIDENDS		Reserves, Invest- ments, etc.	Carried Forward
		Per Cent. of Amount Resources	Dividends Per Cent. of Amount Resources		
1927	370,119	0.93	192,000	16	153,466
1928	372,335	0.95	204,000	17	166,801
1929	374,283	0.95	216,000	18	170,084
1930	368,872*	0.91	216,000	18	172,459
1931	366,870	0.90	209,250	18	170,000
1932	268,180	0.70	202,500	18	157,557
1933	312,900	0.71	202,500	18	157,557
1934	307,022	0.70	202,500	18	157,557
1935	310,887	0.70	209,250	18	157,557
1936	316,092	0.64	209,250	18	157,557
1937	317,713	0.66	205,875	18	157,557
1938	313,253	0.61	204,164	12	150,085

Continued on page 40

The BRITISH OVERSEAS BANK

LIMITED

Incorporating FREDK. HUTH & Co.

THROUGH its world-wide connections and agencies the Bank is able to offer to its clients at home and abroad exceptional facilities in foreign exchange and in the financing of foreign trade, and also to provide up-to-date credit reports and information as to international business conditions. Correspondence invited.

33 GRACECHURCH STREET, Lombard Court, LONDON, E.C.3

TELEGRAPHIC ADDRESS

Inland: "SAESREVO, PHONE, LONDON" Foreign: "SAESREVO, LONDON"

TELEPHONE NO. MANSION HOUSE 7842



Trading Abroad

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

WESTMINSTER BANK
LIMITED

Head Office: 41 Lothbury, London, E.C.2

Martins
Bank Ltd.

1563



1831

WORLD WIDE FACILITIES

Total Assets £113,691,214

Chairman: SIR RICHARD D. HOLT, BART., LL.D.

Deputy Chairmen:

Rt. Hon. LORD COLWYN, P.C., D.L., LL.D.

G. E. B. BROMLEY-MARTIN

F. A. BATES, M.C., A.F.C., D.L.

General Manager: J. M. FURNISS

LONDON DISTRICT OFFICE: 68 LOMBARD ST., E.C.3

HEAD OFFICE:

WATER STREET, LIVERPOOL, 2

Over 570 Branches

BANK OF SCOTLAND—contd.

Year Ended Feb. 28	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.	Miscel- laneous Credits, etc.	Per Cent.		Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank	Per Cent.	Invest- ments and Money at Call	Per Cent.	Discounts and Advances	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
		£		£		£		£		£			£		£		£		£		£	
1928	229	3,257,500	8.3	274,801	0.7	2,874,100	7.4	864,579	2.2	784,256	2.0	30,984,420	79.4	39,039,656	5,414,397	13.9	15,876,227	40.6	16,387,454	42.0	1,361,578	3.5
1929	238	3,382,500	8.5	278,084	0.7	2,776,147	7.0	834,124	2.1	266,951	0.7	32,068,386	81.0	39,068,182	4,896,234	12.4	13,372,478	32.8	14,025,356	50.5	2,124,124	3.3
1930	237	3,500,000	8.7	280,456	0.7	3,040,542	7.5	802,408	2.0	470,320	1.2	32,258,308	79.9	40,352,034	5,138,225	12.7	14,025,388	34.8	19,956,013	49.4	1,232,408	3.1
1931	240	3,600,000	8.8	304,702	0.7	2,995,337	7.4	822,408	1.6	684,167	1.6	32,335,468	79.8	40,722,082	5,229,018	12.8	15,708,428	38.6	18,762,198	46.1	1,022,408	2.5
1932	243	3,600,000	9.3	317,007	0.8	3,063,722	8.0	850,094	1.3	235,434	0.6	30,828,264	80.0	38,544,521	4,541,078	11.8	16,282,286	42.2	16,821,063	43.7	900,094	2.3
1933	249	3,660,000	8.3	327,407	0.7	3,040,873	8.0	831,707	1.9	381,280	0.9	36,049,095	81.4	43,290,362	5,020,224	11.3	25,098,699	56.7	12,939,732	29.2	1,231,707	2.8
1934	251	3,700,000	8.3	351,929	0.7	3,040,873	8.0	825,424	1.4	413,352	1.0	35,470,014	81.4	43,541,320	5,355,011	12.3	25,101,584	57.1	12,959,281	27.7	1,023,474	2.3
1935	259	3,750,000	8.5	351,929	0.8	2,980,601	6.9	825,424	1.4	164,805	0.4	36,653,815	82.3	44,514,484	4,918,107	11.0	25,948,188	53.3	17,716,843	39.5	2,253,967	4.6
1936	258	3,850,000	7.7	358,783	0.7	3,128,569	6.4	1,855,968	3.8	537,188	1.1	39,518,484	80.1	49,193,992	5,381,274	11.0	25,403,050	51.7	17,588,770	35.8	2,253,967	4.6
1937	262	3,850,000	8.0	358,933	0.7	3,239,247	6.7	2,451,934	5.1	665,802	1.4	37,835,698	78.1	49,201,414	5,588,551	11.2	25,403,050	51.7	17,588,770	35.8	2,253,967	4.6
1938	261	4,450,000	8.7	252,999	0.5	3,363,767	6.5	3,712,583	7.2	583,512	0.7	39,239,450	76.4	51,466,313	5,627,456	11.0	30,909,794	60.0	10,751,478	20.9	4,177,585	8.1

THE BRITISH LINEN BANK

ESTABLISHED 1746. 1919—AFFILIATED WITH BARCLAYS BANK LIMITED

CAPITAL				Year Ended Jan. 15	Net Profits £	PROFITS AND DIVIDENDS Per Cent.		Reserves, Investments, etc. £	Carried Forward £	
Subscribed	Paid-up	Callable	Reserved			of Resources	Dividends Amount Rate %			
£	£	£	£	1928.....	321,361	0-94	160,000	16	150,000	54,732
				1929.....	330,040	0-94	160,000	16	150,000	74,772
				1930.....	325,954	0-96	160,000	16	150,000	90,726
				1931.....	327,420	0-94	155,000	16	200,000	63,145
				1932.....	293,530	0-88	150,000	16	120,000	85,677
				1933.....	292,045	0-77	150,000	16	130,000	98,722
				1934.....	272,861	0-71	150,000	16	125,000	96,584
				1935.....	285,310	0-76	155,000	16	130,000	97,894
				1936.....	289,963	0-71	155,000	16	150,000	82,857
				1937.....	293,388	0-76	152,500	16	125,000	98,745
				1938.....	290,203	0-63	150,000	16	140,000	98,948
Note issue, £438,024.										

THE CLYDESDALE BANK LIMITED

ESTABLISHED 1838

AFFILIATED WITH MIDLAND BANK LIMITED, 1920

CAPITAL				Year Ended Dec. 31	Net Profits or Losses	PROFITS AND Per Cent.	DIVIDENDS		To Reserve etc.	Carried Forward
Subscribed	Paid-up	Reserved	Amount				Rate			
£	£	£						%		
5,300,000	1,300,000	4,000,000		1927.....	335,485	0-91	225,000	13	105,000	82,284
				1928.....	340,136	0-91	225,000	18	105,000	92,420
				1929.....	331,634	0-93	234,000	13	100,000	90,054
				1930.....	336,488	0-90	234,000	18	100,000	92,542
				1931.....	330,920	0-93	208,000	16	125,000	90,462
				1932.....	310,010	0-90	208,000	16	100,000	92,479
				1933.....	301,263	0-79	208,000	16	90,000	95,737
				1934.....	310,195	0-81	208,000	16	100,000	97,933
				1935.....	312,472	0-75	208,000	16	100,000	102,405
				1936.....	315,518	0-75	208,000	16	105,000	104,923
				1937.....	320,249	0-72	229,000*	16	105,000	91,173
Per Share			Per Share							
100,000 shares of £50	£10		£40							
30,000 shares of £10	£10		Nil							
Authorised note issue, £274,321.										

* Includes Centenary Bonus to staff and pensioners of £21,000.

COMMERCIAL BANK OF SCOTLAND, LIMITED

ESTABLISHED 1810

						PROFITS AND DIVIDENDS					Reserves, etc. £	Carried Forward £
					Year Ended Oct. 31	Net Profits £	Per Cent. of Resources	Dividends				
								Amount £	Rate %			
CAPITAL					Market Value, April 29, 1938							
Subscribed	Paid-up	Callable	Reserved									
"A"	£ 7,000,000	£ 1,750,000	£ 2,450,000	£ 2,800,000	£	1927	335,126	0.80	200,000	{ "A" 16 "B" 10 }	130,000	81,970
"B"	500,000	500,000	Nil	Nil	8,543,750	1928	344,600	0.81	200,000	{ "A" 16 "B" 10 }	175,000	51,570
	Per Share	Per Share	Per Share	Per Share	Per Share	1929	367,983	0.81	232,000	{ "A" 16 "B" 10 }	125,000	62,552
	£4	£1	£1½	£1½	83½	1930	389,857	0.90	255,750	{ "A" 16 "B" 10 }	125,000	71,659
	£1	£1	Nil	Nil	51/3	1931	385,736	0.93	251,625	{ "A" 16 "B" 10 }	130,000	75,770
						1932	377,061	0.82	247,500	{ "A" 16 "B" 10 }	130,000	75,331
						1933	386,630	0.83	247,500	{ "A" 16 "B" 10 }	130,000	84,461
						1934	379,337	0.77	255,750	{ "A" 16 "B" 10 }	130,000	78,047
						1935	396,950	0.77	282,875*	{ "A" 16 "B" 10 }	130,000	62,122
						1936	399,733	0.73	251,625	{ "A" 16 "B" 10 }	145,000	65,230
						1937	395,664	0.67	247,500	{ "A" 16 "B" 10 }	145,000	68,394

Authorised issue, £374,880.

* Includes 2 per cent. Bonus on "A" shares.

NORTH OF SCOTLAND BANK LIMITED—Continued from page 41

Year Ended Dec. 31	Number of Branches	LIABILITIES						Total Liabilities of Assets	ASSETS											
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.		Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	Build- ings and Sundries	Per Cent.
		£		£		£		£		£		£		£		£		£		
1927	155	2,074,500	8.5	197,504	0.8	2,223,345	9.2	19,791,999	81.5	24,287,348	3,016,216	12.4	...	10,091,913	41.2	11,094,493	45.7	174,726	0.7	
1928	158	2,206,000	8.4	206,162	0.8	2,174,234	8.3	21,811,626	82.5	26,398,042	3,578,531	13.5	...	9,734,284	37.0	12,390,905	48.8	184,322	0.7	
1929	158	2,256,000	8.7	203,345	0.8	2,166,879	8.4	21,277,619	82.1	25,903,837	3,489,360	13.4	...	9,914,320	38.8	12,328,872	47.6	194,235	0.8	
1930	158	2,306,000	9.1	204,438	0.8	2,166,772	8.5	20,682,403	81.6	25,359,813	3,723,555	14.7	...	9,925,538	39.6	11,503,595	45.4	200,922	0.8	
1931	158	2,306,000	9.5	158,472	0.6	2,159,647	8.9	19,704,992	81.6	24,329,111	3,533,390	17.9	...	9,858,311	40.6	9,917,600	40.7	201,810	0.8	
1932	159	2,306,000	8.7	161,873	0.6	2,085,462	7.8	22,036,822	82.9	26,589,757	5,547,783	20.8	...	10,778,707	40.6	10,665,942	37.9	199,345	0.7	
1933	159	2,306,000	8.0	162,968	0.6	2,093,769	7.3	24,180,254	84.1	28,692,991	3,440,044	12.0	1,500,000	5.2	15,383,887	53.6	8,174,059	28.5	195,001	0.7
1934	159	2,306,000	7.9	165,824	0.6	2,145,078	7.3	24,635,943	84.2	29,255,850	4,011,288	13.7	...	17,130,908	58.7	7,868,410	28.9	195,248	0.7	
1935	160	2,306,000	7.0	172,792	0.5	2,182,225	6.4	29,159,287	86.1	33,870,304	3,893,625	11.5	1,360,150	4.0	18,842,618	55.6	9,583,504	28.3	188,407	0.6
1936	161	2,406,000	6.8	182,018	0.5	2,310,633	6.5	30,554,158	86.2	35,452,807	5,009,710	14.2	2,333,000	6.6	20,165,513	58.7	7,718,739	22.5	176,285	0.5
1937	161	2,441,000	7.1	190,606	0.5	2,302,208	6.7	29,432,823	85.7	34,366,639	4,418,602	12.9	1,837,500	5.4	20,165,513	58.7	7,718,739	22.5	176,285	0.5

ROYAL BANK OF SCOTLAND

ESTABLISHED 1727

1864—Acquired Dundee Banking Company.

1924—Acquired Messrs Drummonds Bank.

1930—Acquired Williams Deacon's Bank, Limited (shares).

1930—Acquired banking business of Bank of England at their western branch, Burlington Gardens.

CAPITAL					Market Value
Subscribed	Paid-up	Callable	Reserved		
£	£	£	£	£	£
3,780,192	3,780,192	Nil	Nil	17,502,288	

Fully-paid stock. Market price on April 29, 1938, 463

Year Ended October	Net Profits	PROFITS AND DIVIDENDS		Reserve, etc.	Carried Forward*
		Per Cent.	Dividends—Rate		
1927	481,977	0.89	420,000	21	2,883,227
1928	502,561	0.91	340,000	17	2,795,788
1929	504,532	0.89	340,000	17	2,910,320
1930	533,665	0.82	413,059	17	3,580,926†
1931	611,116	0.99	490,007	17	3,780,926†
1932	604,765	0.88	481,975	17	3,780,926
1933	612,052	0.85	481,975	17	3,780,926
1934	621,427	0.83	498,040	17	3,780,926
1935	629,258	0.79	498,040	17	3,857,144
1936	632,035	0.78	490,007	17	3,944,172
1937	636,420	0.74	481,974	17	4,038,617

* Includes "Rest" or Reserve Funds. † Including £800,000 premium on issue of shares to shareholders of Williams Deacon's. ‡ Including £200,000 premium on above issue but excluding £71,109 carried to inner reserves.

Year Ended October	Number of Branches	LIABILITIES								Total Liabilities or Assets	ASSETS											
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Acceptances	Per Cent.	Drafts Out- standing	Per Cent.		Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Dis- counts and Ad- vances	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1927...	224	£ 5,183,227	9.6	£ 2,707,112	5.0	£ 1,134,344	2.1	£ 687,422	1.3	£ 44,186,874	81.6	£ 54,158,678	5.062,622	9.3	£ 6,620,857	12.2	£ 13,883,103	25.6	£ 26,453,671	48.9	£ 2,138,426	4.0
1928...	230	£ 5,285,788	9.6	£ 2,685,251	4.9	£ 1,766,589	3.2	£ 746,607	1.4	£ 44,674,152	90.6	£ 55,348,397	4,994,471	9.0	£ 6,619,234	11.9	£ 12,383,155	22.4	£ 28,555,926	51.6	£ 2,795,611	5.1
1929...	236	£ 5,410,320	9.6	£ 2,788,043	4.9	£ 1,777,823	3.0	£ 736,557	1.3	£ 46,235,129	81.8	£ 56,487,872	5,172,859	9.2	£ 6,770,174	12.0	£ 12,281,566	21.7	£ 30,048,585	53.2	£ 2,214,688	3.0
1930...	242	£ 6,943,568	11.3	£ 2,773,277	4.5	£ 780,814	1.3	£ 428,426	0.7	£ 50,387,090	81.8	£ 61,581,346	5,454,103	8.9	£ 7,001,770	11.4	£ 17,264,494	28.0	£ 30,009,033	48.7	£ 1,831,944	3.0
1931...	247	£ 7,561,118	12.3	£ 2,780,755	4.5	£ 933,148	1.5	£ 402,026	0.7	£ 49,416,138	90.6	£ 61,334,172	5,124,665	8.4	£ 6,848,140	11.1	£ 19,505,546	31.8	£ 27,849,279	45.4	£ 2,006,542	3.3
1932...	249	£ 7,561,118	11.1	£ 2,780,720	4.1	£ 1,075,271	1.6	£ 774,478	1.1	£ 55,888,683	81.7	£ 68,331,238	5,479,351	8.0	£ 7,178,961	10.5	£ 25,811,799	37.7	£ 27,612,214	40.4	£ 2,146,893	3.1
1933...	252	£ 7,561,118	10.5	£ 2,858,562	3.9	£ 1,568,549	2.2	£ 864,576	1.2	£ 58,257,351	81.9	£ 72,811,063	6,987,836	7.7	£ 7,412,018	10.2	£ 23,041,288	42.4	£ 25,600,804	35.4	£ 2,749,310	3.8
1934...	253	£ 7,561,118	10.1	£ 2,792,803	3.7	£ 1,585,054	2.5	£ 1,076,773	1.4	£ 58,944,630	79.0	£ 74,519,400	6,206,784	8.3	£ 8,133,462	10.9	£ 22,479,797	39.5	£ 25,655,549	34.5	£ 5,043,808	6.7
1935...	255	£ 7,637,398	9.6	£ 2,812,642	3.7	£ 1,531,639	4.7	£ 588,354	0.7	£ 64,009,174	81.0	£ 79,028,165	6,833,139	8.7	£ 7,611,942	9.8	£ 23,139,099	42.0	£ 26,417,604	39.4	£ 4,876,381	6.2
1936...	255	£ 7,724,364	9.5	£ 2,929,938	3.6	£ 1,533,850	4.3	£ 606,456	0.7	£ 66,800,985	81.6	£ 81,840,597	7,258,212	8.9	£ 7,719,504	9.3	£ 24,731,868	42.4	£ 27,447,823	33.6	£ 4,683,189	5.8
1937...	256	£ 7,818,809	9.1	£ 3,021,131	3.4	£ 2,266,203	4.9	£ 910,352	1.1	£ 69,674,162	81.2	£ 85,891,644	7,673,577	8.9	£ 8,024,182	9.3	£ 23,568,666	39.0	£ 31,254,564	36.5	£ 5,370,655	6.1

UNION BANK OF SCOTLAND, LIMITED

ESTABLISHED 1830

CAPITAL					Market Value
Subscribed	Paid-up	Callable	Reserved Liability for Liquidation		
£	£	£	£	£	£
5,200,000	1,200,000	Nil	4,000,000	5,475,000	

Per Share £5 Per Share £1 "A" Shares Per Share Nil Per Share £4 Per Share £4½

"B" Shares Nil

Authorized note issue, £454,346

Year Ended April	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Re- serves	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.	Drafts on London	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Discounts and Ad- vances, including Short Loans on Stocks	Per Cent.	Build- ings and Sundries, including Cover for Acceptances	Per Cent.
1928	193	£ 2,450,000	7.7	£ 2,556,363	8.0	£ 685,863	2.1	£ 22,109	0.1	£ 25,936,327	81.2	£ 31,945,167	2,971,363	9.3	£ 3,171,599	9.9	£ 10,205,234	32.0	£ 14,299,902	44.7	£ 1,297,069	4.1
1929	195	2,500,000	7.4	2,476,485	7.3	1,221,092	3.6	17,461	...	27,280,180	80.6	33,802,976	2,957,433	8.8	3,623,396	10.7	9,220,201	27.2	16,187,058	47.9	1,309,882	5.5
1930	200	2,550,000	7.4	2,414,224	7.0	1,071,214	3.1	41,014	...	28,262,507	81.5	34,676,131	2,856,075	8.2	3,111,022	9.0	9,749,371	28.1	17,354,931	50.1	1,607,712	4.6
1931	210	3,000,000	8.4	2,406,820	6.8	606,895	1.7	56,380	...	29,132,382	82.0	35,593,198	2,622,001	7.4	3,953,403	11.1	11,999,715	31.4	16,693,479	46.9	1,124,600	3.2
1932	210	3,000,000	8.7	2,433,039	6.8	528,057	1.5	8,101	...	28,305,208	82.0	34,533,037	2,562,629	7.6	4,818,208	13.4	10,635,212	30.8	15,682,075	45.3	1,034,913	2.9
1933	212	3,000,000	8.6	2,339,577	6.7	485,763	1.4	...	...	28,546,781	82.3	34,724,715	2,468,704	7.1	4,164,551	12.0	14,616,790	42.1	12,503,796	36.0	970,874	2.8
1934	212	3,000,000	8.6	2,398,015	6.9	389,973	1.1	...	...	28,539,337	82.3	34,690,048	2,615,209	7.5	4,012,598	11.6	17,326,658	49.8	9,885,801	28.5	858,722	2.5
1935	212	3,000,000	8.3	2,494,221	6.9	447,292	1.2	...	...	29,944,043	82.5	36,240,740	2,817,071	7.8	4,186,340	11.6	18,866,332	52.0	9,461,539	26.1	869,458	2.5
1936	213	3,000,000	7.5	2,536,788	6.4	1,899,023	3.8	...	...	31,956,543	80.5	39,733,164	2,762,298	7.0	4,611,231	12.2	20,057,005	50.4	9,744,786	24.5	2,337,143	6.9
1937	212	3,000,000	7.4	2,640,729	6.5	1,593,747	3.9	...	...	32,837,084	81.4	40,439,541	3,051,401	7.5	3,611,382	8.9	21,036,585	52.1	10,721,123	26.6	2,019,050	4.1
1938	215	3,000,000	7.4	2,682,235	6.6	1,025,347	2.5	...	...	33,436,818	82.7	40,494,005	2,769,693	6.8	4,984,881	12.3	19,648,139	48.6	11,655,492	28.8	1,435,801	3.5

The UNION BANK OF AUSTRALIA

LIMITED
Established 1837

CAPITAL AUTHORISED AND ISSUED - £12,000,000

Paid up Capital - £4,000,000

Reserve Liability of Proprietors £8,000,000

(Not capable of being called up except in the event of and for the purpose of the Bank being wound up.)

Reserve Fund - £3,250,000
Special Currency Reserve - £1,600,000

DIRECTORS:

Maj.-Gen. Sir JOHN H. DAVIDSON, K.C.M.G., C.B., D.S.O., Chairman.
COLIN S. ANDERSON, Esq. ARTHUR TERENCE MAXWELL, Esq.
HUGH D. FLOWER, Esq. ROBERT C. NESBITT, Esq.
J. W. HELY-HUTCHINSON, Esq. The Hon. EDMUND W. PARKER
The Rt. Hon. LORD HILLINGDON The Rt. Hon. LORD STONEHAVEN,
Sir MALCOLM HOGG P.C., G.C.M.G., D.S.O.
ALFRED W. TURNBULL, Esq.

HEAD OFFICE:
71 Cornhill, London, E.C.3Manager:—F. H. McINTYRE Assistant Manager:—C. E. MURCH
Secretary:—C. R. PEARSE

West

JOINT STOCK BANKS OF NORTHERN IRELAND

BELFAST BANKING COMPANY, LIMITED

ESTABLISHED 1827

(Affiliated with Midland Bank, Limited)

CAPITAL				PROFITS AND DIVIDENDS									
Subscribed	Paid-up	Callable	Reserved	Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends		Reserves, etc.	Carried Forward			
							Amount	Rate					
£	£	£	£				£	%					
2,500,000	800,000	200,000	1,500,000	1927.....	104,782	0.56	52,800	11	100,000	43,781			
				1928.....	110,800	0.59	61,600	11	...	92,981			
				1929.....	116,727	0.65	61,600	11	...	148,108			
				1930.....	118,054	0.67	168,200*	11	...	97,962			
				1931.....	111,394	0.64	66,000	11	100,000	43,358			
				1932.....	97,530	0.56	66,000	11	...	74,886			
				1933.....	96,192	0.58	66,000	11	...	105,078			
				1934.....	102,173	0.59	68,200	11	100,000	39,051			
				1935.....	105,182	0.61	68,200	11	...	76,033			
				1936.....	106,056	0.63	67,100	11	...	114,989			
				1937.....	106,718	0.64	66,000	11	100,000	55,707			
Per Share				£12 10s.	£4	£1	£7 10s.						
Authorised note issue, £350,000.													
* Including £100,000 used to increase amount paid-up on ordinary shares.													

Year ended Dec.31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS											
		Capital and Re- serves	Per Cent.	Un- divi- dend Profits	Per Cent.	Notes	Per Cent.		Bills for Collection	Per Cent.	Deposit and Current Accounts	Per Cent.	Cash in Hand and at Call	Per Cent.	Invest- ments	Per Cent.	Dis- counts and Advances	Per Cent.	Build- ings	Per Cent.
1927	50	£1,800,000	7.0	£43,781	0.2	£6,317	5.1	£1,800,000	9.6	£4,576,969	78.1	18,681,067	3,259,121	17.4	£4,577,919	24.5	£10,765,597	57.8	£8,430	0.3
1928	50	1,300,000	7.9	92,981	0.7	829,585	4.9	1,479,530	9.5	7,327,480	78.2	18,901,096	3,327,480	17.6	5,129,071	27.2	10,388,948	54.9	55,597	0.3
1929	50	1,400,000	7.3	178,903	1.0	823,640	4.6	1,800,000	10.1	13,728,292	77.0	17,730,840	1,183,180	9.1	5,428,031	30.4	10,739,800	62.0	49,829	0.3
1930	50	1,500,000	7.3	192,062	0.7	783,809	4.4	1,800,000	10.2	13,593,171	76.7	17,809,492	1,810,854	10.2	5,777,241	32.6	10,071,431	56.8	49,716	0.3
1931	50	1,500,000	8.6	75,256	0.4	735,721	4.2	1,800,000	10.3	13,289,893	76.8	17,400,860	1,537,440	9.1	5,366,946	30.9	10,396,003	59.7	50,471	0.3
1932	51	1,500,000	8.5	107,836	0.6	749,472	4.3	...	...	15,173,928	86.5	17,531,686	1,845,358	10.5	5,696,730	32.1	11,939,235	68.1	30,365	0.3
1933	51	1,500,000	8.5	107,836	0.6	749,472	4.3	...	...	15,173,928	86.5	16,539,371	1,838,063	10.2	5,711,051	34.4	9,144,994	55.1	50,263	0.3
1934	51	1,500,000	9.0	138,078	0.8	748,793	4.5	...	...	14,202,420	85.6	17,338,575	2,834,409	16.3	7,151,708	41.3	7,310,752	42.2	42,168	0.2
1935	51	1,600,000	9.2	76,151	0.4	791,821	4.6	...	...	14,673,248	85.1	17,434,377	2,836,572	16.4	7,229,917	42.0	7,135,808	41.4	42,080	0.2
1936	51	1,600,000	9.3	110,192	0.6	880,997	5.0	...	...	14,673,248	85.1	17,434,377	2,836,572	16.4	7,229,917	42.0	7,135,808	41.4	42,080	0.2
1937	51	1,600,000	9.3	148,539	0.9	942,675	5.6	...	...	14,044,212	84.0	16,735,426	2,732,715	16.3	7,443,729	44.4	6,516,729	39.1	42,022	0.2
1937	51	1,700,000	10.3	88,707	0.5	1,006,618	6.1	...	...	13,793,282	83.0	16,578,607	1,716,601	10.4	7,641,223	46.0	7,178,642	43.2	43,315	0.3

* Midland Bank Limited (Government of Northern Ireland Guaranteed Loans Account).

NORTHERN BANK, LIMITED

ESTABLISHED 1824

1888—Absorbed Ball and Company, Dublin

CAPITAL				PROFITS AND DIVIDENDS							
Subscribed	Paid-up	Callible	Reserved	Year Ended Aug. 31	Net Profits £	Per Cent. of Resources	Amount	Dividends Rate "A" "B"		Reserves, etc.	Carried Forward
	£	£	£		£		£	17½	8½	£	£
	3,500,000	700,000	700,000	1927.....	135,700	0.81	87,500	17½	8½	45,527	53,823
				1928.....	134,922	0.80	87,500	17½	8½	55,088	46,158
				1929.....	128,729	0.78	87,500	17½	8½	41,386	46,001
				1930.....	129,107	0.75	80,078	16½	8½	46,628	48,402
				1931.....	129,253	0.76	72,656	15	7½	57,935	47,064
"A" Shares	£10	£2	£2	1931*	34,333	0.20	23,438	15½	7½†	10,492	47,557
				1932.....	110,257	0.62	58,594	12½	6½	49,162	50,058
				1933.....	97,972	0.57	58,594	12½	6½	36,119	53,317
				1934.....	97,868	0.59	60,547	12½	6½	32,496	53,142
"B" Shares	£10	£2	£2	1935.....	98,601	0.58	60,547	12½	6½	31,343	53,352
				1936.....	99,017	0.59	59,570	12½	6½	37,134	66,665
				1937.....	82,251	0.50	53,906	11½	5½	26,272	68,738
* For four months ended Dec. 31. † Rate per annum.											

LIABILITIES														ASSETS													
Year Ended Aug. 31	Number of Branches.	Capital and Re- serves	Per Cent.	Un- divided Profits Carried For- ward	Per Cent.	Notes	Per Cent.	Staff Funds	Per Cent.	Deposit and Current Accounts, etc.	Per Cent.	Total Liabilities or Assets	Cash in Hand at Bankers	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	↑Premises	Per Cent.							
1927	90	£1,500,000	8-9	£53,823	0-3	£1,416,003	8-4	£2,134	0-4	£13,810,351	82-0	£16,842,311	£1,714,756	10-2	£4,012,455	23-8	£10,771,409	64-0	£343,691	2-2							
1928	91	1,500,000	8-8	46,158	0-3	1,445,857	8-5	62,976	0-4	13,907,790	82-0	16,962,781	1,591,621	9-4	4,001,165	23-6	10,994,369	64-8	375,626	2-2							
1929	91	1,500,000	8-7	46,001	0-3	1,492,946	8-6	64,291	0-4	14,200,841	82-0	17,304,079	1,968,956	11-4	4,301,131	24-9	10,686,333	61-7	347,609	2-2							
1930	91	1,500,000	8-7	48,402	0-3	1,413,272	8-2	63,821	0-4	14,122,157	82-4	17,149,652	1,722,623	10-4	4,457,254	26-0	10,608,065	61-8	361,708	2-2							
1931	92	1,500,000	8-8	47,064	0-3	1,196,834	7-1	539,945	0-3	14,146,286	83-4	16,930,129	1,302,288	7-7	4,829,955	28-5	10,447,941	61-7	349,945	2-2							
1931½	92	1,200,000	7-1	47,557	0-3	1,157,120	6-8	527,336	1-3	14,317,975	84-5	16,499,738	1,471,845	8-7	4,796,410	28-1	10,137,391	59-8	544,086	2-2							
1932	93	1,200,000	6-8	50,058	0-3	1,163,167	6-9	175,404	0-4	15,227,276	85-5	17,715,905	1,537,521	13-5	5,599,330	31-6	9,336,650	52-7	392,404	2-2							
1932½	93	1,200,000	6-8	53,317	0-4	1,155,507	6-8	131,034	0-4	14,522,442	85-1	17,118,600	1,770,512	10-3	4,687,385	36-1	8,719,165	51-0	441,533	2-2							
1933	93	1,200,000	7-2	58,141	0-4	1,183,272	7-1	114,315	0-7	14,046,090	84-8	16,601,818	1,648,415	9-9	5,913,619	35-6	8,617,439	52-0	422,351	2-2							
1934½	93	1,200,000	7-0	64,352	0-4	1,237,46*	7-2	108,565	0-6	14,489,470	84-8	17,099,853	1,857,433	10-9	5,557,530	38-4	8,271,320	43-3	413,565	2-2							
1935½	93	1,200,000	7-2	66,665	0-4	1,188,2	7-1	145,270	0-9	14,043,884	84-4	16,644,029	1,635,218	9-9	6,524,530	39-2	8,039,011	48-2	445,272	2-2							
1937	93	1,200,000	7-3	68,738	0-4	1,242,95†	7-6	149,079	0-9	13,663,799	83-8	16,329,573	1,561,142	9-6	6,137,736	37-5	8,181,616	50-2	449,079	2-2							

* Excluding agencies. † Includes cover for acceptances. ‡ December 31. Endorsements.

ULSTER BANK, LIMITED

ESTABLISHED 1836

Affiliated to Westminster Bank, Limited, in October, 1917

CAPITAL				PROFITS AND DIVIDENDS						
Subscribed	Paid-up	Callable	Reserved	Year Ended Nov. 30	Net Profits £	Per Cent. of Resources	Dividends Amount	Rate. %	Reserves, etc	Carried Forward
3,000,000	1,000,000	Nil	2,000,000	1927.....	210,818	0.86	85,000	21½	100,000	75,439
				1928.....	224,775	0.92	128,000	21½	100,000	72,215
				1929.....	218,435	0.96	128,000	21½	100,000	62,650
				1930.....	215,472	0.87	128,000	21½	90,000	60,122
Per Share £15	Per Share £5	Per Share Nil	Per Share £10	1931.....	198,981	0.80	138,667	21½	50,000	70,436
				1932.....	189,108	0.70	128,000	21½	50,000	81,544
				1933.....	170,470	0.66	128,000	21½	50,000	74,014
				1934.....	175,341	0.70	128,000	21½	50,000	71,355
				1935.....	180,514	0.71	140,000	21½	35,000	76,869
				1936.....	182,602	0.71	140,000	21½	35,000	84,470
				1937.....	183,873	0.72	140,000	21½	50,000	78,343
In Northern Ireland, £290,000.				* Free of income tax. † Thirteen months ended Dec. 31.						
In Irish Free State, £370,000.										

[Continued on page 46]

THE
BANK OF INDIA
LIMITED

ESTABLISHED 7th SEPTEMBER, 1906

CAPITAL SUBSCRIBED ... Rs. 2,00,00,000
CAPITAL PAID UP ... " 1,00,00,000
RESERVE FUND ... " 1,08,00,000

HEAD OFFICE:—ORIENTAL BUILDINGS, BOMBAY

LOCAL BRANCHES:

Bullion Exchange, Shaikh Memon Street
Malabar Hill, Hughes Road
Kalbadevi, Princess Street
Colaba, Cusrow Baug
Andheri, 47 Ghodbunder Road

BRANCHES:

Ahmedabad, Ahmedabad (Station Branch), Bandra, Calcutta (Clive Street), Calcutta (Bara Bazar), Nagpur City, Poona, Poona City, Rajkot, Surat.

LONDON AGENTS:

The Westminster Bank Ltd.

DIRECTORS:

Sir Chunilal V. Mehta, K.C.S.I. (Chairman)

Mr Ambalal Sarabhai

Sir Joseph Kay, Knight

Mr A. Geddis

Sir Cowasjee Jehangir, Baronet, K.C.I.E., O.B.E.

Mr Dinsha K. Daji

Mr Ramnivas Ramnarain

Current Deposit Accounts.—Interest is allowed on daily balances from Rs. 300 to Rs. 1,00,000 at ½ per cent. per annum. Interest on balances in excess of Rs. 1,00,000 allowed only by special arrangement. No credit will be given in account for interest amounting to less than Rs. 5 per half year.

Fixed Deposits.—Deposits are received fixed for one year or for shorter periods at rates of interest which can be ascertained on application.

Savings Bank.—Accounts opened on favourable terms. Rules on application.

The Bank undertakes Executor and Trustee Business.—Rules may be obtained on application.

General Banking Business transacted, rules for which can be obtained upon application.

A. G. GRAY, Manager.

SWISS BANK CORPORATION

(A COMPANY LIMITED BY SHARES, INCORPORATED IN SWITZERLAND)

1872

BASLE, ZURICH, ST. GALL,
GENEVA, LAUSANNE,
LA CHAUX-DE-FONDS,
NEUCHÂTEL, SCHAFFHOUSE

Capital paid-up - S.Fcs. 160,000,000

Reserves - - S.Fcs. 32,000,000

LONDON OFFICE - 99 GRESHAM STREET, E.C.2

WEST END BRANCH: 11 REGENT STREET (WATERLOO PLACE), S.W.1

All descriptions of Banking and
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Parts of the WorldSTRUCTURAL CHANGES AND
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This book is a unique reference work for all engaged or interested in Empire markets and the commercial progress of each area.

P. S. King & Son, Ltd.
WestminsterTHE
YOKOHAMA SPECIE BANK,
LIMITED

(Incorporated in Japan)

Established 1880

Capital Subscribed and Fully Paid - Yen 100,000,000

Reserve Fund - - - - - " 135,900,000

Head Office - - YOKOHAMA

BRANCHES AT

ALEXANDRIA
BANGKOK
BATAVIA
BERLIN
BOMBAY
CALCUTTA
CANTON
DAIREN
FENGTIEN (Mukden)
HAMBURG
HANKOW
HARBIN
HONG KONG
HONOLULU
HSINKING
KARACHI
KOBE
LONDON
LOS ANGELES
MANILA
MOJO
NAGASAKI
NAGOYA
NEW YORK
OSAKA
OTARU
PARIS
PEKING
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SEATTLE
SEMARANG
SHANGHAI
SINGAPORE
SOURABAYA
SYDNEY
TIENTSIN
TOKYO
TOKYO (Marunouchi)
TSINGTAO
YINGKOW

LONDON OFFICE:

7 BISHOPSGATE, LONDON, E.C.2

H. KANO, Manager

ULSTER BANK, LIMITED—continued from page 44

Year Ended Nov. 30	Number of Branches*	LIABILITIES								Total Liabilities or Assets	ASSETS							
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Bills for Collection	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Invest- ments	Per Cent.	Dis- counts, Advances and Short Loans	Per Cent.	Premises	Per Cent.
1927....	114	1,600,000	6.6	75,439	0.3	1,660,984	6.8	51,026	0.2	20,997,853	86.1	24,385,302	2,684,047	11.0	10,228,493	42.0	11,256,653	46.1
1928....	114	1,700,000	7.0	72,215	0.3	1,535,367	6.3	44,609	0.2	21,037,705	86.2	24,389,398	2,387,110	9.8	10,508,694	43.1	11,270,599	46.2
1929....	115	1,750,000	7.1	62,650	0.3	1,346,926	5.4	52,702	0.2	21,589,159	87.0	24,800,436	2,645,010	10.7	10,742,505	43.4	11,179,338	45.0
1930....	115	1,800,000	7.3	60,122	0.2	1,389,716	5.6	46,654	0.2	21,444,824	86.7	24,741,316	2,293,351	9.3	11,326,912	45.8	10,887,445	44.0
1931†	116	1,850,000	7.5	70,436	0.3	1,300,219	5.3	46,536	0.2	21,467,434	86.7	24,743,825	2,716,570	11.0	11,315,634	45.8	10,445,891	42.2
1932†	116	1,900,000	7.7	81,544	0.3	1,308,784	4.8	54,947	0.2	23,466,141	87.6	25,793,006	2,274,153	8.8	13,720,683	53.2	9,494,952	36.8
1933†	116	1,950,000	7.6	74,014	0.3	1,345,053	5.2	44,457	0.2	22,379,482	86.7	25,117,749	2,680,750	10.7	12,774,980	50.8	9,344,512	37.2
1934†	115	2,000,000	8.0	71,355	0.3	1,431,917	5.7	50,224	0.2	21,564,253	85.8	25,339,770	2,503,163	9.9	13,292,071	52.4	9,227,029	36.5
1935†	115	2,000,000	7.9	76,869	0.3	1,515,191	6.0	53,581	0.2	21,694,129	85.6	25,498,258	2,627,375	10.3	13,340,409	52.3	9,247,967	36.3
1936†	115	2,000,000	7.8	84,470	0.3	1,577,358	6.2	66,984	0.3	21,769,446	85.4	25,394,738	2,476,712	9.8	12,919,908	50.8	9,710,551	38.3
1937†	115	2,000,000	7.9	78,433	0.3	1,629,743	6.4	44,902	0.2	21,641,750	85.2	25,394,738	2,476,712	9.8	12,919,908	50.8	9,710,551	38.3

* Excluding agencies.

† December 31.

LATEST BALANCE SHEETS OF DOMINION BANKS HAVING
LONDON OFFICES

BANKS IN EIRE

BANK OF IRELAND*

The governors and directors report that the net profits of the bank for the year ended December 31, 1937, after meeting all charges, and providing for bad and doubtful debts, interest due on deposits, rebate on bills not at maturity, pensions and other contingencies, amount to £390,749, to which must be added a sum of £100,970 brought forward from December, 1936, making a total of £491,719. Out of this total the proprietors declared an interim dividend of 6 per cent., less income tax, absorbing

£128,769. The governors and directors having transferred £75,000 to reserves for contingencies, now recommend that a final dividend of 7½ per cent., less income tax, be declared for the year ended December 31, 1937, which will absorb £160,961, making, together with the dividend paid on August 1, 1937, a distribution of 13½ per cent., less income tax, for the year, leaving a surplus of £126,988 to be carried forward.

December 31	LIABILITIES					ASSETS						
	Capital and Reserves	Government and Other Public Accounts	Deposit and Current Accounts including Contingencies	Notes in Circulation	Cash in Hand	Cash at Call and Short Notice	British Government Debt	Government Securities	Other Securities	Discounts and Advances	Premises	
1933.....	5,949,231	5,231,470	31,658,596	1,857,639	2,064,495	3,114,287	2,630,769	16,322,189	5,896,760	14,004,861	695,707	
1934.....	5,949,231	4,059,589	32,130,474	1,870,433	2,118,994	3,136,027	2,630,769	15,193,982	6,125,675	14,160,398	676,083	
1935.....	5,949,231	4,072,903	32,244,813	1,949,608	2,586,918	2,837,133	2,630,769	14,766,501	6,732,803	14,044,952	642,197	
1936.....	5,949,231	4,128,588	32,835,254	1,965,762	2,531,949	2,879,540	2,630,769	14,382,935	7,623,245	14,233,783	635,527	
1937.....	5,949,231	4,273,552	31,714,929	2,039,782	3,004,147	2,559,633	2,630,769	13,855,347	7,010,842	14,347,746	633,940	

* No London Office.

THE HIBERNIAN BANK LIMITED

The directors' report shows that after providing for rebate on bills, interest on deposits, bad and doubtful debts and contingencies, the net profits for the half-year ended December 31, 1937, amount to £40,468, to which has to be added the balance of undivided profits from last account £29,882, making a total

of £70,350. The directors recommend that the balance be applied as follows: In payment of a dividend for the half-year at the rate of 12 per cent. per annum, subject to deduction of income tax, £30,000; in reduction of bank premises account, £2,500; to next account, £27,850.

December 31	LIABILITIES			ASSETS			
	Capital and Reserves	Deposit and Current Accounts, etc.	Notes in Circulation	Cash in Hand and with Bankers	Investments	Discounts and Advances	Premises
1933.....	1,150,000	11,321,554	480,329	946,974	6,063,757	5,827,572	196,718
1934.....	1,170,000	10,976,445	488,252	1,173,479	5,283,092	6,084,337	187,417
1935.....	1,190,000	10,898,771	492,406	1,180,258	5,299,228	5,973,331	179,883
1936.....	1,200,000	10,794,064	487,089	1,115,999	5,304,233	5,981,224	175,508
1937.....	1,220,000	10,685,205	494,162	1,053,807	5,078,681	6,202,301	168,035

MUNSTER AND LEINSTER BANK LIMITED

The directors' statement of the bank's affairs for the half-year ended December 31, 1937, shows that the profits, after deducting expenses, providing for interest on deposits, rebate on bills, and for all bad and doubtful debts, amount to £70,684, to which has to be added the balance from the last account

£43,655, making a total of £114,339. The directors recommend the payment of a dividend for the half-year at the rate of 12 per cent. per annum free of income tax £45,000, and after transferring to contingencies account £15,000, and applying in reduction of premises account £5,000, and placing to staff pension fund £5,000, there will remain to be carried to next account £44,339.

December 31	LIABILITIES			ASSETS					
	Capital and Reserves	Notes in Circulation	Deposit and Current Accounts, etc.	Cash in Hand and with Bankers	Money at Call	Investments	Bills discounted	Advances on Securities and Current Accounts	Premises
1933.....	1,750,000	784,137	25,255,554	1,515,671	1,800,000*	12,388,734	1,129,812	10,662,175	379,610
1934.....	1,750,000	801,826	24,280,387	1,596,790	1,300,000	11,775,664	1,073,291	10,789,514	384,655
1935.....	1,750,000	809,419	24,483,225	1,748,325	1,700,000	11,900,636	1,015,587	10,890,656	387,169
1936.....	1,750,000	807,093	24,437,421	1,526,770	1,400,000	12,511,882	970,389	10,285,754	386,702
1937.....	1,750,000	824,302	24,157,131	1,571,392	1,000,000	12,628,430	922,946	10,312,427	385,577

THE NATIONAL BANK LIMITED

According to the report for the half-year ended December 31, 1937, including £39,127 brought forward from June 30th last, the profit and loss account shows a balance of £148,813 available for distribution. Full provision has been made for all bad and doubtful debts. The board have declared a dividend for the past half-year at the rate of 12½ per cent. per annum, and have transferred £10,000 to reserve fund and £10,000 in reduction of bank premises account. The sum of £38,813 has been carried forward.

NATIONAL BANK LIMITED—continued

December 31	LIABILITIES				ASSETS						
	Capital and Reserves	Notes in Circulation	Deposit and Current Accounts, etc.	Cash in Hand	Money at Call and Short Notice	Govt. Securities	Other Investments	Advances on Securities and Current Accounts	Bills discounted	Premises	
1933.....	2,550,000	1,257,297	38,537,292	4,220,507	3,321,267	16,092,133	1,569,563	14,729,747	1,791,466	773,714	
1934.....	2,570,000	1,290,494	37,575,719	4,192,239	3,494,267	15,345,043	1,346,621	14,747,925	1,698,494	757,869	
1935.....	2,590,000	1,276,203	37,225,166	4,641,879	3,158,601	14,593,200	1,318,919	15,185,137	1,629,377	739,867	
1936.....	2,610,000	1,318,809	39,062,236	4,780,853	4,161,601	14,072,799	1,307,309	15,551,990	1,549,676	715,340	
1937.....	2,630,000	1,339,864	37,144,752	4,790,088	3,369,171	13,123,270	1,191,498	16,631,853	1,490,680	666,869	

PROVINCIAL BANK OF IRELAND, LIMITED
The directors' statement for the half-year ending December 31, 1937, states that, including £36,472 brought forward from last account, there remains a profit of £74,559. Out of this the directors have declared a dividend for the half-year at the rate of 12½ per cent. per annum, less income tax, which will require £25,312. They have added to reserve fund £5,000, written off bank premises account £6,000, and carried forward £38,246.

December 31	LIABILITIES				ASSETS					
	Capital and Reserves	Notes in Circulation	Deposits and Current Accounts, etc.	Cash in Hand at Branches and in London	Money at Call and Short Notice	Investments	Advances to Customers, etc.	Bills discounted	Premises	
1933.....	1,015,000	969,878	15,141,372	774,521	824,000	8,291,693	5,782,060	941,467	211,158	
1934.....	1,030,000	915,884	15,069,180	728,037	1,000,000	7,963,766	6,045,025	1,125,889	211,928	
1935.....	1,040,000	956,818	15,180,857	717,542	1,064,000	7,905,351	5,770,819	927,739	205,142	
1936.....	1,050,000	1,008,152	15,072,549	827,630	1,156,365	8,408,502	5,632,899	965,247	199,906	
1937.....	1,060,000	1,034,118	15,260,503	891,109	1,000,000	8,089,056	6,267,650	977,007	193,537	

THE ROYAL BANK OF IRELAND LIMITED

The directors have to report that the net profits of the bank for the year ended December 31, 1937, after making provision for bad and doubtful debts, amounted to £40,279, which, with the amount brought forward from last year of £11,600, make together £51,939. From this an interim dividend at the rate of 8 per cent. per annum (less tax) for the first six months of the year, has been distributed to the shareholders, £9,300, leaving

a balance of £42,639, out of which the board have appropriated to reserve fund, officers' superannuation, and other contingencies £20,000, leaving available a balance of £22,639, which they recommend should be appropriated as follows: A further dividend at the rate of 10 per cent. per annum (less tax) for the six months ended December 31 last, £11,625; the balance to be carried forward to the credit of next year's account, £11,014.

December 31	LIABILITIES				ASSETS				
	Capital and Reserves	Consolidated Notes outstanding	Deposit and Current Accounts, etc.	Bankers' Balances and Cash in hand and at Call	Investments	Bills discounted	Advances	Premises	
1933.....	580,000	231,142	6,458,309	1,155,890	2,056,701	108,088	3,721,463	250,000	
1934.....	590,000	233,355	6,243,379	574,593	2,260,209	92,280	3,913,022	250,000	
1935.....	600,000	229,623	6,415,156	671,234	2,509,611	89,631	3,747,323	250,000	
1936.....	605,000	238,347	6,432,826	649,417	2,397,760	88,360	3,913,922	250,000	
1937.....	610,000	239,313	6,465,817	587,338	2,415,907	88,176	3,996,347	250,000	

AFRICAN BANKS

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

The directors report that after payment of all charges, provision having been made for income tax, bad and doubtful debts and contingencies, the net profit for the year ended September 30, 1937, amounted to the sum of £431,209, to which has to be added the sum of £128,903 brought forward from September 30, 1936, making a total of £560,112, which has been appropriated as follows: To reduction of premises account, £75,000; to reserve fund, £100,000; to interim dividends paid June 17, 1937, at the rate of 8 per cent.

per annum on the cumulative preference shares, and at the rate of 5½ per cent. per annum on the "A" and "B" shares, less income tax, £119,429; to final dividend at the rate of 8 per cent. per annum on the cumulative preference shares of £1 each, fully paid, less income tax, £53,790; to final dividend at the rate of 6½ per cent. per annum on the "A" shares of £1 each fully paid, and the "B" shares of £5 each, £1 paid, less income tax, £77,573; balance to be carried forward, £134,320; making a total of £560,112.

LIABILITIES					ASSETS						
September 30	Capital and Reserves	Deposit and Current Accounts, etc.	Notes in Circulation	Acceptances and Other Liabilities on account of Customers	Cash in Hand and Gold Bullion	Money at Call and Short Notice	Remittances in Transit	Bills discounted	Investments	Advances	Premises
			£	£	£			£	£		£
1933.....	6,625,500	74,521,924	735,932	3,342,453	15,698,691	1,625,954	2,168,421	10,843,159	27,170,192	21,894,792	2,482,208
1934.....	6,725,500	82,865,855	770,978	4,311,672	16,938,336	3,373,812	1,216,313	13,764,506	25,778,119	26,740,295	2,530,952
1935.....	6,825,500	87,781,143	850,648	3,982,657	24,409,002	2,029,994	1,368,221	12,494,916	23,445,438	29,178,051	2,531,669
1936.....	6,900,500	96,992,504	930,389	4,946,848	25,514,644	2,062,200	1,570,455	13,102,287	27,843,485	32,205,050	2,525,272
1937.....	7,000,500	96,209,544	1,083,980	5,712,899	22,758,161	1,761,000	1,884,984	11,108,285	28,334,055	35,917,728	2,529,782

THE STANDARD BANK OF SOUTH AFRICA, LIMITED

Sept. 30	LIABILITIES					ASSETS						
	Capital and Reserves	Notes in Circulation	Deposits and Current Accounts	Drafts Outstanding and Acceptances	Customers' Bills for Collection	Cash in Hand and with Bankers	Cash at Call and Short Notice	Investments	Bills Purchased	Discounts and Advances, etc.	Remittances in Transit	Premises
1933	£5,000,000	£466,220	£55,806,730	£1,128,771	£7,712,546	£14,608,195	£2,725,000	£9,618,695	£3,355,389	£27,348,312	£2,641,124	£1,908,849
1934	5,000,000	499,014	58,710,437	1,129,930	7,681,053	13,151,735	2,650,000	11,999,295	4,363,983	29,274,700	1,907,397	1,822,819
1935	5,000,000	583,702	58,369,371	1,084,713	8,031,482	13,628,482	2,116,393	12,718,849	3,955,861	29,092,820	1,539,213	1,776,438
1936	5,000,000	692,404	61,636,933	1,394,283	8,967,433	9,374,861	2,050,000	14,597,184	4,485,197	34,301,089	1,907,414	1,789,830
1937	5,500,000	828,302	68,455,679	1,355,431	10,890,137	10,931,471	1,850,000	15,357,902	4,925,911	38,644,050	2,346,958	1,772,671

BANK OF BRITISH WEST AFRICA, LIMITED

The directors' statement of accounts for the year ended March 31, 1937, states that after providing for current charges (including contributions to the staff profit sharing fund and the provident fund), rebate on bills and appropriations to contingency accounts, out of which accounts provision has been made for all bad and doubtful debts, there remains a balance of profit for the year of £90,636. To this must be added £54,973 brought forward from last year, making a total amount available of £145,608.

Of this sum £24,000, being an interim dividend of 2 per cent., has already been distributed, less income tax, and the directors now recommend the payment of a final dividend of 3 per cent., absorbing a further sum of £36,000, less income tax, making a total distribution for the year of 5 per cent., less income tax. The directors also recommend a transfer of £30,000 to premises and furniture account, leaving a balance of £55,608 to be carried forward.

March 31	LIABILITIES					ASSETS						
	Capital and Reserve	Deposit and Current Accounts, etc.	Drafts Issued	Bills for Collection	Acceptances	Cash in Hand and in Transit	Investments	Bills of Exchange	Loans and Advances, etc.	Premises		
1933	£1,600,000	£8,105,475	£166,330	£747,704	£68,781	£1,049,741	£3,721,451	£1,022,155	£1,813,251	£342,118		
1934	1,600,000	6,130,770	141,605	620,042	65,030	789,313	3,697,105	937,628	2,214,117	334,116		
1935	1,600,000	6,670,090	157,615	695,378	89,034	770,688	4,428,187	670,596	2,320,552	319,489		
1936	1,600,000	7,372,929	128,390	708,630	122,197	1,738,854	3,894,330	714,194	2,558,839	294,379		
1937	1,600,000	8,695,295	285,001	648,717	61,032	2,325,229	3,123,280	612,536	4,348,112	284,259		

AUSTRALASIAN BANKS

THE BANK OF ADELAIDE

The directors' report states that the balance of profit and loss for the year ended March 29, 1937 (including the balance brought forward from the previous year, £36,970) amounts to £98,307, out of which an interim dividend at the rate of 4 per cent. per annum was paid in October, £25,000, leaving available £73,307,

out of which the directors have declared a dividend for the half-year ended March 29, 1937, at the rate of 5 per cent. per annum, payable after the general meeting on April 28, 1937, £31,250, leaving a balance to carry forward of £42,057.

March 30	LIABILITIES				ASSETS						
	Capital and Reserve	Notes in Circulation	Bills in Circulation, etc.	Deposits	Cash in Hand including Bullion	Money at Call and Short Notice	Government Securities	Bills Receivable in London and Remittances in Transit	Discounts and Advances	Premises	
1933	£2,250,000	£6,599	£61,745	£6,667,038	£1,073,644	£1,485,000	£658,136	£600,936	£5,115,381	£345,361	
1934	2,250,000	6,597	46,660	6,197,488	1,020,461	715,000	703,671	812,795	5,075,518	349,344	
1935	2,250,000	6,592	79,496	6,372,697	1,020,597	595,700	972,699	606,394	5,252,802	352,837	
1936	2,250,000	6,576	74,244	6,713,968	615,111	895,000	855,668	657,645	5,660,001	353,511	
1937	2,250,000	6,574	83,536	7,066,114	625,836	1,000,000	701,784	1,286,236	5,631,010	352,392	

BANK OF AUSTRALASIA

The directors state that, after providing for rebate on bills current, for British, Australian and New Zealand rates and taxes, and making a transfer to the credit of Contingencies Account, out of which account provision for all bad and doubtful debts has been made, the net profit for the year ended October 11th last amounted to £309,501. To this has to be added £193,329 brought forward from the previous year's account, making a total of £502,830. From this, £129,938 was paid as an interim dividend

on October 1st last, and the directors have now appropriated a further sum of £167,062 to pay a final dividend of 4s. 6d. per share, less income tax at 3s. 6d. in the £, making, in all, £297,000, equal to 8s. per share, less tax, and representing for the year a distribution at the rate of 8 per cent., less tax. There will remain £205,830 to be carried forward to the next account.

Date	LIABILITIES					ASSETS						
	Capital and Reserves	Deposits at Interest	Current Accounts	Bills Payable, Drafts in Transit, etc.	Acceptances	Cash in Hand	Loans at Call and Short Notice	Securities	Bills receivable and Remittances in Transit	Advances on Securities, etc.	Premises	
Oct. 16, 1933	£8,975,000	£26,041,279	£11,792,072	£4,576,979	£195,188	£8,127,891	£50,000	£9,160,558	£2,991,323	£31,247,132	£472,111	
" 15, 1934	8,975,000	26,748,140	12,853,667	4,542,477	230,941	9,356,504	25,000	10,306,126	2,426,692	31,045,284	503,252	
" 14, 1935	8,975,000	23,895,133	13,162,970	4,619,493	237,151	5,035,420	...	10,566,078	2,478,286	32,391,472	530,962	
" 12, 1936	8,975,000	23,612,110	13,553,470	4,338,965	280,943	4,699,823	...	9,478,927	2,598,641	33,300,768	567,316	
" 11, 1937	8,975,000	25,174,224	15,601,240	5,317,750	403,059	10,055,805	...	8,402,412	2,917,107	33,460,837	607,718	

BANK OF NEW SOUTH WALES

The directors submitted to the proprietors the following statement:—The net profits for the year, after deducting rebate on current bills, interest on deposits, and paying income, land and other taxes, reducing valuation of bank premises, providing for bad and doubtful debts, fluctuations in the value of investment securities, and other contingencies, and including recoveries from debts previously written off as bad, amount to £543,242, to which is added undivided balance from September 30, 1936, £129,500—£672,742; interim dividends

at the rate of 6s. per share (Australian currency) for quarters ended December 31, 1936, March 31, 1937, and June 30, 1937, paid out of the year's profits, in terms of Clause 105 of deed of settlement, £395,100, leaving a balance of £277,642, which the directors recommend to be dealt with as follows: To quarter's dividend to September 30, 1937, at the rate of 6s. per share Australian currency, £131,700; to balance carried forward, £145,942—£277,642.

(Continued on page 49)

BANK OF NEW SOUTH WALES—continued

September 30	LIABILITIES					ASSETS						
	Capital and Reserves	Notes in Circulation	Deposits, Accrued Interest and Rebate	Bills Payable, etc.	Out-standing Credits, etc.	Cash in Hand	Money at Short Call in London	Treasury Bills	Investments	Bills Receivable in London and Remittances in Transit	Discounts and Advances	Premises
1933	£14,930,000	£601,793	£86,317,691	£6,318,945	£3,113,526	£10,834,885	£2,220,000	£10,189,973	£12,262,177	£4,930,179	£65,232,080	£2,300,000
1934	14,930,000	297,491	91,840,970	5,687,257	4,014,119	14,396,166	490,000	6,455,000	16,928,496	4,852,486	66,932,897	2,400,000
1935	14,930,000	140,968	90,403,981	6,468,117	3,386,698	10,179,566	1,280,000	5,535,000	11,742,085	5,128,186	75,122,458	2,500,000
1936	14,930,000	81,450	89,145,169	7,139,652	3,592,971	11,274,935	1,470,000	7,235,000	3,952,607	7,361,895	76,592,248	2,600,000
1937	14,930,000	81,416	95,876,747	8,322,177	3,657,503	16,646,228	2,070,000	2,630,000	5,225,403	7,965,110	80,577,457	2,900,000

BANK OF NEW ZEALAND

The directors state that the profits for the year ended March 31, 1937, after providing for expenses of management, and for all bad and doubtful debts, and other contingencies, and after making provision for the annual donation to the provident fund, are £600,008, to which has to be added balance brought forward from last year, £339,100, making a total of £939,108. From which has been paid: Dividend on preference A shares, £50,000; interim dividend on C long-term mortgage shares, £7,031; interim dividend on D long-term mortgage shares, £17,578; interim dividend on preference B shares, £31,250;

interim dividend on ordinary shares, £187,500, leaving available for distribution, £645,749. This the directors propose should be disposed of as follows: Dividend on C long-term mortgage shares at 6 per cent. per annum, £7,031; dividend on D long-term mortgage shares at 7½ per cent. per annum, £17,578; dividend on preference B shares (making £100,000 for the year), £68,750; dividend at rate of 5 per cent. on ordinary shares (making £375,000 for the year, equal to 10 per cent.), £187,500, leaving balance to be carried forward £364,890.

March 31	LIABILITIES					ASSETS						
	Capital and Reserves	Notes in Circulation	Deposits	Bills Payable, etc.	Coin, Cash Balances, etc.	Money at Call and Short Notice	Bills Receivable in London and in Transit	Investments	Discounts	Remittances in Transit between Branches	Advances, Securities, Debts, Due to Bank, etc.	Long-term Mortgage Dept.
1933	£10,433,114	£4,338,747	£32,573,239	£3,529,578	£8,508,559	£6,266,397	£1,631,598	£7,949,372	£594,419	£1,356,646	£28,465,449	£1,310,175
1934	10,433,114	4,259,149	34,328,004	3,355,784	7,765,367	4,163,947	2,483,957	14,119,390	408,187	1,439,410	21,962,154	1,310,175
1935	9,903,125	503,778	33,198,614	3,777,295	7,177,791	7,585,468	1,475,538	8,299,157	519,341	1,369,451	20,971,391	1,310,175
1936	9,903,125	324,452	35,740,450	3,759,175	7,076,654	8,172,420	2,274,371	8,303,217	495,697	1,784,411	21,634,676	1,310,175
1937	9,903,125	628	35,636,112	4,084,806	8,105,657	7,122,420	1,338,925	7,957,020	801,729	1,584,679	22,862,219	1,310,175

COMMERCIAL BANK OF AUSTRALIA, LIMITED

According to the report of the board of directors for the year ended June 30, 1937, the net profits amount to £247,435, to which is added amount brought forward £98,930, making a total of £346,365. From this amount the directors have made the following appropriations: To reduction of bank premises, £25,000; to interim dividend at 4 per cent. per annum on preference shares paid February, 1937, £42,347; to interim

dividend at 6½ per cent. per annum on ordinary shares paid February, 1937, £66,667—£134,014; leaving a balance of £212,351 which it is proposed to apportion as follows: To dividend for six months on the preference shares at 4 per cent. per annum in Australian currency, £42,347; to dividend for six months on the ordinary shares at 6½ per cent. per annum in Australian currency, £66,667; to carry forward to next year, £103,338.

June 30	LIABILITIES					ASSETS						
	Capital and Reserve	Profit and Loss	Notes in Circulation	Bills and Other Liabilities	Deposits	Contingent Liabilities offset by equivalent Assets	Cash in Hand	Money at Call and Short Notice	Commonwealth and New Zealand Shares, dated Treasury Bills	Other Investments	Bills Receivable in London, and Remittances in Transit	Discounts and Advances
1933	£6,367,350	£171,599	£188,500	£1,011,116	£22,380,269	£674,008	£3,233,293	£...	£2,046,918	£1,735,539	£1,496,595	£20,300,762
1934	6,367,350	176,059	178,988	1,170,409	24,554,505	854,398	3,682,890	20,000	2,141,812	1,981,433	1,412,368	21,725,548
1935	6,367,350	199,823	19,780	1,192,315	24,853,164	931,364	3,299,966	150,000	1,755,000	2,627,822	2,142,083	22,100,326
1936	6,367,350	207,943	14,980	1,291,292	25,863,668	898,338	3,437,657	125,000	2,440,000	2,560,277	1,450,113	22,211,474
1937	6,367,350	212,351	6,195	1,354,453	29,293,777	1,003,766	5,499,537	...	2,470,000	3,796,402	1,980,714	22,124,707

THE COMMERCIAL BANKING COMPANY OF SYDNEY, LIMITED

According to the annual report of the directors for the year ended June 30, 1937, the net profit for the year, after deducting rebate on current bills and accrued interest on fixed deposits, paying land, income and other taxes, and providing for bad and doubtful debts and other contingencies, amounts to £342,041, to which is added the amount brought forward from June 30, 1936, £110,226, making a total of £452,267, from which the

directors have made the following appropriations: To interim dividend for the half-year ended December 31, 1936, at the rate of 6 per cent. per annum paid on January 29, 1937, £142,170, bank premises account £25,000, leaving a balance of £285,097, and now recommend payment of a dividend for the half-year ended June 30, 1937, at the rate of 7 per cent. per annum, £165,865, leaving the amount to be carried forward £119,232.

(Continued on page 50)

1838

CENTENARY YEAR

1938

The Clydesdale Bank Limited

HEAD OFFICE: 30 ST. VINCENT PLACE, GLASGOW
ANDREW MITCHELL - GENERAL MANAGER

Foreign Exchange Branch: 91 Buchanan St., Glasgow.

Edinburgh Office: 29 George St., Edinburgh

London Offices: { City: 30 Lombard St., E.C.3
West End: 31 Regent St., S.W.1

CAPITAL ISSUED £5,300,000
CAPITAL PAID UP £1,300,000

RESERVE SURPLUS FUND £1,750,000
DEPOSITS [31st Dec. 1937] £37,401,402

Money received on Deposit at call and short notice at current rates of interest and for longer periods at Special Terms.

TRUSTEE AND EXECUTOR BUSINESS UNDERTAKEN

AFFILIATED TO MIDLAND BANK LIMITED WITH OVER 2,100 BRANCHES

COMMERCIAL BANKING COMPANY OF SYDNEY—continued

LIABILITIES					ASSETS						
June 30	Paid Up Capital and Reserve	Notes in Circulation	Bills in Circulation	Deposits and Other Liabilities	Cash in Hand	Money at Call and Short Notice	Treasury Bills	Government Stocks and Other Securities	Bills Receivable in London and Remittances in Transit	Discounts, etc.	Premises
1933	9,039,013	13,792	1,043,988	45,071,545	6,684,105	1,140,000	3,640,000	5,837,799	1,791,241	34,768,799	1,293,390
1934	9,039,013	13,759	1,240,483	48,629,115	7,697,536	960,000	4,640,000	5,654,059	2,070,620	35,888,549	1,269,690
1935	9,039,013	13,703	1,173,911	49,191,296	7,892,626	1,150,000	3,865,000	5,985,789	2,111,077	36,940,268	1,247,813
1936	9,039,013	13,669	1,121,006	49,777,559	7,410,342	1,085,000	4,550,000	5,409,699	2,143,034	37,853,871	1,231,789
1937	9,039,013	13,658	1,198,743	53,854,165	10,208,338	1,370,000	5,450,000	5,408,025	2,487,321	37,744,226	1,209,641

ENGLISH, SCOTTISH, AND AUSTRALIAN BANK, LIMITED

The directors' report for the year ended June 30, 1937, shows that the gross profits amount to £1,181,480, less expenses of management, £772,544, income and other taxes, £132,810—£905,354; leaving a net profit of £276,126. From this the following appropriations have been made: An interim dividend of 3½ per cent. less United Kingdom income tax, at 3s. 9d. in £, £85,310; reserve fund, £15,000; balance of unappropriated profits for the year, £175,816; brought forward from June 30,

1936, £306,787—£482,604; and it is proposed to make further appropriations as follows: To the officers' provident fund, £10,000; to a further dividend of 3½ per cent. less United Kingdom income tax at 3s. 6d. in £, making 7 per cent. for the year, £86,625; to contingencies reserves, £50,000; to reduction in bank premises account £30,000—£176,625; leaving a balance to be carried forward of £305,979.

LIABILITIES					ASSETS						
June 30	Capital and Reserves	Deposits at Interest	Current Accounts	Bills Payable, etc.	Cash in Hand	Investments	Bills Receivable and Remittances in Transit	Advances, etc.	Premises		
1933	8,092,966	18,740,003	10,206,766	1,553,795	7,712,402	1,777,999	3,821,391	24,983,769	721,387		
1934	8,107,966	20,131,519	11,899,829	1,869,722	9,232,191	1,881,589	4,378,925	26,217,746	725,279		
1935	8,122,966	19,576,954	12,832,399	1,843,675	6,167,833	2,214,727	4,878,250	28,813,047	755,855		
1936	8,137,966	19,710,035	13,183,214	2,010,587	8,412,215	2,146,493	3,127,621	29,112,249	733,766		
1937	8,152,966	20,937,315	14,345,344	2,741,282	11,324,780	2,897,438	4,380,274	27,350,619	761,464		

COMMONWEALTH BANK OF AUSTRALIA

LIABILITIES					ASSETS							
December 31	Capital and Reserves	Rural Credits, Capital, Reserve, Development Fund	Deposits, etc.	Bills Payable, etc.	Cash in Hand	Money at Call in London	Australian Notes	Short-term Loans in Australia	Investments	Bills Receivable in London and Remittances in Transit	Discounts, Loans, Advances, etc.	Bank Premises
	£	£	£	£	£	£	£	£	£	£	£	£
1933	5,692,458	2,268,136	64,085,651	3,933,290	705,419	13,545,728	4,228,576	9,543,388	36,817,288	1,285,840	8,706,899	1,147,399
1934	5,925,342	2,291,654	74,916,100	3,595,314	672,127	18,393,539	5,228,130	12,948,492	37,069,932	1,521,720	9,818,823	1,075,647
1935	6,137,822	2,300,105	62,355,187	4,470,282	677,745	12,779,999	5,184,485	6,945,397	36,318,926	2,097,990	10,195,333	1,063,521
1936	6,328,267	2,316,859	71,401,801	6,020,706	1,181,700	20,397,123	3,511,301	11,129,425	35,862,885	2,056,880	10,923,031	1,005,288
1937	6,501,375	2,330,327	90,508,890	5,843,841	1,013,480	34,478,275	4,405,984	...	47,991,439	2,221,706	14,101,609	971,939

NATIONAL BANK OF AUSTRALASIA, LIMITED

According to the report of the directors for the year ended March 31, 1937, the net profit, after deduction of all expenses, etc., including £89,812 for income, land and note taxes, amounted to £325,627, add balance brought forward from previous year £159,413, making available £485,040. From this sum the following appropriations have been made: Interim dividend at the rate of 5½ per cent. per annum on the £10 and the £8 shares,

paid in November, 1936, for the half-year ended September 30, 1936, £137,500; reduction of bank premises account £40,000, and it was recommended that a dividend be paid on the £10 and £8 shares for the half-year ended March 31, 1937, at the rate of 6 per cent. per annum £150,000, and to carry forward £157,540—£485,040.

LIABILITIES					ASSETS						
March 31	Capital and Reserves	Notes in Circulation	Bills in Circulation	Deposits, etc.	Cash in Hand and at Short Call in London	Commonwealth Treasury Bills	Investments	Bills and Remittances in Transit	Discounts and Advances, etc.	Premises	
1933	8,300,000	47,613	421,306	33,662,199	4,201,318	4,750,000	1,478,855	1,887,546	29,560,678	1,238,201	
1934	8,300,000	47,599	418,761	36,212,880	4,262,253	2,835,000	2,942,877	3,709,586	30,671,114	1,229,792	
1935	8,300,000	47,590	623,948	37,049,415	5,437,415	3,225,000	3,095,561	2,564,671	31,182,973	1,213,996	
1936	8,300,000	47,579	623,564	37,769,920	5,567,088	3,600,000	1,661,791	5,575,415	32,446,662	1,194,215	
1937	8,300,000	47,564	623,831	42,220,269	5,961,565	3,600,000	2,787,774	4,506,811	33,060,783	1,217,672	

THE QUEENSLAND NATIONAL BANK, LIMITED

The directors submit a report showing that the net profit for the year ended June 30th last, after allowing for rebate on bills current, interest accrued on deposits and interminable inscribed deposit stock, all assessments of income, land and other taxes payable during that period, reducing bank premises and furniture accounts £2,500, making provision for bad and doubtful debts and all known contingencies and including recoveries, amounts to £74,820, to which is to be added amount brought forward

from year ended June 30, 1936, £19,936, making a total of £94,756; out of which an interim dividend was paid at the rate of 4 per cent. per annum for the half-year ended December 31, 1936, amounting to £35,000, leaving for distribution £59,756; which it is proposed to deal with as follows: Dividend at the rate of 4½ per cent. per annum for the half-year ended June 30, 1937, £39,375 (free of Queensland income tax and unemployment relief tax); balance to be carried forward, £20,381.

LIABILITIES					ASSETS						
June 30	Capital and Reserves	Interminable Inscribed Deposit Stock	Bills Payable, etc.	Deposits	Cash in Hand and Cash Balances	Money at Call in London	Commonwealth Loans and Treasury Bills	Bills Remitted and in Transit	Discounts and Advances, etc.	Premises	
1933	2,610,000	3,015,096	302,531	7,872,214	1,613,937	25,000	2,502,885	470,690	8,694,760	549,253	
1934	2,610,000	2,854,478	289,042	7,941,295	1,762,007	25,000	2,114,388	567,166	8,701,368	546,983	
1935	2,610,000	2,814,989	305,362	8,451,035	1,865,689	15,000	2,378,561	570,202	8,860,449	547,273	
1936	2,610,000	2,750,842	319,041	8,646,021	1,404,236	15,000	2,295,409	570,355	9,578,297	547,542	
1937	2,610,000	2,750,842	356,813	9,110,747	1,665,177	15,000	2,206,614	656,652	9,787,975	556,771	

THE ANGLO-PALESTINE BANK LTD.

Incorporated 1902

10/12 WALBROOK, LONDON, E.C.4

GENERAL MANAGEMENT: TEL-AVIV

BRANCHES IN PALESTINE:

TEL-AVIV JAFFA JERUSALEM HAIFA TIBERIAS
SAFAD PETAH TIKVAH HEDERA HADAR HACARMEL REHOVOTH

EVERY BANKING FACILITY FOR BUSINESS WITH
PALESTINE

THE BANK OF AUSTRALASIA

(Incorporated by Royal Charter 1835)

Head Office: 4 THREADNEEDLE STREET, LONDON, E.C.2

West End Branch: 17 NORTHUMBERLAND AVENUE, W.C.2

Paid-up Capital ... £4,500,000
Reserve Fund ... 2,475,000
Currency Reserve ... 2,000,000
Reserve Liability of Proprietors under the Charter ... 4,500,000

£13,475,000

DIRECTORS:

D. F. ANDERSON, Esq. KENNETH GOSCHEN, Esq. RIGHT HON. THE EARL OF MIDDLETON, K.P., P.C.
HON. GEOFFREY C. GIBBS. CHARLES GIPPS HAMILTON, Esq. HORACE PEEL, Esq.
J. F. G. GILLIAT, Esq. FREDERICK V. C. LIVINGSTONE. SIR JOHN SANDERSON, K.B.E.
EDMUND GODWARD, Esq. LEARMONTH, Esq., D.S.O. ARTHUR WHITWORTH, Esq.

Numerous Branches throughout the States of VICTORIA, NEW SOUTH WALES, QUEENSLAND, SOUTH AUSTRALIA, WESTERN AUSTRALIA, TASMANIA, and the Dominion of NEW ZEALAND.
Letters of Credit and Bills of Exchange granted. Bills Negotiated or sent for Collection. Telegraphic Transfers made. Banking Business of every description transacted with Australia and New Zealand.

Deposits received in London at interest for fixed periods on terms which may be ascertained at the Office.

BANQUE BELGE POUR L'ETRANGER (OVERSEAS), Ltd.

Affiliated to the Société Générale de Belgique

CAPITAL - - - - £2,000,000

entirely subscribed

LONDON:
4 Bishopsgate, E.C.2NEW YORK:
67 Wall Street

BOARD OF DIRECTORS:

A. CALLENS (Chairman), Sir THOMAS J. STRANGMAN, K.C., P. RAMLOT, E. TERROIR, A. DONNAY (Managing Director)
Manager: M. SMITS

British and Foreign Banking Business of every description transacted

LETTERS OF CREDIT - - - COMMERCIAL CREDITS - - - COLLECTION OF CLEAN AND DOCUMENTARY DRAFTS
SPOT AND FORWARD FOREIGN EXCHANGE TRANSACTIONS, ETC.

CORRESPONDENTS THROUGHOUT THE WORLD

AGENTS IN THE UNITED KINGDOM FOR THE BELGIAN POSTAL CHEQUE SERVICE

SOCIÉTÉ GÉNÉRALE

POUR FAVORISER LE DÉVELOPPEMENT DU COMMERCE ET DE L'INDUSTRIE EN FRANCE

ESTABLISHED 1864

(Incorporated in France with Limited Liability)

SUBSCRIBED CAPITAL - - - - - Frs. 625,000,000

PAID-UP CAPITAL - - - - - Frs. 322,556,250

RESERVE FUND & UNDIVIDED PROFITS - - - - - Frs. 410,119,436

DEPOSITS (31st December, 1937) - - - - - Frs. 9,249,287,511

EVERY DESCRIPTION OF BANKING BUSINESS TRANSACTED

Over 1,300 BRANCHES IN FRANCE AND NORTH AFRICA

Subsidiary Banks or Correspondents in all parts of the World

Head Office: 29 BOULEVARD HAUSSMANN, PARIS

London Office: 105 OLD BROAD STREET, E.C.2

The Société Générale is represented in the West End of London by the Société Française de Banque et de Dépôts, 11 Waterloo Place, S.W.1

THE NATIONAL BANK OF NEW ZEALAND, LIMITED

The directors' statement of the bank's affairs as on March 31, 1937, states that the net profit for the year, after making full provision for bad and doubtful debts, exchange and other contingencies, amounts to £102,838, and to this amount has to be added £113,959 brought forward from the previous year, making an available total of £216,797. The interim dividend at the rate of 4 per cent. per annum, free of income tax, paid in January, 1936, absorbed £40,000, £14,000 has been placed to

pension and gratuity funds, and £10,000 has been transferred to premises account, leaving £152,797 available for distribution. The directors propose to allocate this amount as follows:—In payment of a dividend at the rate of 4 per cent. per annum for the half-year ended March 31, 1937, making 4 per cent. for the year, free of income tax, £40,000; balance to be carried forward, £112,797.

ASSETS											
March 31	Capital and Reserves	Notes in Circulation	Deposits and Current Accounts	Bills Payable and Other Liabilities	Cash in Hand	Cash at Bankers and at Call	Investments	N.Z. Treasury Bills and Special Loan to N.Z. Govt.	Receivable London and in Transit	Discounts	Premises
1933	4,000,000	1,015,477	13,767,817	1,257,043	709,491	1,911,565	2,339,990	2,584,344	1,523,294	373,928	631,788
1934	4,000,000	1,111,225	15,595,836	1,313,405	692,945	733,090	2,505,648	6,503,171	1,551,789	323,302	630,128
1935	3,500,000	151,763	13,554,859	1,368,853	723,369	1,945,958	4,194,477	...	1,168,715	427,580	629,124
1936	3,500,000	99,821	13,655,182	1,559,812	695,187	2,612,231	2,697,211	...	1,323,114	340,220	624,890
1937	3,500,000	...	13,751,541	1,488,645	835,679	1,530,265	3,336,851	200,000	488,214	454,483	621,507

THE UNION BANK OF AUSTRALIA, LIMITED

The directors' report for the year ended August 31, 1937, shows that after making provision for bad and doubtful debts and other contingencies, there is a net profit for the year of £254,383, to which is added £146,864 brought forward, making £401,247. The interim dividend paid in July last of 3s. per cent. having absorbed £100,000, the amount now available is £301,247. From this the directors have made an appropriation of £20,000 to complete a Special Centenary Fund set aside to pro-

vide a bonus to shareholders and staff. From the balance the directors have declared a final dividend of 4 per cent., less income tax at 3s. 1d. in the £, making 7 per cent. for the year, less income tax. The final dividend will absorb £135,333, and leave £145,914 to be carried forward. The directors have also declared from the Special Centenary Fund a bonus to proprietors of 2 per cent., less income tax at 3s. 1d. in the £, and granted a bonus to the Staff of 7½ per cent. on their salaries.

ASSETS											
Feb. 28	Capital and Reserves	Deposits	Bills Payable, etc.	Cash in Hand	Bullion and Advances on Bullion	Money at Call in London	Investments	Remittances and Drafts in Transit, etc.	Common-wealth Treasury Bills	Discounts, Loans, etc.	Premises
1933	8,850,000	35,215,930	985,735	8,235,257	46,701	400,000	2,442,718	2,621,075	...	31,642,634	379,105
1934	8,850,000	36,490,479	760,429	8,705,818	86,523	330,000	2,806,942	1,839,224	...	32,417,658	376,986
1935	8,850,000	33,429,249	1,116,666	4,599,246	81,329	330,000	3,101,251	2,030,246	1,685,000	31,472,830	374,486
1936	8,850,000	34,410,690	1,197,913	4,845,205	91,370	340,000	3,111,586	2,333,953	1,515,000	32,129,341	366,578
1937	8,850,000	37,828,084	1,549,562	6,842,656	114,488	360,000	3,475,650	2,991,804	1,870,000	31,923,737	438,124

* August 31st.

CANADIAN AND W.I. BANKS

BANK OF CANADA

The directors' report for the year ended December 31, 1937, shows a net profit of \$2,268,596, after making provision for contingencies and reserves. This has been appropriated as follows: Dividend No. 5, payable July 2, 1937, at 4½ per cent. per annum on \$10,100,000 for six months to June 30, 1937,

\$226,240; Dividend No. 6, payable January 3, 1938, at 4½ per cent. on \$10,100,000 for six months to December 31, 1937, \$228,260; transferred to rest fund, \$804,699; for credit of Receiver General of Canada, account Consolidated Revenue Fund, \$1,209,398.

BALANCE SHEET—December 31, 1937

ASSETS											
LIABILITIES	Capital	Notes in Circulation	Deposits not bearing Interest	Deposits bearing Interest	Advances under Finance Act	Balances due to other Banks	Letters of Credit outstanding	Cash in Hand	Cheques on other Banks	Due by Banks Abroad	Premises
Capital	10,100,000										
Rest fund	1,348,414										
Notes in circulation	165,330,405										
Deposits:											
Dominion Government	12,292,382										
Chartered banks	196,039,737										
Other banks	3,456,935										
Dividend payable Jan. 3, 1938	228,260										
Other liabilities	1,634,083										
	390,430,216										

BANK OF MONTREAL

The annual report shows the following result of the bank's business for the year ended October 30, 1937: Balance of profit and loss account, October 31, 1936, \$1,036,535; profits for the year ended October 30, 1937, after making appropriations to contingent reserve fund, out of which fund full provision for bad and doubtful debts has been made, less Dominion and Provincial Government taxes, \$942,957—\$3,403,329; making a

total of \$4,444,864; quarterly dividend 2 per cent. paid March 11, 1937, \$720,000; quarterly dividend 2 per cent. paid June 1, 1937, \$720,000; quarterly dividend 2 per cent. paid September 1, 1937, \$720,000; quarterly dividend 2 per cent. payable December 1, 1937, \$720,000; written off bank premises \$400,000; balance of profit and loss carried forward, \$1,164,864.

ASSETS											
LIABILITIES	Capital	Notes in Circulation	Deposits not bearing Interest	Deposits bearing Interest	Advances under Finance Act	Balances due to other Banks	Letters of Credit outstanding	Cash in Hand	Cheques on other Banks	Due by Banks Abroad	Premises
Oct. 31											
1933	74,000,000	33,819,807	124,821,612	509,874,488	9,000,000	6,650,611	6,151,281	78,312,034	24,339,599	25,446,153	14,500,000
1934	74,000,000	35,255,876	98,958,738	476,551,946	9,000,000	8,006,993	6,522,750	86,847,110	26,269,902	16,799,917	14,500,000
1935	74,000,000	29,959,128	151,209,828	490,122,270	...	10,610,895	7,066,426	82,359,490	29,229,369	37,902,358	14,500,000
1936	75,000,000	27,749,972	189,401,980	463,579,912	...	8,408,890	7,168,979	78,805,708	27,725,908	20,624,958	14,000,000
1937	75,000,000	24,428,895	192,452,352	493,540,703	...	12,080,693	7,759,145	85,765,455	26,217,466	20,701,293	13,700,000

BANK OF NOVA SCOTIA

The statement of the result of the business of the bank for the year ending December 31, 1937, is as follows:—Balance, December 31, 1936, \$803,316.30; net profits for the year ending December 31, 1937, after Dominion and Provincial taxes, \$460,481.25, and after making appropriations to contingent accounts out of which accounts full provision for bad and doubtful

debts has been made, \$1,982,140.58; making a total of \$2,785,456.88; dividends Nos. 269, 270, 271, 272 at 12 per cent. per annum, \$1,440,000; contribution to officers' pension fund, \$180,000.00; written off bank premises, \$250,000.00 balance carried forward December 31, 1937, \$915,456.8 making a total of \$2,785,456.88.

[Continued on page 5]

BANK OF NOVA SCOTIA—continued

ASSETS											
LIABILITIES	Capital	Notes in Circulation	Deposits not bearing Interest	Deposits bearing Interest	Advances under Finance Act	Balances due to other Banks	Letters of Credit outstanding	Cash in Hand	Cheques on other Banks	Due by Banks Abroad	Premises
Dec. 31											
1933	36,000,000	11,501,047	32,475,976	175,516,385	3,214,000	4,365,046	5,722,394	36,231,988	8,197,668	6,503,286	7,824,459
1934	36,000,000	12,322,202	31,320,632	180,427,902	3,214,000	6,165,042	5,973,315	32,361,899	13,505,788	7,659,415	7,376,119
1935	36,000,000	9,714,396	46,867,438	183,235,959	...	4,304,754	5,583,112	32,211,359	11,397,463	7,781,615	7,008,924
1936	36,000,000	9,415,911	58,077,948	178,833,026	...	4,839,418	6,699,886	30,206,778	11,894,928	7,808,371	6,653,837
1937	36,000,000	8,660,249	60,769,188	180,358,264	...	5,419,401	5,339,180	31,788,847	10,789,169	9,374,243	6,389,981

THE DOMINION BANK

The directors' statement for the year ended December 31, 1937, shows balance of profit and loss account, December 31, 1936, \$668,977. The profits for the year ended December 31, 1937, after making appropriations to contingency accounts, out of which accounts full provision for bad and doubtful debts has been made, and after deducting Dominion and Provincial

Government taxes, \$237,311, amounted to \$976,839; making a total of \$1,645,816. Dividends (quarterly) at 10 per cent. per annum, \$700,000; contribution to officers' pension fund, \$75,000; written off bank premises, \$100,000; balance of profit and loss account carried forward, \$770,816.

ASSETS											
LIABILITIES	Capital	Notes in Circulation	Deposits not bearing Interest	Deposits bearing Interest	Advances under Finance Act	Due to other Banks	Letters of Credit outstanding	Cash in Hand	Cheques on other Banks	Due by Banks Abroad	Premises
Dec. 31											
1933	14,000,000	6,261,243	18,104,157	77,487,474	1,500,000	1,280,403	1,661,643	8,653,621	5,218,199	1,857,035	5,930,000
1934	14,000,000	6,683,623	17,047,553	79,279,904	1,500,000	2,145,193	2,116,778	11,946,261	7,019,090	1,975,288	5,900,000
1935	14,000,000	5,902,232	21,084,857	83,446,559	...	3,041,956	4,022,279	12,467,129	9,154,475	2,756,278	5,855,000
1936	14,000,000	5,570,702	32,977,965	78,617,908	...	2,780,311	2,942,096	15,586,670	8,738,755	1,531,804	5,760,000
1937	14,000,000	5,528,741	36,286,541	80,630,033	...	3,319,146	2,066,695	17,300,677	8,213,578	1,636,068	5,685,000

THE CANADIAN BANK OF COMMERCE

According to the directors' report on the results of the bank's operations for the twelve months ending November 30, 1937, the balance of profit and loss account, brought forward from last year was \$715,516, net profit for the year, after making appropriation to contingent reserve fund, out of which fund full provision for bad and doubtful debts has been made and after deducting Dominion and Provincial Government taxes

amounting to \$902,939, was \$2,934,117, making a total of \$3,649,633. These profits have been appropriated as follows: Dividends Nos. 200, 201, 202 and 203, at 8 per cent. per annum, \$2,400,000; transferred to pension fund, \$260,307; written off bank premises, \$250,000; leaving a balance to be carried forward, \$739,326.

ASSETS											
LIABILITIES	Capital	Notes in Circulation	Deposits not bearing Interest	Deposits bearing Interest	Advances under Finance Act	Due to other Banks	Letters of Credit outstanding	Cash in Hand	Cheques on other Banks	Due by Banks Abroad	Premises
November 30											
1933	50,000,000	23,444,806	94,682,969	352,324,242	14,568,376	24,468,248	12,952,125	53,865,599	16,463,562	15,379,866	14,871,772
1934	50,000,000	25,972,969	98,976,439	356,926,553	12,716,950	7,819,613	12,716,950	51,851,407	19,288,968	16,461,815	14,705,147
1935	50,000,000	26,729,072	134,020,893	360,768,426	23,686,192	15,912,931	17,077,600	61,414,460	17,771,315	28,436,595	14,415,205
1936	50,000,000	24,559,751	173,606,029	345,534,082	10,651,925	13,016,236	19,000,109	67,671,969	21,353,883	29,966,061	14,791,584
1937	50,000,000	21,678,861	163,725,738	356,939,812	27,288,823	12,767,529	17,139,196	67,329,852	18,290,078	24,905,311	14,721,760

ROYAL BANK OF CANADA

The directors' report for the year ended November 30, 1937, states that the balance of profit and loss account, November 30, 1936, was \$1,913,796, and the profits for the year ended November 30, 1937, after making appropriations to contingency reserves, out of which reserves provision for all bad and doubtful debts has been made and after providing for Dominion and Provincial Government taxes amounting to \$947,839 was \$3,711,380, making a total of \$5,625,176 which was appropriated

as follows: Dividend No. 198 at 8 per cent. per annum, \$700,000; dividend No. 199 at 8 per cent. per annum, \$700,000; dividend No. 199 at 8 per cent. per annum, \$700,000; dividend No. 200 at 8 per cent. per annum, \$700,000; contribution to the pension fund society, \$300,000; appropriation for bank premises, \$200,000; leaving a balance to be carried forward of \$2,325,176.

LIABILITIES												ASSETS				
November 30	Capital and Reserve	Notes in Circulation	Deposits not Bearing Interest	Deposits bearing Interest	Advances under Finance Act	Due to other Banks	Letters of Credit Outstanding	Cash in Hand	Cheques on other Banks	Due by Banks Abroad	Investments	Call and Short Loans	Other Loans and Discounts	Premises		
	\$	\$	\$	\$	\$			\$	\$	\$	\$	\$	\$	\$		
1933	55,000,000	29,349,801	128,829,691	450,463,265	20,000,000	21,155,401	22,052,889	87,754,026	18,384,823	49,746,461	143,019,595	61,752,835	316,119,393	17,015,987		
1934	55,000,000	33,221,807	124,452,971	488,126,483	9,000,000	10,167,485	20,763,758	95,777,139	21,991,944	46,037,403	163,151,556	53,337,699	320,782,531	16,833,331		
1935	55,000,000	32,568,426	194,257,143	461,268,434	...	9,481,319	22,026,377	90,244,515	20,376,178	47,007,220	220,498,302	53,337,699	320,782,531	16,833,331		
1936	55,000,000	29,524,612	310,384,198	416,164,055	...	11,299,395	21,130,089	91,486,880	26,239,244	61,552,182	293,170,821	40,778,474	296,765,358	15,662,057		
1937	55,000,000	28,644,831	305,179,752	420,402,616	...	13,677,911	26,055,370	93,410,197	28,076,674	47,139,388	316,568,917	29,463,490	304,697,354	14,995,187		

THE EASTERN BANK, LIMITED

The directors state that the net profit to December 31, 1937, after providing for income tax and national defence contribution, and after appropriations to the credit of contingency account, out of which account full provision for bad and doubtful debts has been made, and including the balance brought forward from the last account, amounts to £201,191. An interim dividend at the rate of 3s. a share was paid

in September, absorbing £30,000, and the directors now recommend a final dividend of 4s. a share, less income tax at the rate of 3s. 6-64d. (after allowing for relief in respect of Dominion income tax). They propose to set aside £50,000 on account of contingencies, leaving a balance of £81,191 to be carried forward to the next account.

December 31	LIABILITIES					ASSETS				
	Capital and Reserves	Current and Deposit Accounts	Bills Payable	Acceptances on Account of Customers	Loans payable against Bills and Securities	Cash in Hand and at Banks	Government and Other Securities	Bills Receivable	Advances, etc.	Premises
1933	£ 1,500,000	£ 5,804,674	£ 248,426	£ 978,502	£ 1,094,391	£ 1,257,570	£ 4,581,878	£ 603,335	£ 1,805,332	£ 150,216
1934	1,500,000	5,840,187	217,767	780,788	1,543,763	1,165,012	5,600,016	652,688	2,195,829	190,531
1935	1,500,000	6,799,954	199,410	782,590	1,165,000	1,202,691	5,611,561	514,337	2,268,705	192,579
1936	1,500,000	7,771,799	176,136	773,698	1,470,000	1,123,248	6,084,238	949,896	2,756,907	167,934
1937	1,500,000	7,717,024	252,929	776,637	1,462,409	1,107,066	5,363,332	1,164,742	3,304,357	155,693

IMPERIAL BANK OF INDIA

The report shows that, after making the usual and necessary provisions, the net profit of the bank for the half-year ended December 31, 1937, amounted to Rs. 36,90,102 which, with Rs. 30,15,102 brought forward from the half-year ended June 30, 1937, makes a total of Rs. 67,05,205. This sum the directors of the bank have disposed of as follows: In payment of a divi-

dend to the shareholders at the rate of 12 per cent. per annum free of income tax, Rs. 33,75,000; transferred to premises account, Rs. 2,50,000; transferred to pension funds, Rs. 38,600; carried forward to the profit and loss account of the current half-year, Rs. 30,41,605—total, Rs. 67,05,205.

LIABILITIES					ASSETS								
Dec. 31	Capital and Reserves	Public Deposits	Other Deposits	Sundries	Cash	Govt. Securities	Other Authorised Securities	Ways and Means Advances to Govt. of India	Loans	Cash Credits	Bills Discounted and Purchased	Balances with Other Banks	Sundries
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1933	10,85,00,000	6,44,10,571	74,12,77,441	88,16,596	18,59,75,841	46,19,28,634	83,67,693	1,50,00,000	4,16,07,999	15,29,47,893	2,03,08,442	16,99,902	97,73,597
1934	10,97,50,000	6,72,19,793	74,27,94,823	93,47,907	18,97,37,908	41,55,69,581	...	5,00,00,000	5,83,04,399	15,59,39,780	2,59,32,373	5,24,950	85,13,087
1935	11,10,00,000	•	79,09,16,810	66,69,478	19,42,28,012	46,40,90,765	48,82,053	...	3,69,82,412	14,87,64,501	3,00,37,513	16,36,401	50,62,673
1936	11,12,50,000	•	78,79,50,117	69,15,747	7,83,96,368	52,31,37,365	27,20,384	...	5,72,99,554	16,24,13,672	4,78,80,868	72,44,714	44,41,874
1937	11,12,50,000	•	81,08,06,708	72,58,890	10,84,27,353	45,97,34,719	2,26,36,091	...	6,50,58,416	16,96,98,971	5,99,32,240	258,91,768	44,23,936

* Gone to Reserve Bank.

MERCANTILE BANK OF INDIA

The directors' report for the year ended December 31, 1937, shows that the balance of profit and loss account for the year amounts to £183,497, and the amount available, after adding £172,829 brought forward from last account, is £356,326. From this sum has to be deducted £63,000, being the interim dividend of 6 per cent., less income tax, on the "A," "B" and "C" shares paid in September last. The directors have added

£12,000 to the officers' pension fund, written £20,000 off freehold banking premises, and made an additional allocation of £25,000 to contingencies account. They now recommend a final dividend on the "A," "B" and "C" shares of 6 per cent., less income tax (making 12 per cent. for the year), leaving a balance of £173,326 to be carried forward.

LIABILITIES						ASSETS					
December 31	Capital and Reserves	Notes in Circulation	Current and Deposit Accounts, etc.	Bills Payable	Acceptances on Account of Customers	Cash in Hand and at Bankers, including Bullion	Government and other Securities	Bills Receivable	Bills Discounted	Loans Receivable and Advances	Premises
1933.....	2,125,000	103,990	12,243,040	416,628	125,134	1,957,613	5,968,124	1,699,898	27,578	4,632,622	359,037
1934.....	2,125,000	155,637	12,974,356	537,745	214,212	1,760,773	6,107,952	1,837,611	28,667	5,902,092	351,461
1935.....	2,125,000	160,412	13,916,615	512,018	171,383	2,024,631	6,630,425	2,179,899	19,163	5,107,638	341,461
1936.....	2,125,000	254,573	14,675,081	621,406	268,957	1,847,224	6,989,235	2,751,641	22,981	5,866,405	336,954
1937.....	2,125,000	326,856	16,025,388	608,779	308,319	2,232,768	6,763,934	2,283,076	15,741	6,837,963	321,036

P. & O. BANKING CORPORATION, LIMITED

The directors report that the net profits for the year ended March 31, 1937, after providing for taxation, bad and doubtful debts and valuing investments at or below market rates, amount to £102,481 which, with £56,014 brought forward from last year, gives an available balance for disposal of £158,495. The

directors have transferred £5,000 to the Officers' Pension Fund. Out of the balance of £153,495 they propose to pay a dividend of 5 per cent. less income tax, absorbing £100,524; carrying £52,971 to next account.

LIABILITIES						ASSETS					
March 31	Capital and Reserves	Current, Deposit and Other Accounts, etc.	Loans Payable against Security	Acceptances, Endorsements, etc.	Bills for Collection, etc.	Cash at Bankers and in Hand, including Bullion	Bills Receivable	Investments	Loans Receivable against Security	Advances to Customers, etc.	Premises
1933	£ 2,774,160	£ 7,071,906	£ 3,089,017	£ 199,735	£ 287,285	£ 1,496,345	£ 2,233,194	£ 5,984,792	£ 790,824	£ 2,483,430	£ 148,882
1934	2,774,160	6,433,239	5,165,763	118,683	281,844	1,957,837	2,134,364	6,807,975	805,824	2,714,907	138,000
1935	2,774,160	7,169,970	5,916,250	130,622	307,896	1,266,275	3,709,699	5,445,763	1,815,823	3,128,466	127,262
1936	2,774,160	6,818,404	4,475,000	126,645	337,238	1,487,355	3,200,943	4,561,751	1,945,824	2,938,111	116,000
1937	2,774,160	7,370,489	5,231,250	146,635	400,845	1,196,957	3,426,311	4,834,884	2,335,824	3,637,239	114,401

THE NATIONAL BANK OF INDIA, LIMITED

The directors' report for the year ended December 31, 1937, shows that the net profits, after providing for all bad and doubtful debts, amount to £465,862, and adding £243,955 brought forward from the previous year, the available total is £709,817. An *ad interim* dividend at the rate of 18 per cent. per

annum was paid on September 23rd last, absorbing £180,000, and the directors now recommend a further dividend at the same rate less income tax. They propose to add £50,000 to the staff pension funds and to write £50,000 off house property account, leaving a balance of £249,817 to be carried forward.

[Continued on page 56]

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NATIONAL BANK OF INDIA—continued

December 31	LIABILITIES					ASSETS					
	Capital and Reserves	Current, Deposit and Other Accounts, etc.	Bills Payable	Acceptances for Customers	Cash on Hand, at Call, and at Bankers	Indian Government Rupee Securities	Other Securities	Bills of Exchange	Discounts, Loans, etc.	Premises	
1933	£ 2,200,000	£ 29,633,308	£ 760,818	£ 382,996	£ 4,563,811	£ 5,583,774	£ 9,788,374	£ 3,553,507	£ 10,805,737	£ 690,580	
1934	£ 2,200,000	£ 28,703,042	£ 756,190	£ 351,156	£ 3,990,939	£ 5,109,765	£ 9,322,179	£ 4,280,728	£ 10,515,597	£ 691,574	
1935	£ 2,200,000	£ 29,822,941	£ 660,259	£ 408,110	£ 4,427,753	£ 5,021,262	£ 9,789,005	£ 4,427,068	£ 10,283,643	£ 641,574	
1936	£ 2,200,000	£ 30,027,681	£ 645,944	£ 330,830	£ 5,411,234	£ 5,264,652	£ 9,259,332	£ 4,809,434	£ 10,004,846	£ 647,984	
1937	£ 2,200,000	£ 31,466,946	£ 662,936	£ 472,330	£ 5,303,152	£ 5,303,684	£ 10,000,378	£ 4,525,843	£ 10,073,728	£ 652,914	

FOREIGN BANKS HAVING LONDON OFFICES AND BRITISH BANKS TRADING ABROAD

ANGLO-CZECHOSLOVAK AND PRAGUE CREDIT BANK

Dec. 31	LIABILITIES					ASSETS							
	Capital and Reserves	Staff Pension Fund	Deposit Accounts	Current Accounts	Acceptances on account of Clients	Items in Transit	Cash in Hand and with Banks	Balances with Banks Abroad	Bills receivable	Investments	Participations	Advances, etc.	Items in Transit
1932	Kc. 133,026,347	Kc. 82,329,600	Kc. 1,020,009,026	Kc. 1,860,114,434	Kc. 18,664,391	Kc. 36,546,609	Kc. 179,716,197	Kc. 34,001,508	Kc. 248,500,023	Kc. 395,761,362	Kc. 73,650,000	Kc. 2,079,416,105	Kc. 22,658,349
1933	Kc. 133,072,478	Kc. 82,329,600	Kc. 915,962,039	Kc. 1,739,781,025	Kc. 19,036,190	Kc. 23,962,039	Kc. 177,097,488	Kc. 36,691,289	Kc. 190,820,360	Kc. 395,839,546	Kc. 73,000,000	Kc. 1,903,180,462	Kc. 21,348,095
1934	Kc. 133,104,763	Kc. 82,329,600	Kc. 974,693,882	Kc. 1,722,268,481	Kc. 28,525,098	Kc. 23,248,982	Kc. 238,965,057	Kc. 49,719,832	Kc. 145,255,742	Kc. 416,321,891	Kc. 73,000,000	Kc. 1,897,929,704	Kc. 20,204,844
1935	Kc. 138,137,894	Kc. 82,329,600	Kc. 1,034,541,007	Kc. 1,757,416,620	Kc. 30,057,253	Kc. 23,149,015	Kc. 290,882,425	Kc. 94,910,648	Kc. 155,485,055	Kc. 447,524,538	Kc. 73,000,000	Kc. 1,864,794,756	Kc. 14,015,798
1936	Kc. 138,201,091	Kc. 82,329,600	Kc. 1,055,814,607	Kc. 1,916,037,360	Kc. 74,146,062	Kc. 24,082,087	Kc. 280,461,696	Kc. 94,246,174	Kc. 163,072,221	Kc. 498,887,574	Kc. 73,000,000	Kc. 1,918,926,685	Kc. 29,141,034
1937	Kc. 138,201,091	Kc. 82,329,600	Kc. 1,055,814,607	Kc. 1,916,037,360	Kc. 74,146,062	Kc. 24,082,087	Kc. 280,461,696	Kc. 94,246,174	Kc. 163,072,221	Kc. 498,887,574	Kc. 73,000,000	Kc. 1,918,926,685	Kc. 29,141,034

ANGLO-INTERNATIONAL BANK, LIMITED

The directors submit a report for the year ending December 31, 1937, which states that the net losses on the realisation of assets and sundry provisions amounted to £51,850, and expenses in connection with the liquidation of foreign branches amounted to £2,874, making a charge to profit and loss account of £54,724; from this sum has been deducted the surplus of interest, dividends, commissions, etc., over general expenses and directors' fees, £12,954, leaving a debit balance for the year of £41,770, which, added to the balance brought forward from the previous year, £487,023, makes a total debit balance of £528,794.

Dec. 31	LIABILITIES					ASSETS							
	Capital	Current, Deposit and other Accounts	Acceptances and Guarantees for Account of Customers	Cash with Bankers and in Hand	Money at Call	Balances with Banks Abroad	Bills Receivable	Securities and Investments	Notes and Treasury Bills, etc.	Advances, etc.	Acceptances and Guarantees on behalf of Customers	Premises Abroad	
1933	£ 1,960,000	£ 509,783	£ 1,414,266	£ 47,429	£ 225,000	£ 31,412	£ 88,315	£ 455,448	£ 191,263	£ 1,238,330	£ 1,386,531	£ 171,939	
1934	£ 1,960,000	£ 442,310	£ 1,176,116	£ 39,468	£ 225,000	£ 38,649	£ 64,079	£ 882,482	£ 128,655	£ 612,619	£ 1,160,085	£ 171,939	
1935	£ 1,960,000	£ 505,242	£ 1,084,465	£ 39,734	£ 425,000	£ 42,510	£ 61,372	£ 759,624	£ 128,939	£ 414,341	£ 1,084,465	£ 171,939	
1936	£ 1,960,000	£ 569,084	£ 907,980	£ 50,759	£ 245,000	£ 16,503	£ 75,656	£ 1,125,568	£ 128,331	£ 230,253	£ 907,980	£ 170,000	
1937	£ 1,960,000	£ 627,760	£ 436,560	£ 47,423	£ 230,000	£ 34,403	£ 52,317	£ 795,129	£ 124,003	£ 564,944	£ 477,315	£ 170,000	

ANGLO-PALESTINE BANK, LIMITED

December 31	LIABILITIES					ASSETS							
	Capital and Reserves	Bills Payable	Current, Deposit and other Accounts	Guarantees, Endorsements and other Engagements	Cash in Hand and at Bankers	Balances with Banking Correspondents	Bills Discounted	Investments	Advances, etc.	Premises			
1933	£ 350,850	£ 175,362	£ 4,563,544	£ 259,978	£ 740,293	£ 246,839	£ 349,450	£ 2,199,768	£ 1,479,203	£ 90,754			
1934	£ 390,854	£ 200,991	£ 6,329,448	£ 204,976	£ 600,108	£ 240,070	£ 639,559	£ 2,157,761	£ 2,157,950	£ 107,416			
1935	£ 690,854	£ 297,590	£ 7,152,865	£ 378,294	£ 873,725	£ 231,149	£ 703,556	£ 3,070,658	£ 2,785,670	£ 95,004			
1936	£ 1,079,497	£ 209,341	£ 7,425,525	£ 378,930	£ 918,639	£ 195,936	£ 533,935	£ 3,935,138	£ 2,626,658	£ 150,856			
1937	£ 1,079,497	£ 176,520	£ 6,844,919	£ 496,604	£ 918,264	£ 144,818	£ 681,799	£ 2,690,201	£ 3,010,144	£ 169,446			

ANGLO-PORTUGUESE COLONIAL AND OVERSEAS BANK, LIMITED

The report of the directors for the year ended January 31, 1938, states that the net profits, after making provision for bad and doubtful debts and income tax, amount to £16,076, which, with the balance of £49,505 brought forward from last year, make a total of £65,581: this it is proposed to carry forward.

January 31	LIABILITIES					ASSETS							
	Capital and Reserves	Current, Deposit and Other Accounts	Acceptances and Confirmed Credits	Cash at Bankers in Hand and at Call	Balances with Banks abroad	Bills discounted	Investments	Advances, etc.	Banco Nacional Ultramarino, Lisbon and Branches, Accounts				
1934	£ 1,000,000	£ 664,567	£ 390,818	£ 278,321	£ 164,893	£ 373,539	£ 393,598	£ 197,325	£ 206,774				
1935	£ 1,000,000	£ 734,661	£ 632,684	£ 350,999	£ 175,007	£ 444,799	£ 365,175	£ 234,631	£ 134,275				
1936	£ 1,000,000	£ 838,995	£ 535,822	£ 379,349	£ 202,046	£ 691,770	£ 234,018	£ 235,425	£ 83,668				
1937	£ 1,000,000	£ 985,217	£ 787,666	£ 378,528	£ 62,854	£ 712,590	£ 277,932	£ 399,069	£ 158,749				
1938	£ 1,050,000	£ 1,339,193	£ 803,801	£ 590,214	£ 50,716	£ 874,025	£ 540,497	£ 304,322	£ ...				

BANK OF AMERICA

December 31	LIABILITIES					ASSETS							
	Capital, Surplus and Profit and Reserves	Liabilities for Letters of Credit, Acceptances, etc.	Deposits	Circulation	Cash and due from Banks	Investments and Securities	Stock in Federal Reserve Bank	Loans, Discounts and Bankers' Acceptances	Premises, etc.				
*1933	\$ 112,357,400	\$ 20,992,019	\$ 826,051,868	\$ 45,500,000	\$ 106,488,147	\$ 334,346,029	\$ 2,700,000	\$ 483,678,945	\$ 39,014,219				
1934	\$ 105,977,315	\$ 17,534,927	\$ 997,595,995	\$ 45,500,000	\$ 130,945,752	\$ 483,160,617	\$ 3,934,790†	\$ 472,382,853	\$ 37,306,115				
1935	\$ 104,107,653	\$ 18,046,284	\$ 1,155,265,465	...	\$ 134,989,706	\$ 620,219,559	\$ 2,475,000	\$ 451,009,354	\$ 35,394,076				
1936	\$ 108,139,177	\$ 23,221,264	\$ 1,298,976,759	...	\$ 204,171,712	\$ 623,304,982	\$ 2,505,000	\$ 532,076,966	\$ 34,759,618				
1937	\$ 111,995,831	\$ 23,998,508	\$ 1,357,378,756	...	\$ 244,970,758	\$ 550,551,379	\$ 2,580,000	\$ 630,668,811	\$ 35,699,955				

* Includes figures of Bank of America State Bank.

† Includes investments in Federal Deposit Insurance Corporation.

BANCA COMMERCIALE ITALIANA

The net profit for the year ended December 31, 1937, was 34,914,977 lire.

Dec. 31	LIABILITIES							ASSETS					
	Capital and Reserves	Bills Payable	Commercial Acceptances	Deposits and Current Accounts	Guarantees	Rebate on Bills	Securities Deposited	Cash in Hand	Bills Receivable, Govt. Securities and Money at Call	Contango and Loans	Participations in Affiliated Banks	Other Govt. Securities and Bonds and Shares	Current Accounts
1933	Lire 840,000,000	Lire 172,240,564	Lire 174,793,456	Lire 8,049,268,536	Lire 434,483,812	Lire 23,697,227	Lire 8,270,076,847	Lire 531,004,752	Lire 5,359,759,801	Lire 129,977,320	Lire 279,130,867	Lire 243,660,257	Lire 2,675,795,818
1934	Lire 844,244,493	Lire 159,587,424	Lire 191,881,548	Lire 7,840,409,929	Lire 293,125,070	Lire 4,213,065	Lire 8,936,653,558	Lire 480,641,261	Lire 5,104,448,333	Lire 132,843,392	Lire 254,465,901	Lire 160,379,252	Lire 2,601,139,646
1935	Lire 844,785,576	Lire 199,914,293	Lire 24,329,912	Lire 6,960,026,565	Lire 207,295,021	Lire 7,283,747	Lire 9,941,987,075	Lire 664,779,826	Lire 4,657,177,195	Lire 118,296,284	Lire 252,892,498	Lire 192,687,964	Lire 2,298,101,499
1936	Lire 845,769,054	Lire 206,239,123	Lire 29,484,872	Lire 6,900,421,209	Lire 199,169,203	Lire 5,393,536	Lire 6,832,915,038	Lire 640,014,933	Lire 4,688,231,753	Lire 93,402,047	Lire 251,794,095	Lire 128,733,052	Lire 2,044,889,931
1937	Lire 847,596,198	Lire 242,083,149	Lire 205,202,793	Lire 7,477,990,829	Lire 316,613,061	Lire 8,634,398	Lire 6,932,670,471	Lire 705,722,912	Lire 4,932,611,653	Lire 104,207,077	Lire 250,944,629	Lire 187,080,441	Lire 2,230,031,994

BANCO DE BILBAO

December 31	LIABILITIES						ASSETS						
	Capital and Reserves	Deposits	Bills Payable	Acceptances for account of Customers, etc.	Sundry Creditors	Securities Deposited	Cash in Hand and at Other Banks	Bills Receivable	Govt. and other Securities	Advances on Security and Sundry Debtors	Banking Correspondents, etc.	Unissued Shares	Premises
1931	Pesetas 183,305,513	Pesetas 809,908,235	Pesetas 19,063,717	Pesetas 5,492,448	Pesetas 77,650,274	Pesetas 3,179,933,511	Pesetas 193,731,140	Pesetas 89,703,100	Pesetas 441,451,852	Pesetas 78,728,465	Pesetas 136,948,883	Pesetas 25,000,000	Pesetas 19,974,502
1932	Pesetas 186,679,449	Pesetas 859,787,987	Pesetas 20,699,207	Pesetas 5,911,238	Pesetas 127,975,914	Pesetas 2,978,170,527	Pesetas 221,163,378	Pesetas 110,651,192	Pesetas 436,634,844	Pesetas 85,252,262	Pesetas 133,015,511	Pesetas 25,000,000	Pesetas 19,974,501
1933	Pesetas 187,652,774	Pesetas 910,620,132	Pesetas 25,733,353	Pesetas 62,188,534	Pesetas 12,188,359	Pesetas 3,020,435,006	Pesetas 236,749,811	Pesetas 98,375,816	Pesetas 444,942,697	Pesetas 96,011,996	Pesetas 172,925,043	Pesetas 25,000,000	Pesetas 21,217,751
1934	Pesetas 187,652,774	Pesetas 894,194,502	Pesetas 26,371,700	Pesetas 81,409,445	Pesetas 18,362,538	Pesetas 3,104,414,830	Pesetas 219,174,434	Pesetas 96,381,788	Pesetas 433,770,979	Pesetas 122,385,899	Pesetas 126,562,473	Pesetas 25,000,000	Pesetas 21,490,873
1935	Pesetas 175,000,000	Pesetas 872,522,897	Pesetas 35,814,026	Pesetas 29,441,565	Pesetas 15,377,037	Pesetas 3,170,427,021	Pesetas 232,835,780	Pesetas 91,447,621	Pesetas 501,108,551	Pesetas 134,337,201	Pesetas 67,255,390	Pesetas 25,000,000	Pesetas 21,490,873
June 30, 1936	Pesetas 175,000,000	Pesetas 853,470,601	Pesetas 37,073,113	Pesetas 15,691,413	Pesetas 15,983,011	Pesetas 3,132,465,580	Pesetas 192,992,042	Pesetas 90,991,580	Pesetas 498,195,999	Pesetas 144,681,164	Pesetas 76,519,428	Pesetas 25,000,000	Pesetas 21,490,873

BANCO ESPANOL DEL RIO DE LA PLATA

LIABILITIES					ASSETS									
June 30	Capital, Reserve and Contingency Fund	Deposits	Re-discounts	Securities deposited	Cash	Discounts, Bills for Collection, Advances	Advances on Mortgages	Accounts Overdue and in Liquidation	Properties received in Payment of Advances	Securities	Argentine Government Treasury Bills	Bills for Collection for Account of Third Parties	Mortgage Loans for Account of Third Parties	Premises
1931	5,699,231	27,045,197	6,459,726	34,801,680	3,397,149	24,682,636	2,601,534	2,588,770	1,532,714	1,725,727	2,837,301	2,985,116	1,070,478	1,181,912
1932	5,808,681	23,952,061	7,817,143	34,938,662	2,713,187	22,414,855	3,201,107	2,620,982	1,996,373	2,301,725	3,710,317	2,221,330	1,207,699	1,192,968
1933	5,819,738	24,799,994	6,791,232	36,821,498	3,025,589	21,032,670	3,711,099	2,623,940	2,153,689	2,691,073	3,710,317	2,708,868	1,278,027	1,263,949
1934	5,830,348	27,218,457	6,666,690	43,255,870	3,979,971	20,982,048	4,008,408	2,590,638	2,579,485	3,112,269	3,710,317	3,054,766	1,214,861	1,384,449
1935	5,839,959	23,198,658	7,226,342	29,099,988	1,365,706	19,971,989	4,163,675	2,529,656	2,661,570	2,925,140	...	1,930,841	744,262	924,715

THE BANK OF ROUMANIA, LIMITED

The report for the year 1936 states that the balance of earnings in Roumania, namely, £11,739, cannot be remitted and has therefore been added to the provision for bad and doubtful accounts in Roumania. On the other hand, sterling expenses, covering London office, directors' fees and payments on account of the Bucharest branch exceed earnings by £3,459, which has been covered by a transfer from sterling reserve for doubtful debts, contingencies, etc.

LIABILITIES					ASSETS							
December 31	Capital and Reserves	Current Accounts, etc.	Guarantees, etc., for Account of Customers	Subsidiary Companies' Current Accounts	Cash in Hand and at Bankers	Balances with Banks Abroad	Money at Call and Short Notice in London	British Treasury Bills	Investments	Bills Receivable, Loans, Current and Other Accounts	Property Account	
1932	300,000	84,266	44,477	5,449	253,264	44,934	285,000	100,000	25,935	430,363	4,339	
1933	300,000	87,238	77,050	7,799	280,282	21,060	30,000	350,000	28,638	461,436	4,311	
1934	300,000	1,412,071	87,122	3,051	791,739	10,259	125,000	250,000	31,823	482,802	17,253	
1935	300,000	1,246,401	82,636	8,956	436,806	7,416	25,000	...	336,618	695,141	17,633	
1936	300,000	936,972	97,533	13,222	200,903	9,329	245,000	...	224,817	546,272	12,731	

* Not shown separately.

THE BANK OF TAIWAN, LIMITED

LIABILITIES							ASSETS							
Dec.	Capital and Reserves	Notes in Circulation	Deposits, etc.	Bills Payable	Bills Rediscounted	Acceptances and Guarantees, etc.	Due to Correspondents	Cash in Hand and at Banks	Bullion	Discounts, Loans, etc.	Interest Bills, Bills Bought and Export Advances	Government Bonds, etc.	Due from Correspondents	Premises and Estate
1933	Yen 17,354,000	Yen 48,993,959	Yen 256,576,207	Yen 43,995,261	Yen 49,615,935	Yen 4,324,724	Yen 3,014,182	Yen 16,437,511	Yen 20,181,352	Yen 228,390,415	Yen 53,629,425	Yen 90,835,519	Yen 1,946,591	Yen 6,933,874
1934	18,104,000	62,653,877	264,470,796	36,030,000	33,725,308	4,326,675	2,838,177	16,282,787	19,857,496	212,951,387	71,427,871	89,055,178	2,191,499	4,782,699
1935	19,004,000	70,190,978	255,783,541	48,811,280	11,766,647	6,316,551	1,957,809	12,162,956	15,469,212	212,765,357	59,572,815	100,094,852	1,665,043	4,835,691
1936	19,504,000	63,673,700	257,690,062	57,938,643	3,600,616	3,076,606	1,713,804	12,963,140	15,557,040	203,674,503	61,833,236	103,812,626	659,541	4,887,700
1937	20,700,000	75,489,725	266,414,839	70,592,610	7,756,065	4,099,807	1,808,681	19,240,288	12,369,151	205,306,560	83,378,043	114,827,664	999,087	6,025,434

BANQUE COMMERCIALE DU CONGO

The report of the board of directors for the year 1936-37 announces a net profit of Frs. 2,400,233, out of which a dividend of 8 per cent. free of tax, has been paid. Frs. 250,000 have been allotted to the reserve, and Frs. 13,345 are carried forward.

Owing to a change in the presentation of the balance sheet, the figures for 1935-36 and 1936-37, below, are only approximately comparable with those of previous years.

LIABILITIES							ASSETS						
June 30	Capital and Reserves	Dividend Due	Sundry Creditors	Advances against Securities	Bills Payable	Sundry Accounts	Cash in Hand and at Bank	Government Securities	Sundry Debtors	Bills Receivable	Investments	Sundry Accounts	Debtors for Acceptances
	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.
1933 ...	41,000,000	2,108,434	247,297,554	265,446	1,867,729	3,972,950	14,477,632	231,825,925	33,162,484	2,804,500	10,803,722	23,097	Frs. ...
1934 ...	41,900,000	2,108,434	207,757,124	265,446	1,249,908	3,176,794	11,830,639	195,887,411	29,155,447	5,733,277	9,996,768	54,982	11,912
1935 ...	35,000,000	2,391,297	107,369,940	361,500	1,905,369	1,689,381	26,727,663	84,806,315	25,592,006	6,328,877	...	45,937	1,233,250
1936 ...	35,000,000	2,391,297	201,788,409	...	71,134	2,765,341	5,408,842	124,201,737	18,218,460	90,212,674	461,292	13,176	...
1937 ...	35,250,000	2,400,233	163,160,089	...	39,353	2,258,691	6,784,819	177,936,299	14,792,177	99,891	461,292	13,887	...

BANQUE DU CONGO BELGE

The report of the directors for the year 1936-37 shows a net profit of Frs. 7,153,781. This permits the increase of the dividend from 11 to 12 per cent.* The reserves are increased by Frs. 500,000, and Frs. 2,968,138 go to the Trésor Colonial.

LIABILITIES							ASSETS							
June 30	Capital and Reserves	Notes	Due to Colonial Treasury	Dividend Due	Creditors	Bills Payable	Sundry Accounts	Cash in Hand and at Bank	Gold and Gold Exchange	Government Securities	Bills Receivable	Sundry Debtors	Sundry Accounts	Property, Premises, Furniture, etc.
1933	Frs. 53,600,000	Frs. 116,044,338	Frs. 2,118,723	Frs. 2,409,639	Frs. 553,690,105	Frs. 11,766,573	Frs. 3,655,629	Frs. 405,569,314	Frs. 61,794,212	Frs. 139,955,968	Frs. 74,725,624	Frs. 53,370,143	Frs. 3,387,988	Frs. 9,500,000
1934	59,000,000	110,984,588	2,233,192	2,409,639	300,033,312	8,047,355	2,825,247	345,835,557	61,794,212	130,604,834	82,613,822	52,002,802	3,847,593	9,000,000
1935	59,500,000	116,920,015	2,332,464	2,409,639	543,801,819	14,425,153	27,650,821	413,967,298	83,825,248	52,792,871	145,238,491	58,764,598	1,437,444	9,000,000
1936	60,000,000	257,214,806	2,661,762	2,650,692	515,213,235	16,571,169	4,356,910	294,899,245	130,860,248	118,713,691	147,477,374	151,627,251	6,608,181	8,500,000
1937	60,500,000	343,540,173	2,968,138	2,891,566	654,653,881	15,913,483	2,899,735	336,602,537	172,823,248	236,290,231	159,202,842	163,299,460	7,163,942	8,000,000

* Free of tax.

THE BRITISH BANK FOR FOREIGN TRADE, LIMITED

The directors' report for the year ended April 30, 1937, shows a loss, after charging the sums shown to the debit of the profit and loss account, of £3,361, to which is added the debit brought forward from the previous year of £72,269. Deducting profit on sale of premises of £6,400, this makes a total of £69,230.

LIABILITIES				ASSETS					
April 30	Capital	Current Deposit and Other Accounts	Investment Depreciation Reserve	Cash in Hand, at Bankers in London and Abroad	Investments	Loans and Advances	Subsidiary Company	Profit and Loss Account	Premises
	£	£	£	£	£	£	£	£	£
1933	351,600	276,837	85,433	59	395,319	157,629	70,813	44,050	46,000
1934	351,600	253,506	85,433	358	392,314	123,957	69,665	53,245	46,000
1935	351,600	236,391	86,049	384	392,195	99,031	68,934	67,496	46,000
1936	351,600	225,674	19,680	599	391,830	86,255	...	72,269	46,000
1937	361,100	220,313	...	432	377,833	81,513	...	69,230	...

The NATIONAL BANK OF NEW ZEALAND

Established 1872

Limited

DIRECTORS:

SIR AUSTIN E. HARRIS, K.B.E. (Chairman)
THE RIGHT HON. LORD BALFOUR OF BURLEIGH
(Deputy Chairman)
THE RIGHT HON. VISCOUNT HAMPDEN, G.C.V.O.,
K.C.B., C.M.G.
SYDNEY PARKES, ESQ.
RICHARD DURANT TROTTER, ESQ.
ARTHUR WILLIS, ESQ.

Advisory Director in New Zealand:

Sir James Grose

HEAD OFFICE: 8 MOORGATE, LONDON, E.C.2

Manager: A. O. Norwood

Secretary: J. H. Lawrie

CHIEF OFFICE IN NEW ZEALAND: WELLINGTON

General Manager: P. R. M. Hanna

Assistant General Manager: G. G. Littlejohn

Subscribed Capital - - - - - £6,000,000

Paid-up Capital - - - - - £2,000,000

Reserve Fund - - - - - £1,000,000

Currency Reserve - - - - - £500,000

The Bank conducts every description of banking business connected with New Zealand.

English, Scottish & Australian Bank, Limited

Head Office: 5 GRACECHURCH ST., E.C.3
and 395 Branches and Agencies throughout Australia.

Subscribed Capital - - - - - £5,000,000

Paid-up Capital - - - - - £3,000,000

Further Liability of Proprietors £2,000,000

Reserve Fund - - - - - £1,695,000

Special Currency Reserve - £1,585,000

Board of Directors:

S. M. WARD, Esq. Chairman.

SIR CLIVE BAILLIEU,
K.B.E., C.M.G.
LORD HUNSDON.
E. M. JANION, Esq.

SIR GEORGE SCHUSTER,
K.C.S.I., K.C.M.G., C.B.E., M.C.
SIR FREDERICK W. YOUNG.

Manager & Secretary—A. A. SHIPSTON.

Asst. Mgr.—P. C. HOUNSFIELD

Sub-Mgr.—R. J. ALLEN.

Accountant—C. N. HARRISON.

Bankers: Bank of England; Westminster Bank Limited.

Chief Office in Australia:

COLLINS STREET, MELBOURNE

Drafts issued on the Branches and Agencies of the Bank throughout Australia. Circular Letters of Credit and Travellers' Cheques issued.

Remittances made by Telegraphic Transfer.

Bills Negotiated or forwarded for Collection.

Wool and Produce Credits arranged.

Banking and Exchange Business of every description transacted with Australia.

BANK OF LONDON & SOUTH AMERICA LIMITED

Affords a complete international banking service through its branches in

ARGENTINA, URUGUAY
PARAGUAY, CHILE, COLOMBIA
ECUADOR, GUATEMALA
NICARAGUA, PERU, SALVADOR
VENEZUELA, BRAZIL, SPAIN
PORTUGAL, FRANCE

Head Office:

6, 7 and 8, TOKENHOUSE YARD
LONDON, E.C.2

Agencies in:

New York, Bradford, Manchester



BANK OF NEW SOUTH WALES

ESTABLISHED 1817

The first bank in Australasia and the largest, the Bank of New South Wales offers a unique banking service to investors, traders and travellers. Over 860 branches are maintained throughout Australia, New Zealand and the Pacific Islands. At the main London Office, 29 Threadneedle Street, the Intelligence Department is fully equipped to provide information on economic and financial conditions in these countries. The branch at 47, Berkeley Square, W.1 advises travellers and makes arrangements for them.

AGGREGATE ASSETS, £123,145,000

(Incorporated in New South Wales with Limited Liability.)

BRITISH AND CONTINENTAL BANKING COMPANY LIMITED

The report of the directors for the year ended September 30, 1937, shows a net profit of £16,126, to which must be added the balance brought forward from last year £2,642, making an available total of £18,768. The directors propose to appropriate this balance as follows: Payment of a dividend of 5 per cent., free of tax, on December 31, 1937, £5,000; to be placed to an additional reserve account, £10,000; to be carried forward, £3,768—£18,768.

September 30	LIABILITIES				ASSETS				
	Capital and Reserves	Current Accounts	Deposit and Other Accounts, etc.	Acceptances and Endorsements	Cash in Hand, at Bankers and at Call	British Treasury Bills and Government Bonds	Other Bills	Investments	Deposits in London and Paris, Advances, Guarantees, etc.
1933	£ 165,000*	£ 214,332	£ 405,343	£ 133,835	£ 130,771	£ 154,231	£ 225,514	£ 109,269	£ 164,890
1934	175,000	164,491	403,135	130,835	156,436	45,371	249,755	184,212	106,852
1935	185,000	119,247	471,188	80,467	180,627	199,899	35,000	159,597	200,313
1936	192,500	517,555	601,305	50,000	511,281	50,000	341,616	100,209	308,274
1937	200,000	724,325	898,566	34,587	568,497	150,000	454,805	155,655	493,934

* After cash repayment of £250,000.

BRITISH OVERSEAS BANK, LIMITED

The directors' report states that the profit, after allowing rebate of interest and providing for all bad and doubtful debts (other than provided for out of contingencies account), for the year ended October 31, 1937, amounts to £52,454; balance available from last account, £69,147, making a total of £121,601, which has been appropriated as follows: To contingencies account, £50,000, leaving a balance to be carried forward to next year of £71,601. The directors do not recommend payment of a dividend on the "A" ordinary shares, as they consider it prudent to conserve the resources of the bank in view of the unsettled state of world affairs.

October 31	LIABILITIES				ASSETS							
	Capital and Reserves	Current Deposit and other Accounts	Acceptances, etc.	Cash in Hand and at Bankers	Money at Call and Short Notice	Balances with Bankers Abroad	Bills Discounted	Government Securities	Investments	Advances, etc.	Owed by Subsidiary Companies	Premises
1933	£ 2,250,000	£ 2,599,182	£ 2,988,843	£ 216,638	£ 685,576	£ 150,442	£ 667,732	£ 396,771	£ 570,306	£ 1,840,098	£ 53,939	£ 336,624
1934	2,250,000	2,964,622	3,121,136	229,388	945,996	145,423	498,095	379,936	515,849	2,024,740	142,023	338,781
1935	2,250,000	2,538,403	2,988,528	247,417	869,329	208,471	553,525	370,629	587,013	1,782,860	14,715	336,861
1936	2,250,000	3,982,509	4,078,265	255,894	1,259,943	456,753	973,462	446,345	594,389	1,958,870	33,483	337,078
1937	2,250,000	3,840,339	3,089,195	278,043	1,149,195	196,622	138,099	446,345	703,779	3,031,211	53,593	337,338

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

The directors report that there has been an increase of \$4,656,494 in the undivided profits account during the year ended December 31, 1937, as shown herewith:—Undivided profits January 1, 1937, \$26,464,247; add earnings for 1937, \$15,016,494; totalling \$41,480,741; less dividends paid during 1937, \$10,360,000; making the undivided profits at December 31, 1937, \$31,120,741.

divided profits January 1, 1937 \$26,464,247; add earnings for

LIABILITIES							ASSETS							
Dec. 31	Capital and Reserves	Deposits	Certified and Cashier's Cheques	Circulating Notes	Acceptances	Liability for Acceptances and Foreign Bills	Other Liabilities	Cash and Due from Banks	Securities and Investments	Loans, Discounts and Bankers' Acceptances	Real Estate	Mortgages	Customers' Acceptance Liability	Other Assets
				\$	\$	\$	\$							
1933	211,303,363	1,338,699,324	25,640,125	18,120,000	99,716,312	389,045	18,730,134	304,790,578	454,572,716	795,192,027	42,672,453	...	94,506,175	22,204,353
1934	238,896,119	1,639,086,387	70,705,988	...	43,836,820	408,055	6,117,478	514,731,534	734,634,393	631,069,166	41,570,414	4,055,282	41,436,542	11,553,918
1935	241,858,177	2,075,121,091	...	...	20,518,920	7,771,009	5,279,997	637,781,777	822,673	638,002,317	43,047,738	2,550,793	18,674,106	17,113,783
1936	243,248,456	2,286,209,092	...	...	17,360,290	8,174,216	7,190,078	669,417,960	103,671,012	772,031,008	41,475,886	10,681,010	15,193,897	16,672,188
1937	250,132,189	2,969,989,515	...	...	28,707,614	23,637,678	5,862,414	708,039,851	846,510,578	728,522,484	42,662,489	11,726,121	23,646,601	14,271,287

COMMERCIAL BANK OF THE NEAR EAST, LIMITED

The following is a statement of the results for the year 1937: Profit for the year, after making provision for bad and doubtful debts, rebate and directors' fees, £6,223; add balance brought forward from the year ended December 31, 1936, £536—£6,759. The directors recommend the following distribution: to reserve fund, including the 5 per cent. required by the articles of association, £2,000; to contingency account, £1,000; to payment of a dividend for the year ended December 31, 1937, of 2 per cent., less income tax, £3,000; leaving to be carried forward £759.

December 31	LIABILITIES				ASSETS							
	Capital and Reserves	Current, Deposits and other Accounts	Bills for Collection	Acceptances, Endorsements, etc.	Cash in Hand and at London Bankers	Money at Call	Remittances in Transit	Balances with Foreign Banks	Bills Discounted	Investments	Advances to Customers, etc.	Furniture and Fittings
1933	£ 200,000	£ 808,672	£ 111,721	£ 22,288	£ 14,041	£ 15,000	£ 2,025	£ 27,925	£ 76,326	£ 111,050	£ 193,998	£ 1,489
1934	207,000	841,612	131,624	20,824	14,109	95,000	486	14,142	46,115	140,353	167,297	1,414
1935	207,000	823,711	135,304	34,993	44,578	...	2,555	48,080	74,512	177,176	185,528	1,260
1936	207,000	374,077	106,701	79,579	34,587	70,000	806	6,859	84,309	161,254	231,141	1,153
1937	210,000	408,162	122,065	76,688	21,640	...	12,654	42,320	89,701	135,908	242,497	1,201

THOS. COOK AND SON (BANKERS), LIMITED

October 31	LIABILITIES				ASSETS							
	Capital and Reserve	Current Deposit and other Accounts, etc.	Balances due to Subsidiary Companies	Liability to Customers on account of Engagements, etc.	Cash in Hand and with Bankers on Account	Deposits with Bankers	Currencies in Hand	Remittances in Transit	Money at Call and Short Notice	Discounts	Investments	Advances
1933	£ 250,000	£ 2,904,761	£ 36,184	£ 14,661	£ 599,813	£ 1,207,500	£ 26,332	£ 129,851	£ 185,000	£ 341,457	£ 494,300	£ 148,076
1934	250,000	3,182,993	55,201	14,394	416,258	1,798,750	25,715	134,154	160,000	163,664	571,460	160,403
1935	250,000	3,241,664	66,048	18,699	613,978	1,784,182	27,369	162,121	95,000	102,696	506,530	209,510
1936	250,000	4,016,801	40,845	24,364	707,411	1,953,124	28,068	210,740	435,000	10,134	622,829	283,272
1937	250,000	4,469,910	57,821	28,656	509,270	2,688,023	30,740	227,590	250,000	19,853	661,026	336,281

CRÉDIT LYONNAIS

LIABILITIES							ASSETS					
Dec. 31	Capital and Reserves	Deposits at Call	Current Accounts	Accounts Payable after Collection	Acceptances	Fixed Deposits	Cash in Hand and at Banks	Discounts and French Treasury Bills	Loans and Advances	Current Accounts	Investments	Sundries
	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.
1933 ..	1,208,000,000	5,367,183,715	6,919,410,799	189,625,291	83,710,308	45,040,145	2,537,739,780	8,139,210,178	367,418,413	3,037,368,301	4,244,862	42,417,354
1934 ..	1,208,000,000	4,938,591,556	6,586,828,417	180,980,899	41,654,016	30,706,771	2,507,845,516	7,660,521,610	363,225,620	2,893,040,081	3,953,597	42,346,399
1935 ..	1,200,000,000	4,519,322,913	5,858,389,320	171,484,089	92,194,875	34,463,492	1,779,468,093	6,944,576,417	315,799,036	3,052,156,099	3,749,051	41,140,043
1936 ..	1,200,000,000	4,372,734,440	5,804,774,582	217,258,119	184,920,433	28,505,950	1,589,949,641	7,393,525,335	418,476,662	2,525,665,820	3,509,078	40,934,542
1937 ..	1,200,000,000	4,613,074,244	6,423,122,245	240,082,691	247,685,027	745,094,015	1,916,834,118	7,730,074,107	339,746,230	2,895,448,013	3,464,781	680,564,291



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CREDITO ITALIANO

At the annual general meeting held on March 24, 1938, it was decided to allocate the net profit of 28,780,622 lire and the profits of 5,872,382 lire brought forward from 1936, as follows:—to ordinary reserve, 2,878,062 lire; to shareholders 4 per cent. dividend, 20,000,000 lire; to balance carried forward, 5,902,560 lire, making a total of 11,774,942 lire.

LIABILITIES							ASSETS						
Dec. 31	Capital and Reserves	Deposits and Savings Accounts	Current Accounts	Acceptances on behalf of Customers	Cheques Outstanding	Sundry Creditors	Guarantees on Account of Customers	Cash in Hand and at Call	Bills Receivable	Loans Against Collateral	Current Accounts	Investments	Sundry Debtors
1933...	800,000,000	1,501,758,150	4,390,802,673	127,323,950	174,184,457	59,467,515	228,747,147	470,708,132	4,022,483,618	232,613,241	1,128,024,849	791,913,451	109,170,550
1934...	802,889,372	1,538,498,598	4,211,070,341	117,088,783	158,658,020	74,587,442	228,448,512	339,885,887	3,877,522,132	105,740,834	1,371,342,958	752,188,578	160,739,120
1935...	805,830,040	1,498,838,181	4,260,164,875	8,335,220	202,811,180	106,949,343	200,846,796	395,269,560	3,880,283,243	67,754,803	1,525,338,167	714,103,677	86,544,535
1936...	803,792,289	1,827,407,558	4,045,954,520	4,477,832	228,655,244	121,820,078	189,320,638	596,511,847	3,684,954,255	118,943,912	1,506,320,354	729,089,735	151,612,763
1937...	611,659,733	1,973,488,078	4,223,943,030	127,229,749	259,723,421	133,825,024	191,700,930	463,661,092	3,823,505,410	133,373,725	1,841,993,463	803,625,946	85,502,319

COMPTOIR NATIONAL D'ESCOMPTE DE PARIS

The report of the directors for the year ended December 31, 1936, shows that net profit, after the necessary reductions for expenses, taxes, and other charges, amounts to Frs. 34,818,957. A dividend was announced of Frs. 40 for each share, and Frs. 6.21 for each founders' share. This leaves Frs. 51,386, which increases the amount carried forward into the shareholders account to Frs. 6,566,757.

LIABILITIES					ASSETS							
Dec. 31	Capital and Reserves	Current and Deposit Accounts	Fixed Deposits	Acceptances	Cash in Hand and at Banks	Discounts and French Treasury Bills	Loans and Advances	Current Accounts	Branches Abroad	Investments	Credit Balances with Correspondents	Sundry Accounts
1932	835,951,968	9,055,428,638	47,930,890	69,901,222	1,537,722,465	5,999,200,094	294,227,118	1,264,774,170	29,301,183	13,190,898	880,376,755	18,783,772
1933	837,844,517	7,834,497,008	35,765,640	47,412,213	1,432,127,402	4,754,723,334	316,093,860	1,342,204,472	48,511,833	13,263,918	872,727,281	21,714,477
1934	839,872,636	7,572,546,082	29,660,270	65,007,490	1,429,055,170	4,424,939,984	395,371,709	1,255,190,228	25,426,808	7,651,789	879,144,244	20,508,722
1935	841,698,358	6,708,723,881	25,004,920	114,590,438	1,430,736,531	3,779,641,237	346,630,341	1,192,860,774	39,483,784	13,335,103	861,277,833	18,805,880
1936	843,979,171	7,425,884,894	30,421,150	140,549,892	1,410,047,870	4,270,669,870	448,691,930	1,465,285,060	51,125,747	13,401,863	703,194,452	34,125,180

CRÉDIT FONCIER D'ALGÉRIE ET DE TUNISIE

LIABILITIES							ASSETS						
December 31	Capital and Reserves	Joint Account with Crédit Foncier de France*	Current and Deposit Accounts	Time Deposits	Correspondents and Creditors	Acceptances, etc.	Cash	Bills	Correspondents	Investments	Advances Against Securities	Current Accounts	Syndicates
1932	181,599,425	515,524,320	1,780,897,340	354,742,839	147,494,253	24,346,563	180,716,641	1,409,387,833	80,112,086	51,200,704	253,556,937	403,284,414	49,223,373
1933	182,331,592	579,501,159	1,654,649,422	366,258,236	131,458,227	18,819,973	140,942,924	1,291,180,807	69,678,367	54,567,687	292,708,567	398,462,344	50,645,596
1934	183,068,368	595,631,784	1,580,675,010	366,401,920	149,489,240	17,791,300	104,759,970	1,207,413,112	68,546,708	53,062,950	365,985,185	358,352,824	48,805,225
1935	183,800,828	583,270,290	1,291,188,258	315,639,922	146,057,784	17,685,814	102,473,372	885,365,691	72,350,932	53,449,364	374,068,528	382,701,259	50,554,521
1936	184,244,760	561,109,625	1,349,351,328	313,485,546	174,932,680	29,108,976	91,126,609	938,512,547	103,396,544	48,993,835	377,810,453	389,835,011	36,904,562

* Offset by equal assets.

CITY BANK FARMERS TRUST COMPANY

LIABILITIES					ASSETS							
Dec. 31	Capital and Surplus	Undivided Profits	Reserves	Deposits	Cash and Due from Banks and Bankers	Loans and other Secured Advances	U.S. Government Obligations (Direct or Fully Guaranteed)	Other Bonds Mortgages and Securities	Stock in Federal Reserve Bank	Bank Premises	Other Assets	
1933	20,000,000	1,748,152	178,799	47,399,612	15,129,969	21,699,349	8,079,896	16,383,178	—	5,414,092	2,618,279	
1934	20,000,000	2,223,691	279,851	45,658,182	14,957,414	17,894,870	14,643,070	600,000	4,726,509	2,424,291	2,818,251	
1935	20,000,000	2,805,961	1,057,513	87,526,709	36,276,953	9,409,432	39,771,668	18,573,843	600,000	4,577,240	2,182,445	
1936	20,000,000	3,435,194	2,237,917	106,445,371	48,200,130	7,708,235	32,304,003	18,681,002	600,000	4,427,972	2,785,780	
1937	20,000,000	4,120,759	3,115,261	73,396,510	34,183,863	10,296,214	31,740,359	16,828,779	600,000	4,278,704	2,704,611	

GUARANTY TRUST COMPANY OF NEW YORK

LIABILITIES							ASSETS							
Dec. 31	Capital and Surplus Fund	Un-divided Profits	Accrued Interest, Misc. Accounts, etc.	Acceptances	Deposits	Out-standing Cheques	Cash in Hand and with Banks	U.S. Govt. Securities	Notes of R.F.C.	Other Securities	Loans and Bills Purchased	Real Estate Bonds and Mortgages	Premises	Accrued Interest and Accounts Receivable
	\$	\$	\$	\$	\$	\$								\$
1933.....	260,000,000	7,985,636	5,708,549	106,189,769	994,126,731	25,455,921	202,490,022	393,765,199	29,637,638	107,121,584	541,614,198	2,393,977	14,071,405	21,882,836
1934.....	280,000,000	7,294,720	10,267,571	94,908,218	1,237,089,329	22,975,118	333,576,269	464,507,036	20,000,000	96,053,087	579,712,918	2,579,303	13,821,691	14,779,536
1935.....	280,000,000	7,398,412	15,076,421	71,334,590	1,485,303,641	23,627,522	620,600,526	474,466,017	...	80,907,459	592,238,794	2,990,899	13,547,352	7,920,535
1936.....	280,000,000	9,356,562	27,583,280	47,501,524	1,709,643,127	35,166,883	660,220,263	590,105,249	...	86,092,407	669,293,384	2,322,210	13,277,131	10,214,141
1937.....	260,000,000	11,690,064	20,442,691	45,065,771	1,424,208,361	25,599,152	478,270,301	540,506,068	...	77,918,395	623,244,877	2,048,627	12,424,192	19,594,444

HAMBROS BANK, LIMITED

The directors' report for the year ending March 31, 1937, shows that after payment of all expenses, making provision for rebate on bills discounted, bad and doubtful debts, and income tax, the accounts show a profit of £325,726. Deducting the directors' remuneration of £15,078, and adding the balance brought forward from last year of £92,502, there remains an available total of £403,150. After transferring £150,000 to contingency reserve account and allowing the sum of £61,000 for interim dividend on the £10 shares and £9,150 for interim dividend on the £1 "A" shares paid on October 30, 1936, the directors now recommend the payment of a further dividend of 10 per cent., less income tax, on the £10 shares, making a total of 18 per cent. for the year, less income tax, and a further dividend of 3 per cent., less income tax, on the £1 "A" shares, making a total of 6 per cent. for the year, less income tax, and that the balance of £99,001 be carried forward.

[Continued on page 63]

HAMBROS BANK, LIMITED—continued

LIABILITIES					ASSETS				
March 31	Capital and Reserves	Profit and Loss Account	Current, Deposit and Other Accounts	Acceptances	Cash in Hand, at Bankers and at Call	Bills of Exchange	Investments	Loans, Advances and Other Accounts	Premises
1933	2,400,000	189,543	10,643,073	7,825,292	3,276,042	2,543,721	3,404,869	3,556,473	453,487
1934	2,400,000	190,695	12,863,548	10,179,976	3,366,624	2,552,497	4,555,051	4,529,106	453,487
1935	2,400,000	192,617	13,564,998	10,940,561	4,083,332	2,272,481	4,618,411	4,732,888	453,487
1936	2,800,000	189,339	14,523,037	10,031,923	4,889,083	2,976,793	4,903,012	4,776,978	...
1937	2,800,000	183,001	16,114,437	13,737,385	5,937,388	2,823,995	5,143,219	5,201,730	...

THE HONGKONG AND SHANGHAI BANKING CORPORATION, LIMITED

The directors report that the net profits for the year ending December 31, 1937, together with \$3,340,790 balance brought forward from last account, after paying all charges, deducting interest paid and due, and making provision for bad and doubtful accounts and contingencies, amount to \$18,773,007. They recommend writing off bank premises account the sum of \$1,000,000. After deducting \$1,000,000 the interim dividend of £2 10s. per share, paid on August 9th last, viz.: £400,000 at 1s. 2½d.—\$6,564,103, and remuneration to directors, there remains for appropriation \$11,127,542, out of which the directors recommend the payment of a final dividend of £3 per share, viz.: £480,000 which, at 1s. 2½d., the rate of the day, will absorb \$7,744,538. The balance \$3,383,004 to be carried to new profit and loss account.

LIABILITIES							ASSETS						
Dec. 31	Capital and Reserves	Notes in Circulation	Current Accounts	Fixed Deposits	Bills Payable	Acceptances	Cash	Bullion in Hand and in Transit	British Government, Indian, Colonial and other Securities	Discounts, Loans and Credits	Bills Receivable, etc.	Premises	
1933...	119,784,173	146,535,175	666,364,833	207,588,822	13,728,117	2,860,122	11,592,944	217,695,778	166,864,943	229,569,958	388,313,575	144,490,831	18,658,979
1934...	106,097,561	133,946,215	504,204,989	179,192,461	9,690,000	4,916,689	9,914,213	137,918,708	177,390,735	194,414,110	318,955,251	92,248,247	22,118,338
1935...	129,840,000	119,010,770	568,131,918	208,027,823	12,424,354	2,368,587	11,699,860	154,181,307	41,909,294	262,233,304	435,863,291	132,776,563	22,170,965
1936...	134,873,950	127,636,280	649,329,397	188,614,455	14,821,639	3,306,510	12,085,328	197,465,213	...	801,419,785	493,812,564	112,890,956	21,772,560
1937...	134,873,950	200,254,180	700,263,011	159,896,537	21,500,995	3,408,612	12,127,542	257,931,297	...	324,334,289	467,314,472	158,534,999	20,801,157

THE IMPERIAL BANK OF IRAN

The profits for the year ended March 20, 1937, after making provision for expenses of management, general charges in London and at chief office and branches, income tax, and bad and doubtful debts, amount to £77,430, to which has to be added £50,604 brought forward from last account, making a total of £128,034. The assets and liabilities of the branches in Iran have been converted at the rate of exchange of Rials 80½ per £ sterling, being the rate on March 20, 1937. The rate last year was Rials 80. The directors now recommend payment of a final dividend of 7s. per share, and a bonus of 2s. per share, making with the interim dividend of 4s. per share a total for the year of 13s., free of income tax. It is also proposed to add £10,000 to reserve, which is thereby increased to £750,000, and to carry forward £33,034.

LIABILITIES							ASSETS						
March 29	Capital and Reserves	Current and Fixed Deposits, etc.	Bills Payable, Provision for Contingencies, Endorsements, etc.	Acceptances, etc.	Profit and Loss Account	Cash in Hand, at Bankers, at Call, and Short Notice, and Bullion	British Government and Other Securities	Discounts, Loans, Advances, etc.	Bills Receivable	Premises			
1933	1,560,000	2,730,989	1,551,180	150,622	91,839	1,059,772	3,545,805	869,787	450,910	7,744			
1934	1,570,000	3,128,793	1,655,914	278,159	94,058	1,053,273	3,467,919	1,268,583	653,617	5,373			
1935	1,580,000	3,065,478	2,009,720	620,325	94,818	1,278,923	3,552,066	1,222,163	694,194	2,670			
1936	1,590,000	3,537,911	1,827,578	970,288	95,604	1,102,424	3,259,738	2,082,757	654,581	1,592			
1937	1,750,000	3,539,235	1,643,317	891,497	93,034	899,602	2,944,780	2,447,445	838,219	1,041			

INTERNATIONAL BANKING CORPORATION

LIABILITIES									ASSETS				
December 31	Capital and Surplus	Undivided Profits	Deposits	Notes in Circulation in China	Items in Transit with Branches	Acceptances	Reserves	Other Liabilities	Cash and Due from Banks and Bankers	Loans, Discounts and Advances	Bonds and Securities	Customers' Liability Account of Acceptances	Other Assets
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1933	5,000,000	3,166,032	7,563,124	980,937	154,112	1,476,486	4,305,554	3,456	6,688,912	3,069,323	11,423,031	1,397,254	71,181
1934	5,000,000	3,223,533	11,325,714	679,799	396,893	1,558,770	4,403,135	2,192	10,057,749	3,510,676	11,416,678	1,526,438	78,675
1935	6,000,000	2,173,144	12,044,103	453,671	213,944	3,076,316	4,063,064	2,466	9,285,434	4,792,330	7,166,085	3,067,000	58,858
1936	6,000,000	2,170,008	7,276,608	315,907	155,899	794,400	355,626	...	7,173,602	3,330,125	5,791,085	723,300	50,337
1937	6,000,000	2,228,750	5,084,560	384,698	601	1,330,780	386,001	...	5,040,896	3,406,923	5,616,021	330,600	21,551

ITALO-BELGIAN BANK—continued

LIABILITIES							ASSETS					
June 30	Capital and Reserves	Current and Deposit Accounts	Bankers and Correspondents	Bills Payable	Re-discount on Bills	Depositors and Sundry Accounts	Cash in Hand and with Bankers	Bills Receivable	Investments	Bankers and Correspondents	Loans and Advances	Premises
	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.		Frs.	Frs.	Frs.	Frs.	Frs.
1933	200,000,000	700,376,198	182,381,823	83,851,798	1,109,644	2,597,424,544	203,520,741	388,999,774	25,366,016	220,723,939	329,280,207	21,000,000
1934	200,000,000	632,184,881	192,243,586	46,148,864	1,183,393	2,290,128,504	211,692,091	391,912,133	25,257,995	204,691,735	286,132,415	21,000,000
1935	200,000,000	712,870,234	83,814,177	95,694,121	568,320	2,634,664,453	196,303,690	281,631,241	25,514,656	242,403,450	350,547,358	21,000,000
1936	200,000,000	395,404,704	118,890,328	110,505,941	653,348	2,067,851,948	199,389,317	254,540,278	22,769,083	289,725,077	873,123,481	21,000,000
1937	200,000,000	435,490,798	168,568,982	141,820,244	425,131	2,222,835,164	212,860,976	288,593,615	29,086,305	281,151,867	533,993,673	21,000,000

THE MITSUBISHI BANK, LIMITED

LIABILITIES					ASSETS									
December 31	Capital and Reserves	Deposits	Acceptances and Guarantees	Interest accrued on Deposits	Cash on Hand and in Banks	Money at Call and Short Notice	Government, Municipal and other Bonds	Stocks and Shares	Discounts and Loans	Foreign Bills Purchased	Due from Foreign Banks	Money in Trust	Capital Uncalled	Premises, etc.
	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen
1933	141,165,735	661,368,857	2,007,213	5,635,384	53,427,347	64,895,680	309,956,132	34,547,892	274,278,308	22,281,570	3,875,641	3,013,080	37,500,000	18,225,438
1934	145,286,210	722,648,160	4,802,162	5,383,816	54,938,773	44,389,302	389,075,672	34,449,142	265,344,161	38,293,288	5,011,878	3,487,918	37,500,000	13,904,058
1935	150,236,983	730,607,090	4,586,579	7,770,849	59,970,933	41,415,030	379,698,852	25,253,142	294,387,372	43,839,917	9,576,578	1,029,033	37,500,000	17,605,237
1936	154,618,825	810,406,894	6,450,978	7,255,478	63,334,394	48,185,000	367,037,362	27,997,530	370,682,459	46,777,515	5,237,416	4,478,956	37,500,000	20,126,374
1937	159,011,803	932,552,305	17,028,797	7,257,673	71,438,055	44,400,000	323,903,993	27,495,030	530,792,748	47,909,556	5,867,539	4,630,525	37,500,000	20,472,984

THE MITSUI BANK, LIMITED

		LIABILITIES						ASSETS							
December 31	Capital and Reserves	Deposits	Due to Foreign Banks	Liabilities under L/C, etc.	Interest Accrued on Deposits	Rebate on Bills not Due	Cash in Hand and at Banks	Money at Call and Short Notice	Govt., Municipal and other Bonds	Loans and Discounts	Foreign Bills purchased	Due from Foreign Banks	Capital Uncalled	Premises	
	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	
1933.....	153,800,000	715,288,952	17,803,730	10,418,911	7,020,534	2,369,698	55,485,933	42,640,000	281,047,837	409,395,376	67,438,154	3,962,277	40,000,000	14,219,501	
1934.....	155,800,000	748,538,286	8,440,428	4,721,761	7,490,426	1,948,548	56,608,695	31,510,000	329,228,209	383,634,027	69,274,334	2,980,434	40,000,000	14,261,777	
1935.....	157,800,000	796,293,049	19,098,263	9,234,632	7,596,671	2,092,741	55,985,859	29,630,000	316,987,228	451,766,280	65,540,862	3,134,919	40,000,000	17,852,131	
1936.....	159,800,000	856,924,636	31,010,071	26,920,135	8,209,881	2,342,053	58,449,867	39,720,000	298,830,643	518,688,988	72,851,209	5,005,380	40,000,000	17,372,629	
1937.....	161,800,000	945,796,208	13,464,616	5,624,658	8,475,160	2,530,918	97,166,623	44,460,000	261,460,825	616,500,744	49,421,291	3,137,767	40,000,000	16,715,443	

THE NATIONAL BANK OF EGYPT

The report for the year ending December 31, 1937, shows the following statement: Gross profit for the year, after providing for depreciation on the bank's buildings and furniture, for rebate of discount, and for doubtful debts, amounts to £938,843. After deducting from this for directors' fees £17,797, and for current expenses £461,471, the remainder is divided between the statutory dividend of 4 per cent., amounting to £120,000, and an additional dividend of 11 per cent., amounting to £330,000. By adding the balance brought forward from last year, £229,870, there remains £239,445 to be carried forward.

LIABILITIES									ASSETS					
Dec. 31	Capital and Reserves	Current, Deposit and other Accounts	Egyptian Govt.	Sudan Govt.	Mixed Tribunals	Cheques and Bills Payable	Acceptances, etc.	Bankers' Accounts	Cash in Hand	Money at Call and Short Notice	Securities	Advances	Bills of Exchange	Bankers' Ac- counts
	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.
1933	6,000,000	18,656,956	3,487,435	871,196	1,821,116	161,069	1,406,311	662,988	2,209,045	2,065,000	19,199,622	5,493,730	2,418,151	441,140
1934	6,000,000	16,428,830	4,978,103	563,542	1,681,486	155,109	1,583,027	509,699	2,392,631	1,600,000	18,359,189	5,511,446	2,361,821	275,472
1935	6,000,000	21,855,049	6,220,582	958,364	1,810,345	229,140	1,107,923	1,103,622	2,551,832	1,955,000	23,328,189	7,150,069	2,400,018	467,060
1936	6,000,000	20,891,810	4,868,663	1,062,330	1,978,266	235,081	1,288,091	1,106,816	2,512,833	2,205,000	22,071,850	6,920,923	1,936,480	677,075
1937	6,000,000	18,996,926	6,413,153	952,033	1,817,904	222,088	1,693,621	849,311	2,441,081	1,635,000	23,059,647	6,592,907	1,043,933	699,182

THE LONDON AND EASTERN TRADE BANK, LIMITED

The directors' report for the fifteen months ended December 31, 1937, shows a profit of £2,405, which with the debit balance of £336,159 brought forward, leaves £368,199 to be carried forward to next year.

LIABILITIES					ASSETS					
September 30	Capital	Current, Deposit and Other Accounts	Acceptances	Guarantees, Rediscunts, etc.	Cash in Hand and at Bankers in London	Money at Call	Discounts	Securities	Loans, Overdrafts, etc.	Profit and Loss Account
	£	£	£	£	£	£	£	£	£	£
1933	600,000	169,957	52,191	130,557	46,965	75,000	...	35,924	344,241	— 245,327
1934	600,000	152,859	17,503	39,157	76,684	35,000	11,859	63,363	256,101	— 276,984
1935	600,000	158,785	8,488	29,598	111,688	20,000	2,246	64,530	209,376	— 339,172
1936	600,000	163,020	...	59,895	135,999	30,000	4,153	25,512	216,275	— 336,159
1937*	600,000	102,998	...	54,974	94,131	...	...	50,997	172,303	— 368,199

* For 15 months.

THE NATIONAL CITY BANK OF NEW YORK

LIABILITIES							ASSETS							
Dec. 31	Capital and Surplus	Undivided Profits	Reserves	Circulation	Liability as Acceptor, Endorser or Maker on Acceptances and Bills	Deposits	Cash and Due from Banks and Bankers	U.S. Govt. Obligations	State, Municipal and other Bonds and Securities	Loans, Discounts and Bankers' Acceptances.	Customers' Liability Account of Acceptances	Stock in Federal Reserve Bank and Ownership of International Banking Corp.	Items in Transit	Premises
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1933...	157,500,000	5,087,506	8,213,694	25,000,000	73,878,590	1,117,159,221	364,531,932	228,936,154	131,195,652	497,027,471	68,838,566	14,600,000	20,000,542	59,653,629
1934...	157,500,000	8,273,298	10,576,359	...	65,779,526	1,394,604,308	450,285,755	431,938,339	135,518,004	482,834,614	56,878,257	14,600,000	13,377,340	58,162,279
1935...	157,500,000	10,644,279	16,111,607	...	57,444,517	1,652,366,244	527,491,424	510,764,688	179,786,459	547,223,821	30,634,183	12,725,000	10,670,332	54,215,505
1936...	120,000,000	13,462,953	13,821,556	...	49,976,612	1,713,840,229	463,256,611	526,917,831	228,001,549	588,348,846	23,662,029	11,600,000	4,729,858	52,638,932
1937...	121,750,000	14,314,079	14,124,774	*48350792	48,350,792	1,711,552,124	516,778,467	482,953,934	207,301,765	609,441,410	13,315,994	11,652,500	*4,903,780	50,543,249

* Appears on Liability side.

THE MOSCOW NARODNY BANK, LIMITED

THE MOSCOW NARODNY BANK, LIMITED														
LIABILITIES							ASSETS							
Dec. 31	Capital and Reserves	Current and Deposit Accounts	Correspondents of the Bank	Bills Rediscounted	Miscellaneous Creditors	Liabilities in respect of Guarantees	Cash at Banks on Current Accounts and in hand	Investments	Correspondents of the Bank	Bills Discounted	Advances	Miscellaneous Debtors	Bills for Collection	Premises
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
1933	2,083,186	506,925	676,273	308,507	67,226	2,210,396	1,558,541	302,130	143,710	308,507	2,266,413	3,527	287,874	4,837
1934	1,835,000	904,673	264,302	556,877	94,891	2,040,384	822,774	247,078	249,544	556,877	2,311,513	34,511	10,511	5,879
1935	1,835,000	669,319	191,318	111,119	37,227	1,550,389	829,536	—	192,624	11,708	1,600,000	116,735	11,531	5,446
1936	1,835,000	143,684	1,445,908	76,764	41,470	118,270	2,272,155	—	1,210,955	77,479	361,484	1,650	12,307	4,302
1937	725,000	315,906	1,609,615	18,584	85,095	120,182	2,213,460	—	233,227	18,584	471,776	1,718	13,728	3,726



NATIONAL BANK OF GREECE

Established in 1841

Capital paid-up and Reserves Drs. 1,205,000,000. —
Deposits - - - - - 10,299,000,000. —
Total Resources - - - - - 12,612,000,000. —

HEAD OFFICE IN ATHENS.

Branches and Agencies throughout Greece.

Affiliated Institution in New York: Hellenic Bank Trust Company, 51 Maiden Lane.
Correspondents in all parts of the world.

COMPLETE INTERNATIONAL BANKING SERVICE OF EVERY DESCRIPTION

IONIAN BANK, LIMITED

ESTABLISHED 1839

CAPITAL AUTHORISED - - - £1,000,000 | RESERVE FUND - - - - - £100,000
CAPITAL PAID UP - - - £600,000 | TOTAL ASSETS - - - - - £4,601,583

HEAD OFFICE: 25/31 Moorgate, LONDON, E.C.2

EGYPT:
Central Office—ALEXANDRIA
9 Branches and Agencies

GREECE:
Central Office—ATHENS
33 Branches and Agencies

CYPRUS:
Central Office—NICOSIA
4 Branches and Agencies

EVERY FORM OF INTERNATIONAL BANKING SERVICE

THE BRITISH BANK FOR THE NEAR EAST

BANK OF ATHENS

Head Office: ATHENS

(Incorporated in Greece with Limited Liability)

Paid-up Capital and Reserves, Drs. 176,000,000

With 121 offices, in all the principal towns in Greece, Egypt and Cyprus,
the Bank extends Facilities for Export and Import Trade between
Great Britain and the Near East generally.

ENQUIRIES INVITED

NEW YORK: Bank of Athens Trust Company, 205 West 33rd Street

LONDON: 22 FENCHURCH STREET, E.C.3

K. A. ZILKHA

Maison de Banque

ESTABLISHED IN 1899

BAGHDAD (IRAQ) BEYROUTH (LEBANON) CAIRO (EGYPT) DAMASCUS (SYRIA)

MAIN OFFICE: BEYROUTH (LEBANON-SYRIA)

Bankers with nearly forty years of experience, equipped to ensure prompt and
efficient execution of your collection and payment orders, and to carry out
banking business of all descriptions on very moderate terms.

OTTOMAN BANK

LIABILITIES								ASSETS						
Dec. 31	Capital and Reserves	Notes in Circulation	Bills Payable and Sight Drafts	Current Accounts of Sundries	Deposits of Fixed Terms	Acceptances	Profit and Loss Account	Cash in Hand and at Bankers	Money at Call and Notice	Bills receivable	Investments	Current Accounts of Sundries	Advances on Securities	Premises
1932	£ 6,250,000	£ 383,887	£ 265,665	£ 11,226,164	£ 1,718,663	£ 1,017,167	£ 100,338	£ 3,929,108	£ 1,533,791	£ 5,601,522	£ 2,109,609	£ 4,315,254	£ 1,817,859	£ 637,554
1933	£ 6,250,000	£ 382,302	£ 250,136	£ 11,655,549	£ 1,483,303	£ 787,087	£ 102,159	£ 4,291,754	£ 1,136,040	£ 5,558,092	£ 1,471,545	£ 5,111,137	£ 1,897,918	£ 637,054
1934	£ 6,250,000	£ 374,391	£ 265,263	£ 12,395,128	£ 1,512,748	£ 637,755	£ 104,542	£ 3,801,705	£ 1,203,307	£ 5,674,154	£ 1,973,088	£ 5,304,790	£ 2,316,722	£ 628,307
1935	£ 6,250,000	£ 351,418	£ 252,855	£ 12,849,731	£ 1,639,177	£ 587,656	£ 104,784	£ 3,806,526	£ 872,678	£ 4,740,036	£ 2,887,723	£ 6,268,797	£ 2,256,222	£ 618,077
1936	£ 6,250,000	£ 320,062	£ 250,182	£ 14,089,812	£ 1,387,342	£ 412,572	£ 108,149	£ 4,733,630	£ 1,023,532	£ 5,403,823	£ 2,419,895	£ 5,830,009	£ 2,393,529	£ 596,079

SOCIÉTÉ GÉNÉRALE Pour Favoriser le Développement du Commerce et de l'Industrie en France

LIABILITIES							ASSETS						
Feb. 28	Capital and Reserves	Cheque Accounts	Deposits for Fixed Periods	Sundry Current Accounts	Acceptances	Cash in Hand and at Banks	Bills and National Defence Bonds	Coupons for En-cashment and Contangoes	Advances on Security	Sundry Current Accounts	Govt. Stocks, Shares, etc., and Investments	Real Estate, etc.	Calls on Shares
1934	Francs 1,015,000,000	Francs 3,166,382,818	Francs 264,678,800	Francs 6,390,311,378	Francs 128,285,636	Francs 1,923,118,908	Francs 5,139,788,624	Francs 157,037,541	Francs 448,999,158	Francs 2,933,347,773	Francs 62,267,463	Francs 71,397,039	Francs 303,159,750
1935	Francs 1,015,000,000	Francs 3,151,589,247	Francs 257,045,500	Francs 6,215,399,734	Francs 73,097,007	Francs 2,175,894,472	Francs 5,025,683,238	Francs 184,067,765	Francs 434,555,687	Francs 2,548,240,651	Francs 59,568,795	Francs 71,381,788	Francs 302,955,000
Dec 31	Francs 1,015,000,000	Francs 2,769,754,206	Francs 254,149,000	Francs 5,791,175,422	Francs 106,200,601	Francs 1,899,654,145	Francs 4,645,216,991	Francs 142,318,613	Francs 518,992,213	Francs 2,430,560,762	Francs 52,750,716	Francs 71,381,788	Francs 302,733,000
1936	Francs 1,015,000,000	Francs 2,630,640,932	Francs 216,889,500	Francs 6,205,868,323	Francs 125,075,601	Francs 2,054,522,366	Francs 4,990,977,465	Francs 195,748,637	Francs 415,978,931	Francs 2,205,730,418	Francs 52,220,679	Francs 71,381,788	Francs 302,598,500
1937	Francs 1,015,000,000	Francs 2,723,060,831	Francs 244,993,300	Francs 6,281,233,380	Francs 175,171,441	Francs 2,228,070,198	Francs 4,805,150,565	Francs 159,887,922	Francs 383,562,950	Francs 2,147,955,618	Francs 52,327,931	Francs 71,381,788	Francs 302,443,750

SOCIÉTÉ GÉNÉRALE DE CRÉDIT INDUSTRIEL ET COMMERCIAL

LIABILITIES							ASSETS							
Dec. 31	Capital and Reserves	Deposit Accounts	Current Accounts	Fixed Deposits	Acceptances	Transitory and Sundry Accounts	Cash in Hand and due from Other Banks	Bills Receivable and " Bons de la Défense Nationale "	Current Accounts	Advances Guaranteed	Transitory and Sundry Accounts	Investments	Shares of Affiliated Societies	Premises
	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs
1933	170,000,000	409,354,199	790,473,674	338,577,312	55,411,698	16,520,450	242,772,829	960,574,094	181,983,280	97,993,177	10,842,496	54,386,395	106,028,622	20,000,000
1934	170,000,000	398,643,467	695,141,557	342,557,532	29,598,148	19,896,060	185,891,759	901,703,540	207,533,427	82,567,753	12,836,153	53,797,255	109,443,630	20,000,000
1935	170,000,000	351,676,889	768,130,772	257,663,984	24,420,409	20,655,860	210,859,567	771,028,745	231,476,340	10,476,108	14,353,246	52,095,283	109,425,950	20,000,000
1936	170,000,000	339,514,880	1,073,311,949	182,974,478	22,311,888	19,904,289	262,008,056	852,445,465	319,115,313	95,528,705	17,419,706	51,632,995	109,235,381	20,000,000
1937	170,000,000	352,697,726	1,516,733,297	249,726,094	52,137,983	31,557,565	324,563,178	1,303,151,238	355,315,041	79,471,744	20,369,687	51,915,581	109,133,926	20,000,000

SWISS BANK CORPORATION

After deduction of expenses and taxes, and making provision for bad and doubtful debts, etc., the net profit for the year ended December 31, 1937, amounts to S.Fcs. 8,275,272, which together with the amount carried forward from last year, viz., S.Fcs. 1,574,184, S.Fcs. 1,298,913, makes a total of S.Fcs. 9,574,185. The board propose to pay a dividend of 5 per cent. on the paid-up capital, which will absorb S.Fcs. 8,000,000, and to carry forward S.Fcs. 1,574,184.

LIABILITIES								ASSETS						
Swiss Francs (millions)														
December 31	Capital	Reserves	Sight Deposits	Time Deposits	Fixed Deposits (obligations)	Acceptances	Profit and Loss	Cash	Banks and Bankers	Bills receivable	Advances	Govt. and other Securities	Syndicates	Bank Premises and other Property
1933	160.0	53.0	573.6	217.8	224.1	20.0	10.9	290.2	112.6	184.6	576.5	64.5	13.0	18.1
1934	160.0	39.0	478.5	246.9	243.6	24.2	8.3	244.5	84.1	213.4	579.2	51.6	10.6	18.1
1935	160.0	32.0	437.6	205.4	175.6	25.2	8.2	117.1	108.6	161.6	554.2	71.7	10.5	20.0
1936	160.0	32.0	817.4	189.8	159.2	21.3	9.3	319.2	177.5	214.6	522.7	125.2	9.7	20.0
1937	160.0	32.0	946.6	176.4	157.0	31.3	9.6	377.5	297.9	210.9	477.6	124.1	6.4	18.3

SOCIÉTÉ BELGE DE CRÉDIT INDUSTRIEL ET COMMERCIAL ET DE DÉPÔTS

LIABILITIES							ASSETS						
December 31	Capital and Reserves	Deposit and Current Accounts	Profit and Loss	Other Accounts	Cash	Due from Banks	Bills receivable	Coupons for Collection	Current Accounts	Sundry Assets	Loans and Advances	Uncalled Capital	Premises
1933	Frs. 28,900,000	Frs. 97,130,202	Frs. 1,768,745	Frs. 424,737	Frs. 1,492	Frs. 18,716,157	Frs. 70,484,022	Frs. 226,366	Frs. 8,458,557	Frs. 597,731	Frs. 12,231,019	Frs. 12,895,200	Frs. 1,022,140
1934	28,900,000	74,422,863	1,722,111	140,686	1,708,310	17,685,154	44,190,350	368,474	3,606,291	685,199	23,050,309	12,873,600	1,019,882
1935	12,300,000	147,618,777	1,723,919	3,605,015	32,101,554	22,889,613	61,435,314	274,209	12,280,605	11,953,123	23,293,249	...	1,018,034
1936	12,300,000	176,039,003	2,217,499	2,650,782	20,314,929	44,621,723	87,706,997	418,411	1,262,283	13,505,888	24,380,871	...	1,016,275

THE SUMITOMO BANK, LIMITED

LIABILITIES							ASSETS							
December 31	Capital and Reserves and Pension Reserve	Deposits	Exchange Sold	Due to Other Banks	Foreign Credits, Acceptances and Guarantees	Accrued Interest, Unearned Discount, etc.	Cash in Hand	Money at Call and Short Notice	Securities	Discounts	Loans	Exchange Purchased	Bank Premises	Capital Unpaid
	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen
1933	101,080,694	798,157,383	9,025,834	5,129,529	14,565,827	11,834,638	62,618,630	37,550,000	293,141,656	71,093,928	390,308,121	31,748,224	19,535,329	20,000,000
1934	107,641,903	872,527,563	11,594,988	5,538,755	9,629,913	12,610,427	79,830,668	43,950,000	355,172,583	79,243,013	386,848,505	28,413,867	18,898,649	20,000,000
1935	112,592,459	952,297,545	16,364,846	6,475,428	10,899,809	12,258,979	70,712,194	33,550,000	409,067,083	92,987,219	429,035,431	32,080,825	18,952,469	20,000,000
1936	117,057,776	1,017,347,622	15,391,096	6,672,182	16,185,862	14,199,755	71,423,058	27,664,286	381,987,012	127,057,932	492,448,270	37,639,981	18,483,977	20,000,000
1937	112,103,489	1,152,222,403	14,427,223	6,757,637	5,312,658	14,011,007	89,180,332	33,800,000	397,938,849	124,550,539	612,079,911	36,987,311	17,916,472	20,000,000

THE YOKOHAMA SPECIE BANK, LIMITED

THE FOREIGN EXCHANGE BANK, LIMITED														
LIABILITIES								ASSETS						
Dec. 31	Capital and Reserve	Reserve for Doubtful Debts	Notes in Circulation	Deposits	Bills Payable, Discounts, Acceptances, etc.	Balance of Profit and Loss Brought Forward	Net Profit for past Half-year	Cash at Hand	Cash at Bankers	Investments	Discounts, Loans, Advances, etc.	Bills Receivable, etc.	Bullion and Foreign Money	Premises and Properties
	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen
1933.....	221,250,000	3,602,332	4,265,022	690,507	592,694	200,637	6,889,039	7,279,128	40,027,697	34,142,090	460,363,758	465,037,228	494,465,397	1,836,985
1934.....	224,250,000	3,639,943	4,244,909	593,463	255,703	273,262	8,256,945	7,234,480	25,830,439	45,337,976	369,163,627	494,168,773	577,962,746	11,832,983
1935.....	227,450,000	3,724,454	3,840,045	551,760	678,755	522,697	9,593,102	7,257,935	19,681,637	12,693,147	194,515,174	352,354,374	646,742,283	757,270
1936.....	230,900,000	3,653,917	12,12,328	599,001	305,635	774,360	10,446,652	7,012,268	16,010,099	50,164,472	411,261,421	385,911,980	650,727,886	3,864,015
1937.....	234,400,000	3,592,631	881,502	623,131	977,719	576,494	10,745,727	6,238,639	13,572,334	74,218,440	436,472,176	386,652,402	662,144,216	5,578,353

THE BRITISH LINEN BANK

Incorporated by Royal Charter 1746

LONDON OFFICES:

City Office - 38 Threadneedle Street, E.C.2
West End Branch - 198 Piccadilly, W.1
where accounts may be opened on usual London terms

Head Office: 38 St. Andrew Square, Edinburgh

Over 210 Branches throughout Scotland

THE SUMITOMO BANK, LIMITED

(INCORPORATED IN JAPAN)

Head Office: OSAKA, JAPAN

Capital Subscribed - Yen 70,000,000.00
Capital Paid-up - Yen 50,000,000.00
Reserve Fund - Yen 46,100,000.00

HOME OFFICES:—Fukuoka (2), Hiroshima (3), Kobe (3), Kokura, Kumamoto, Kure, Kurume (2), Kyoto (3), Moji, Nagoya (2), Niihama, Okayama, Onomichi, Osaka (28), Shimonoseki, Tokyo (19), Wakamatsu, Wakayama, Yanai and Yokohama.
FOREIGN OFFICES:—Shanghai, London, New York, San Francisco, and Los Angeles.
AFFILIATED BANKS:—The Sumitomo Bank of California, Sacramento, California, U.S.A. The Sumitomo Bank of Hawaii, Honolulu, Hawaii, U.S.A. The Sumitomo Bank of Seattle, Seattle, Washington, U.S.A.
LONDON BANKERS:—Lloyds Bank Limited.

OFFICES IN PACIFIC LINERS:—M.S. "Asama Maru," M.S. "Tatsumi Maru" and M.S. "Tatuta Maru."

Correspondents in all important places at Home and Abroad

GENERAL BANKING AND EXCHANGE BUSINESS

London Office: 67 BISHOPSGATE, E.C.2

Telephones: London Wall 4955 (2 lines). Cable Address: "Sumitbank, London."

M. MAYE, Manager.

NATIONAL BANK OF EGYPT

"Incorporated in Egypt, Liability of Members is Limited"

Established by KHEDIVIAL DECREE of 25th June, 1898, with exclusive right to issue notes payable at sight to Bearer.

HEAD OFFICE:—CAIRO.

CAPITAL (fully paid) Lstg. 3,000,000

RESERVE FUND Lstg. 3,000,000

OFFICES IN EGYPT AND THE SUDAN

CAIRO (8 Offices), ALEXANDRIA, Abou-Tig (Sub-Agency to Assiut), Assiut, Assuan, Benha, Beni-Suef, Chebin-el-Kom, Damahour, Dessouk, (Sub-Agency to Damahour), Deyrout (Sub-Agency to Assiut), Edfu (Sub-Agency to Luxor), Esneh (Sub-Agency to Luxor), Fashn (Sub-Agency to Beni-Suef), Fayoum, Heliopolis (Cairo), Ismailia (Sub-Agency to Port Said), Kafr-el-Zayat (Sub-Agency to Tantah), Keneh, Luxor, Maghaga (Sub-Agency to Beni-Suef), Manfalout (Sub-Agency to Assiut), Mansourah, Mehalla-Kebir, Mellawi (Sub-Agency to Minieh), Minet-el-Gamh (Sub-Agency to Zagazig), Minieh, Port Said, Samalout (Sub-Agency to Minieh), Sohag, Suez, Tantah, Zagazig.
KHARTOUM, El-Obeid, Omdurman, Port Sudan, Tokar (Sub-Agency to Port Sudan), Wad-Medani.

THE EASTERN BANK LTD.

HEAD OFFICE: CROSBY SQUARE,
BISHOPSGATE, LONDON, E.C.3

Authorised Capital - £2,000,000
Paid-up Capital - £1,000,000
Reserve Fund - £500,000

BRANCHES:
BOMBAY, CALCUTTA, KARACHI,
MADRAS, COLOMBO, SINGAPORE,
BAGHDAD, BASRA, AMARAH,
MOSUL, KIRKUK, BAHRAIN

Conducts all descriptions of
Banking business with the East.

Current Accounts are opened
and Fixed Deposits are received
at rates of interest which may
be ascertained on application.

EXECUTORSHIPS and TRUSTEESHIPS
UNDERTAKEN.

THE UNION BANK OF SCOTLAND, Ltd.

ESTABLISHED 1830

SUBSCRIBED CAPITAL - £5,200,000
PAID-UP - £1,200,000
RESERVE FUND - £1,800,000
DEPOSITS - £33,436,818

HEAD OFFICES:

GLASGOW—St. Vincent Street EDINBURGH—George Street
215 Branches throughout Scotland

LONDON OFFICES: 62 CORNHILL, E.C.3

Manager: JOHN THOMSON Asst. Manager: JOHN A. MORRISON

HAS FOREIGN EXCHANGE DEPARTMENT

332 Oxford Street, W.1 - Robert L. Smith, Manager
1 Regent Street, S.W.1 - John Macdonald, Manager
140 Kensington High Street, W.8 - George H. Ewing, Manager

Adapted in every way to carry through all forms
of Banking Business in London and Scotland.

Every description of Home and Foreign Banking
transacted.

The Bank also undertakes the duties of TRUSTEE
and EXECUTOR.

At London Offices Current Accounts and other
business conducted on the usual terms of
London Banks.

Deposits received at Interest.

BANKING FACILITIES ARE AVAILABLE AT THE BANK'S
OFFICE AT THE EMPIRE EXHIBITION, GLASGOW

NORMAN L. HIRD, General Manager

ŽEMĚS BANKAS

KAUNAS, Duonelaičio g-vė 35

BALANCE SHEET, 31st December, 1937

ASSETS.		Lt.	Ct.	LIABILITIES.		Lt.	Ct.
1. Cash on hand and due from State Bank	5,371,068	99		1. Stock Capital	50,000,000	—	—
2. Correspondents	2,395,514	25		2. Surplus	4,080,079	—	—
3. Discounted Bills	1,158,956	14		3. Special Fund	175,145	—	—
4. Special Current Account	21,533,276	59		4. Mortgage Bonds in circulation	73,484,700	—	—
5. Loans for Mortgage Bonds security	109,710,880	64		5. Current Account	24,032,179	14	
6. Mortgage Loans	12,037,074	31		6. Deposits	10,749,022	57	
7. Bonds	8,336,423	62		7. Coupons due	1,049,292	27	
8. Unsubscribed Stock	1,035,000	—		8. Interest in anticipation for 1938	512,299	60	
9. Different Debtors	207,510	36		9. Other Liabilities	1,236,001	78	
10. Inventory	96,846	82		10. Securities	10,178,317	—	
11. Real Estate	1,730,192	80		11. Collections	9,442	—	
12. Other Assets	2,742,307	20		12. Branch of Klaipėda	9,760,162	05	
13. Securities	10,178,317	—		13. Net profit for 1937	1,935,432	36	
14. Bills for Collection	9,442	—					
15. Branch of Klaipėda	9,760,162	05					
	187,202,972	77					



ZEMSKÁ BANKA

(FORMERLY ROYAL BANK OF BOHEMIA)

PRAGUE, CZECHOSLOVAKIA

Branches at BRATISLAVA and UŽHOROD

CAPITAL ... Kc. 40,000,000 DEPOSITS ... Kc. 4,430,000,000
WORKING CAPITAL OF THE BRANCH ... Kc. 13,093,000,000
AT UŽHOROD ... Kc. 8,000,000 COMMUNAL, LAND DEVELOPMENT
RESERVE FUNDS ... Kc. 222,000,000 AND RAILWAY LOANS ... Kc. 2,939,000,000

All business transactions are guaranteed by the Country of Bohemia, the most developed Province of the Czechoslovak Republic. Mortgage Loans. Credit for Construction of Buildings. All Banking, Discount and Stock Exchange Transactions. Transfers effected on all places of the Republic and abroad. Safe custody of Securities, Legal Safe Custody, Sales.

Issue

of Communal and Land Development Bonds guaranteed by the Country of Bohemia; Communal and Land Development Bonds issued for the purposes of the Municipalities in Slovakia and Carpathian Ruthenia are, besides that, guaranteed also by the Republic.

ROYAL BANK OF SCOTLAND

Capital (fully paid):
£3,780,192

Reserve Fund:
£4,038,616

Deposits:
£69,674,161

World Wide facilities for Banking Business of every description

ASSOCIATED BANK—WILLIAMS DEACON'S BANK, LD. (Members of the London Bankers' Clearing House)
With Offices in Manchester and London and 199 Branches elsewhere in England and Wales

Incorporated by Royal Charter, 1727

Governor:
HIS GRACE THE DUKE OF BUCCLEUCH AND
QUEENSBERRY, G.C.V.O.

Deputy-Governor:
RIGHT HON. THE EARL OF STRATHMORE AND
KINGHORNE, K.G., K.T., G.C.V.O.

General Manager: WILLIAM WHYTE
HEAD OFFICE: EDINBURGH

249 Branches throughout Scotland.

LONDON OFFICES

CITY:
3 Bishopsgate, E.C.2
8 West Smithfield, E.C.1

WEST END:
(DRUMMONDS)
49 Charing Cross, S.W.1

WESTERN:
Burlington Gardens, W.1
(formerly Branch of Bank of England)
64 New Bond St., W.1

BANK OF SCOTLAND

CONSTITUTED BY ACT OF PARLIAMENT, 1695

AUTHORISED CAPITAL - £4,500,000
CAPITAL FULLY PAID - £2,400,000
RESERVE FUND and BALANCE CARRIED FORWARD - £2,200,084
DEPOSITS and CREDIT BALANCES as at 28th February, 1938 - £39,298,450

Governor: The Rt. Hon. LORD ELPHINSTONE, K.T. Deputy Governor: THE LORD HENRY SCOTT
A. W. M. BEVERIDGE, Treasurer.

Head Office: THE MOUND, EDINBURGH

GLASGOW, Chief Office: 2 St. Vincent Place. J. B. CRAWFORD, Manager.

LONDON OFFICES: City Office—30 BISHOPSGATE, E.C.2. A. BALLINGALL, Manager.

Piccadilly Circus Branch—16/18 PICCADILLY, W. C. D. ALLISON, Manager.

263 Branches and Sub-Branches in Edinburgh, Glasgow, and throughout Scotland
Every description of British and Foreign Banking Business transacted

THE Commercial Bank of Scotland LIMITED

Established 1810

Incorporated by Royal Charter and Act of Parliament

OVER 370 BRANCHES AND SUB-OFFICES IN SCOTLAND AS WELL AS
THE FOLLOWING LONDON OFFICES:—

CITY: 62 LOMBARD STREET, E.C.3

KINGSWAY: IMPERIAL HOUSE, 15 KINGSWAY, W.C.2

PICCADILLY: 4 OLD BOND STREET, W.1

Head Office: 14 George Street, EDINBURGH

THE NATIONAL BANK OF SCOTLAND LIMITED



Head Office:
EDINBURGH

Branches throughout
SCOTLAND

ESTABD 1825

LONDON OFFICES: 37 Nicholas Lane, E.C.4, and 18/20 Regent Street, Piccadilly Circus, S.W.1

The Bank undertakes the duties of Trustee or Executor under Wills, Trustee under Marriage and other Settlements, etc.

BANK OF CZECHOSLOVAK LEGIONS PRAGUE

Telegraphic Address: "LEGIOBANKA."

21 Branches and 5 Exchange Offices in Czechoslovakia.

Capital Paid Up - - - Kč 70,000,000

Reserves - - - - - Kč 65,000,000

COMPLETE BANKING SERVICE

STOCKHOLMS INTECKNINGS GARANTI AKTIEBOLAG STOCKHOLM

ESTABLISHED 1869

Paid-up Capital and Reserve Funds Kr. 35,000,000

Telegraphic Address: SIGAB, STOCKHOLM

London Agents:

HAMBROS BANK, Ltd., LAZARD BROTHERS & Co., Ltd., WESTMINSTER BANK, Ltd.,
LLOYDS BANK, Ltd.

All kinds of Banking Business transacted

HUNGARIAN COMMERCIAL BANK OF PEST

(Pesti Magyar Kereskedelmi Bank)

Established by Royal Charter: 1841

Capital: P. 25,000,000
Surplus: P. 39,100,000

BUDAPEST

V., Gróf Tisza István utca 2

Telegrams: Commerz

Telephone: 1-848-88

EVERY KIND OF BANKING BUSINESS TRANSACTED

Correspondents all over the World 43 Affiliations and Branches in Hungary

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St. East, Toronto

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THE DAI-ICHI GINKO, LIMITED

(FORMERLY THE FIRST NATIONAL BANK)
Established 1873

CAPITAL (Paid up) - - - Yen 57,500,000

RESERVE - - - - - Yen 73,500,000

A Complete Banking Service

Head Office:
TOKYO

Branches:
YOKOHAMA, NAGOYA, KYOTO, OSAKA, KOBE, SEOUL
and other principal Cities at home

Correspondents:
All important places at home and abroad

The Hongkong and Shanghai Banking Corporation

(Incorporated in the Colony of Hongkong. The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony)

AUTHORISED CAPITAL	...	...	...	\$50,000,000
ISSUED AND FULLY PAID UP	...	...	...	\$20,000,000
RESERVE FUNDS	STERLING	...	...	£6,500,000
	HONGKONG CURRENCY	...	...	\$10,000,000
RESERVE LIABILITY OF PROPRIETORS	...	...	...	\$20,000,000

Head Office - - HONGKONG

BOARD OF DIRECTORS:

T. E. PEARCE, Chairman
Hon. MR. J. J. PATERSON, Deputy-Chairman
J. K. BOUSFIELD J. R. MASSON
A. H. COMPTON G. MISKIN
Hon. Mr. S. H. DODWELL K. S. MORRISON
Hon. MR. M. T. JOHNSON A. L. SHIELDS
CHIEF MANAGER - Sir VANDELEUR M. GRAYBURN

BRANCHES:

Amoy, Bangkok, Batavia, Bombay, Calcutta, Canton, Chefoo, Colombo, Dairen (Dalny), Foochow, Haiphong, Hamburg, Hankow, Harbin, Hongkew (Shanghai), Ipoh, Johore, Kobe, Kowloon, Kuala Lumpur, London, Lyons, Malacca, Manila, Moukden, Muar, New York, Peiping (Peking), Penang, Rangoon, Saigon, San Francisco, Shanghai, Singapore, Sourabaya, Sungei Patani, Tientsin, Tokyo, Tsingtao, Yloilo, Yokohama.

COMMITTEE IN LONDON:

Lord Ashburton C. A. Campbell
A. H. Barlow Sir George Macdonogh
D. G. M. Bernard G.B.E., K.C.B., K.C.M.G.

MANAGERS IN LONDON:

O. J. Barnes E. J. Davies
Sub-Manager: G. M. Dalgety Accountant: A. M. Knight

9 GRACECHURCH ST., LONDON, E.C.3

THE Commercial Banking Company of Sydney, LIMITED

(with which is amalgamated the BANK OF VICTORIA, LTD.)

ESTABLISHED 1834

INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY

Authorised Capital £12,000,000 0 0

Capital Paid up ... £4,739,012 10 0

Reserve Fund ... £4,300,000 0 0

Reserve Capital ... £4,739,012 10 0

£13,778,025 0 0

Total Assets
30th June, 1937 ... £64,390,674 0 0

Head Office: Sydney—343 George Street

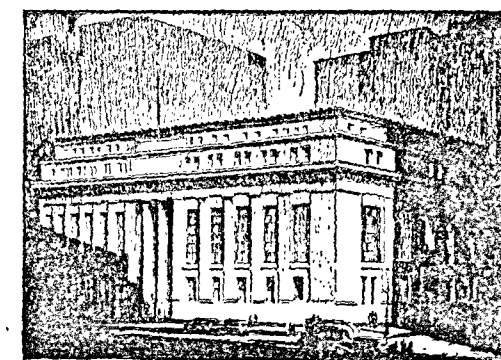
General Manager: C. Darvall

445 Offices and Branches in New South Wales, Queensland, Victoria, South Australia and Federal Capital Territory. Agencies throughout Australia and New Zealand, and all other parts of the world. Drafts payable on demand and Letters of Credit are issued by the London Office on the Head Office, Branches and Agencies of the Bank. Bills on Australasia negotiated and collected. Remittances cabled and mailed.

LONDON OFFICE:

18 BIRCHIN LANE, LOMBARD STREET, E.C.3

G. M. AINSWORTH, Manager



SITUATED
IN THE HEART OF
INDUSTRIAL AMERICA

MELLON
NATIONAL BANK
PITTSBURGH · PENNSYLVANIA

Correspondence Invited

Cable Address: Mellonson, Pittsburgh

London Agents—National Provincial Bank, Ltd.

Member Federal Deposit Insurance Corporation

NATIONAL BANK OF INDIA, LIMITED

Registered in London under the Companies Act of 1862 on the 23rd of March, 1866

Established in Calcutta 29th September, 1863

Bankers to the Government in KENYA (B. E. Africa) and UGANDA

Subscribed Capital-	-	-	-	-	£4,000,000
Paid-up Capital	-	-	-	-	£2,000,000
Reserve Fund-	-	-	-	-	£2,200,000

Head Office: 26 BISHOPSGATE, LONDON, E.C.2

BRANCHES

CALCUTTA	TUTICORIN	MOMBASA	Kenya
BOMBAY	COCHIN	NAIROBI	
MADRAS	RANGOON	NAKURA	Uganda
KARACHI	MANDALAY	KISUMU	
CHITTAGONG	COLOMBO	ENTEBBE	Tanganyika Territory
AMRITSAR	KANDY	KAMPALA	
CAWNPORE	NUWARA ELIYA	JINJA	
DELHI	ADEN	TANGA	
LAHORE	STEAMER POINT, ADEN	DAR-ES-SALAAM	
	ZANZIBAR	MWANZA	

The Bank grants Drafts and Telegraphic Transfers on all places where it is represented; negotiates and collects Bills of Exchange; collects Pay, Pensions, and generally transacts every description of Eastern Banking business.

Current Accounts are opened and Deposits are received for fixed periods, not exceeding one year, at rates to be obtained on application.

Circular Letters of Credit and Travellers' Cheques available throughout the World are issued to Constituents by the Head Office and Branches.

Trustships and Executorships undertaken.

ALEXANDERS DISCOUNT CO. LIMITED

24 Lombard Street, E.C.3

Capital Authorised	-	-	£1,800,000
Subscribed	-	-	1,800,000
Paid-up Reference Shares	-	-	200,000
Paid-up Ordinary Shares	-	-	800,000
Reserve Fund	-	-	1,000,000

DIRECTORS

COLIN FREDERICK CAMPBELL, *Chairman*
 GEORGE CLEVERLY ALEXANDER
 ROBERT ALEXANDER
 SIR AUSTIN EDWARD HARRIS, K.B.E.
 ERIC GORE BROWNE, D.S.O.
 FRANK NEWCOMB
Manager—F. NEWCOMB
Sub-Manager—B. F. CREWDSON, C.B.E.
Secretary—P. C. TONG

Approved Mercantile Bills discounted. Loans granted on negotiable securities. Money received on deposit at call and short notices at current market rates, as advertised from time to time in the daily papers. For longer periods on specially agreed terms.

The Company deals in British Treasury Bills of any maturity

NETHERLANDS BANK OF SOUTH AFRICA

(Incorporated with limited liability under the laws of the Netherlands)

AUTHORISED CAPITAL	f 9,000,000 at 8.88½ =	£1,013,228.5.2	South African Currency
SUBSCRIBED CAPITAL	f 5,622,500 at 8.88½ =	£632,986.4.2	
PAID-UP CAPITAL	f 5,622,500 at 8.88½ =	£632,986.4.2	
RESERVE FUND	f 2,800,000 at 8.88½ =	£315,226.11.3	

Head Office:

AMSTERDAM, HEERENGRACHT, 546

London Office:

201 SALISBURY HOUSE, FINSBURY CIRCUS, E.C.2

Hamburg Office:

SCHAUENBURGERSTRASSE 32, HAMBURG

Head Office in South Africa:

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THE ECONOMIST

BUDGET SUPPLEMENT

SATURDAY, APRIL 9, 1938

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THE NATIONAL ACCOUNTS 1937-38

THE result of the financial year ended March 31, 1938, is difficult to characterise by any single figure. The total of revenue (excluding self-balancing revenue) was £872,580,000. The total to be ascribed to expenditure depends, however, on whether the sinking fund, or expenditure on defence met out of loans, or both, is to be included. Omitting both items, the total expenditure was £833,250,000, giving a surplus of £39,330,000. Including only the sinking fund the total expenditure was £843,794,000, and the margin between this figure and the revenue—namely, £28,786,000—is, by the conventions of Treasury accounting, the official surplus. If all the defence expenditure is included, but sinking fund omitted, the total of expenditure is £898,117,000 and there is a deficit of £25,537,000. If defence expenditure and sinking fund are both included, the grand total of expenditure comes to £908,661,000 and the deficit to £36,081,000. It is possible to give still a fifth figure. When the Budget was introduced the Chancellor of the Exchequer expected to raise £863,100,000 in revenue, to spend (including borrowed defence expenditure) £942,848,000 and to provide nothing for debt redemption. Actually, he has received £9,480,000 more than he expected, spent £44,731,000 less and put £10,544,000 to debt redemption. He has therefore done £64,755,000 better than he expected. It is clear that the days when the year resulted in either a simple surplus or a simple deficit have gone. Indeed, of the five figures quoted above, the "official" figure is the one that seems to have least logic and consistency to support it.

The figures for the revenue are given below:—

	REVENUE, 1937-38 (£000's omitted)		
	Actual Receipts 1937-38	Larger (+) or Smaller (-) than Budget Estimate 1937-38	Actual Receipts 1936-37
Income tax	297,986	+ 9,836	+ 40,749
Sur-tax	57,060	- 940	+ 3,520
Estate, etc., duties	88,980	- 20	+ 990
Stamps	24,170	- 4,830	- 4,970
National Defence Contribution	1,420	- 580	+ 1,420
Other Inland Revenue	1,730	+ 230	...
Total Inland Revenue	471,346	+ 3,696	+ 41,709
Customs	221,561	+ 1,711	+ 10,279
Excise	113,700	+ 550	+ 4,200
Total Customs and Excise	335,261	+ 2,261	+ 14,479
Motor Vehicle Duties	34,608	+ 608	+ 1,881
Total Tax Revenue	841,215	+ 6,565	+ 58,069
Post Office (net receipt)	10,470	- 1,330	- 500
Post Office Fund	825	+ 825	+ 725
Crown Lands	1,330	- 20	- 20
Sundry Loans	5,230	+ 930	+ 680
Miscellaneous Receipts	13,510	+ 2,510	- 11,091
Total Ordinary Revenue	872,580	+ 9,480	+ 47,864

The healthy appearance of the total figure is very largely due to the excellent performance of the income tax, which

has exceeded the estimate by nearly £10 millions and last year's yield by over £40 millions. Customs and Excise also show small improvements on the estimates. The other main taxes, on the other hand, have been disappointing. Sur-tax has failed to yield the estimate; it is this persistent failure of sur-tax to emulate income tax which lends credibility to the stories of large-scale evasion. The yield from stamps is badly down, as was only to be expected.

The largest item in the shortfall of expenditure below the Budget estimate is in the Civil Services. A margin of £10 millions was left in the Budget for supplementaries, but in the event only £3,666,000 of this was required. There were also savings on many items, of which the largest was one of £8½ millions in the vote for the Unemployment Assistance Board. The National Debt, on the other hand, has required rather more than last year, and the margin left in the fixed debt charge was not quite large enough to meet the statutory sinking funds. The figures are given in the following table:—

	EXPENDITURE, 1937-38 (£000's omitted)		
	Actual Issues	Larger (+) or Smaller (-) than Budget Estimate 1937-38	Actual Issues 1936-37
Interest and Management of National Debt	216,233	- 7,767	+ 5,360
Payments to N. Ireland	8,887	+ 887	+ 891
Other Consolidated Fund Services	3,115	- 85	- 125
Post Office Fund	...	- 300	- 421
Total Consolidated Fund	228,235	- 7,265	+ 5,706
Army, Navy and Air Votes	197,250	- 1,018	+ 11,178
Civil and Revenue Votes (exc. Post Office)	407,765	- 21,315	+ 26,607
Total Supply Services (exc. Post Office)	605,015	- 22,333	+ 37,785
Total Ordinary Expenditure	833,250	- 29,598	+ 43,491
New Sinking Fund	10,544	+ 10,544	- 2,583
Total Expenditure	843,794	- 19,054	+ 40,908
Sums met out of Loans under Defence Loans Act	64,867	- 15,133	+ 64,867

SELF-BALANCING REVENUE AND EXPENDITURE (£000's omitted)

	Actual Revenue & Expenditure 1937-38	Larger (+) or Smaller (-) than Budget Estimate 1936-37
Post Office and Broadcasting	76,080	- 378

Expenditure on the defence forces fell £16,151,000 short of the estimated amount; but it was nevertheless £76,045,000 in excess of the amount spent in the previous year.

A difficult problem faces the Chancellor of the

cost of arms, and therefore called "National Defence Contribution." In its original form, the tax was of much complexity. It was payable on the growth of profits from an industry, trade or business (but not a profession or employment), calculated on the excess above one of two standards, at the taxpayer's option. The profits standard was the average of the three years 1933, 1934 and 1935; the capital standard was, for companies' profits 6 per cent. and for individuals 8 per cent., on capital—i.e. the assets employed in the business. Under each standard, N.D.C. was to be graduated in accordance with the rate of profits on capital. After much opposition, which extended likewise to modified proposals put forward in May, the final version was decided in June. The new N.D.C., to be levied for five years starting with accounting periods ending in the 1937-38 financial year, is a flat rate on profits: 5 per cent. for companies and 4 per cent. for unincorporated businesses. Professions and certain public utilities are exempt. Profits are calculated on income-tax principles, and N.D.C. (which will normally fall on the ordinary shareholders of a company) can be deducted before arriving at profits for income-tax purposes. Under both old and new versions, profits under £12,000 are allowed a graduated abatement, so that on £2,000 nothing is payable. In 1937-38, N.D.C. has yielded £1,420,000, against an estimate of £25 millions for a full year. The yield estimated in the 1937 Budget from the original N.D.C. was £2 millions in 1937-38 and £20 millions in a full year.

Death Duties.—These duties yielded their estimate of £89 millions in 1937-38, against Exchequer receipts in 1936-37 of £88 millions. In 1936-37, estate duty provided 88 per cent. of net receipts from all the death duties. The relationship between the number and size of estates, and the amount of tax they provide, is brought out in the accompanying table. It remains true that over 85 per cent. of all estates liable to duty have a net capital value of under £5,000, these same estates yielding, however, only around 4 per cent. of net receipts. But the number of all estates liable to estate duty in 1936-37 has risen by

ESTATE DUTY, 1936-37

	Numbers		Net Capital Value		Net Receipts	
	Actual	Per cent. of Total	£ Thous.	Per cent. of Total	£ Thous.	Per cent. of Total
Small Estates†.....	55,638	37.64	15,790	2.66	108	0.14
Net Value						
Exceeding						
£ 100	73,703	49.85	114,607	19.38	3,131	4.07
£ 5,000	8,501	5.75	64,399	10.88	2,554	3.32
£ 10,000	6,127	4.15	98,461	16.63	6,769	8.79
£ 25,000	2,252	1.53	80,515	13.60	9,359	12.15
£ 50,000	1,008	0.68	69,795	11.79	11,764	15.29
£ 100,000	402	0.27	57,428	9.70	12,567	16.33
£ 200,000	156	0.10	49,940	8.44	14,210	18.46
£ 500,000	28	0.02	19,720	3.34	7,059	9.18
£ 1,000,000	10	0.01	15,274	2.58	7,194	9.35
£ 3,000,000	1	0.00	6,036	1.02	2,255	2.93
Settlement Estate Duty	...	...	...	...	...	...
Total	147,828	100.00	591,965	100.00	76,960	100.00

† i.e. up to £500 gross value.

27 per cent. since 1928-29, and by 40 per cent. since 1924-25. Large estates of £1,000,000 and over contributed appreciably less of net receipt in 1936-37 than in 1935-36 (12.28 against 19.14 per cent.). Of the net capital value total in 1936-37, personalty (excluding leaseholds) accounted for 84 per cent. The gross capital value of all properties was £638.3 millions, of which 55.8 per cent. was in securities of various kinds, 12.7 per cent. in house property, etc., and 20.3 per cent. in cash, money lent, insurance policies, etc. Legacy duty of £9.5 millions was paid on a capital of £264.7 millions.

Stamp Duties.—In 1937-38 Exchequer receipts of £24.2 millions fell short of estimates by £4.8 millions owing to the large decline in Stock Exchange activity. The various sources of these duties are shown in the accompanying comparative table. In 1936-37, 35 per cent. of all

stamp duties came from stock and share transfers, while share, debenture and loan capital duty provided £1,854,000 between them, against £1,306,000 in 1935-36. As com-

STAMP DUTIES: NET RECEIPTS

	(£ thousands)			
	1913-14	1934-35	1935-36	1936-37
Land and property	1,879	5,101	5,526	5,701
Stocks and shares, etc.	3,125	9,221	9,876	12,057
Company capital duty	698	1,140	1,097	1,642
Cheques and bills	2,322	4,384	4,482	4,607
Receipts	669	2,547	2,855	2,981
Other	955	1,851	1,969	1,988
Total	9,648	24,244	25,805	28,976

pared with 1928-29, the proceeds of transfer duties in 1936-37 yielded 10 per cent. more, and capital duties 60 per cent. less—a drop not wholly accounted for by the halving of share capital duty in 1933-34.

Motor Vehicle Duties.—The Road Fund continues in being as the intermediary for subsidising road expenditure, but all receipts from motor vehicle duties are payable into the Exchequer (instead of a fixed share, up to and including 1936-37), and the Road Fund is financed from Votes under Class VI. The Exchequer no longer

 (£ millions)
(Years beginning April 1)

	1933	1934	1935	1936	Est. 1937
Motor vehicle duties, net receipts	30.7	31.5	30.8	32.7	34.6
Petrol and oil duties	40.4	42.3	45.1	47.8	50.3
Motor duties retained by Exchequer	5.2	5.1	9.5	10.5	12.1
Road Fund expenditure (Revenue Acc.)	21.0	20.0	20.9	22.9	27.0

receives a contribution from the Road Fund towards block grants under Class IX, and our estimate of expenditure in 1937-38 accordingly includes £6,500,000 from that Vote as well as issues direct to the Road Fund. In the accompanying table we show the course of total motor vehicle receipts in recent years, and bring in for comparison receipts from duties on fuel, and road fund expenditure on revenue account. The sums shown as retained by the Exchequer included not only the £5,000,000 or so "Exchequer share," but also the Road Fund's surpluses for 1934-35 and 1935-36 paid into Miscellaneous Receipts in 1935-36 and 1936-37.

Non-Tax Revenue.—This class of revenue consists of miscellaneous receipts (the largest item), Post Office net profits, receipts from sundry loans, and net revenue from Crown lands. In 1937-38 miscellaneous receipts of £13.5 millions exceeded the estimate of £11 millions, which had been put at no less than £13.6 millions below 1936-37 receipts, owing to the disappearance of certain non-recurring items, especially the £5 millions odd of Road Fund surplus. Details of such revenue in 1936-37 show that to the total of £24.6 millions, note issue profits contributed £985,000, Post Office Savings Bank surplus £3,937,000, while the Mint (in addition to its normal payment for 1935-36) handed over £1,500,000

RECEIPTS FROM SUNDRY LOANS

	(£ thousands)			
	1929-30	1934-35	1935-36	1936-37
Int., etc., on war loans*	25,784	309	...	...
Suez Canal shares	1,834	2,395	2,449	2,248
Anglo-Iranian shares ...	1,088	567	1,313	1,125
Other receipts	3,934	1,101	1,172	1,177
Total	32,640	4,372	4,934	4,550

* Payments in respect of War Debts suspended from July 1, 1932.

on account of 1936-37. Net receipts from Crown lands vary little, and at £1,330,000 much exceed the Civil List and other allowances to the Royal Family. Receipts from Sundry Loans yielded £5,230,000 in 1937-38, against an estimate of £4,300,000. Some details of these receipts in earlier years are given in the accompanying table.

EXPENDITURE

DEFENCE SERVICES NET EXPENDITURE

(£ thousands)

	Navy	Army and Ordnance †	Air Force	Total
1913-14	48,833	28,346	...	77,179
1934-35	56,616	39,692	17,671	113,979
1935-36	64,888	44,654	27,515	137,057
1936-37	80,976	55,015	49,996	185,987
1937-38*	78,065	63,703	56,500	198,268
Do. †	105,065	90,703	82,500	278,268
1938-39*	93,707	86,041	73,500	253,248
do. †	123,707	116,041	103,500	343,248

* 1937-38 final, 1938-39 Budget estimate. † After addition of proportion of Defence Loans. ‡ Ordnance 1937-38 onwards.

Power was obtained to provide £400 millions from loans in the five years ended March, 1942, and estimates for 1937-38 and 1938-39 accordingly include £80 millions and £90 millions respectively from that source. The various services are paying interest (only) at 3 per cent. during the five years ended 1942, and thereafter enough to repay the principal in thirty years. Also any Budget surplus, instead of being used for debt redemption, is to be spent on defence and to count towards the £400 millions from loans. Thus estimates for 1938-39 for the respective services include interest.

NAVY.—Total expenditure in 1938-39 is estimated at £123.7 millions, or about double that in 1935-36, and 18 per cent. above 1937-38 estimates, and the net cost in 1938-39 will be £93.7 millions, or £15.6 millions more than in the previous year, after allowing for £3 millions more from loans. While allowance has as usual been made

NAVY EXPENDITURE (£ thousands)

	1933-34	1934-35	1935-36	1936-37	1937-38 (Est.)	1938-39 (Est.)
Average number of effectives	89,863	91,351	94,259	99,886	112,000	119,000
Wages, etc., of Officers and Men	12,514	12,689	13,140	13,693	14,181	15,027
Victualling, clothing and medical	3,559	3,513	3,841	3,975	4,689	4,862
Fleet Air Arm	1,089	1,338	1,993	3,572	4,200	5,718
Educational and Scientific Services	651	650	665	702	793	880
Royal Naval Reserves	373	342	334	330	373	356
Shipbuilding, Repairs, etc.	18,449	20,929	25,784	35,179	32,455	40,881
Naval Armaments	3,768	4,034	5,657	8,629	(51,453)†	(62,881)†
Works, Buildings and Miscellaneous	2,816	2,622	2,839	3,939	2,636	4,092
Admiralty Office	1,079	1,106	1,155	1,307	(5,636)†	(7,092)†
Non-Effective Services ...	9,145	9,393	9,479	9,650	1,459	1,602
Total Expenditure from Votes	53,443	56,616	64,888	80,976	78,065	93,707
					(105,065)†	(123,707)†

† After adding proportion from Defence Loans.

ORDINARY expenditure in 1937-38 (including those sinking fund allocations falling within the fixed debt charge) was, at £841 millions, only £10.7 millions higher than in 1936-37, and was thus £11.8 millions below the Budget estimate. This unexpected result is due entirely to Civil votes. The Budget provided £10 millions for Civil supplementaries, but this was drawn upon to the extent of £3,666,000 only, and issues for the Civil and Revenue services of £407.8 millions were below original estimates, Budget provision, final estimates, and 1936-37 issues by £11,300,000, £21,300,000, £15,000,000 and £820,000 respectively. The most important saving was £8,500,000 on the Unemployment Assistance Board (as happened in 1936-37 also). Broad divisions of expenditure are compared in the accompanying table. While the increasing pressure of armaments expenditure is by now a commonplace, the trend of civil expenditure is also upwards. The year 1937-38 was exceptional in this respect, but extensive saving in 1938-39 is unlikely, the estimates for Class V apparently discounting variations in employment.

EXPENDITURE (EXCHEQUER ISSUES) (£ millions)

	1913-14	1929-30	1935-36	1936-37	1937-38	1938-39 (Est.)
National Debt services†. Other Consolidated Fund services	24.5	355.0	224.0	224.0	224.0	(224.0)
Total Con. Fund services	12.8	22.2	14.0	11.6	12.0	(12.0)
Total Con. Fund services	37.3	377.2	238.0	235.6	236.0	(236.0)
Navy, Army, Ordnance, Air, Civil, Roads, Customs, etc., and In. Rev.	77.2	113.0	136.9	186.1	197.2	253.2†
Total supply services (excluding P.O. and Broadcasting)	58.4	280.4	400.9	408.5	407.8	439.0
Total ordinary	135.6	393.4	537.8	594.6	605.0	692.2*
Total ordinary	172.9	770.6	775.8	830.3	841.0	928.2
Self-balancing§:—Post Office and Broadcasting	24.6	58.9	66.1	71.9	76.1	80.4
Grand Total	197.5	829.5	841.9	902.2	917.1	1008.6*

* Without provision for eventual Supplementary Estimates. † Excluding £90 millions from Consolidated Fund. ‡ Excluding sinking fund allocations falling outside the fixed debt charge (£224 millions in 1937-38). § Former Road Fund self-balancing expenditure transferred to Civil Services for comparison.

Consolidated Fund Services.—The Service of the National Debt (which is analysed in page 8 of this Supplement) accounts for over 95 per cent. of the £236 millions spent from the Consolidated Fund. In 1936-37 the total national debt service was again £224 millions, made up of £117.1 millions interest on funded debt and annuities, £92.7 millions interest on unfunded debt, £1.1 millions for management and expenses, and £10.2 millions for specific sinking funds, leaving £2.9 millions for general debt redemption. Civil List and other allowances and services absorbed £1,375,700, while issues for miscellaneous services were £1,864,000.

Defence Services.—Just over a year ago it was estimated that some £1,500 millions would be spent on the fighting services in five years, but it has now been stated that this figure is almost sure to be substantially exceeded. And although the cost of defence in 1938-39 is so far estimated at £343.2 millions (including £90 millions from loans), or over three times the expenditure in 1934-35, it is believed that the peak year will not be until 1939-40. But European events since the Estimates were published, and the resulting decision to intensify re-armament, make it practically certain that there will be heavy supplementary estimates in 1938-39. For 1937-38, however, the original provisions of £198.3 millions (excluding loans) were roughly adequate, and issues to the defence services from Votes were £197.3 millions, against £186 millions in 1936-37. While £100 millions of 2½ per cent. National Defence Bonds were issued in April, 1937, and the 1937-38 estimates required £80 millions from loans, only £64.9 millions of the proceeds were actually issued by the end of the year.

for underspending on contract work, the new estimates include nothing on account of the New Construction Programme for 1938, and a Supplementary estimate will have to be presented for the coming year's proportion. The accompanying table compares expenditure under various headings in recent years. For 1938-39 the shipbuilding programme estimates total expenditure on new construction at £34.8 millions, against an original estimate of £28.0 millions for 1937-38 (or a probable sum of £25.6 millions). The need for large repairs and modernisation of capital ships, and the increasing prices of materials are reflected in the rise from £16.1 millions for 1937-38 to £20.2 millions for 1938-39 in the estimated cost of the rest of the building programme.

ARMY.—Estimates for the army and the ordnance factories in 1938-39 require £86 millions from votes and £30 millions from loans, against 1937-38 estimates of £63.7 and £27 millions respectively. In 1938-39 the the army (only) requires in all £106.5 millions, including £21.1 millions from loans, an increase of £22.2 millions

from votes and £2.1 millions from loans as compared with 1937-38 estimates. Details are given in the accompanying table. Warlike stores alone (mostly guns, small arms and ammunition) call for £38.4 millions gross, against an estimate of £25 millions in 1937-38. Vote 10 (works, buildings and land) is assuming an increasing importance in view of the policy of improving living conditions in the army. The gross estimate for this vote is £13.9 against £10.1 millions.

ARMY EXPENDITURE (£ thousands)

Army only	1933-34	1934-35	1935-36	1936-37	1937-38 (Est.)	1938-39 (Est.)
Number of effectives.....	148,700	149,500	152,200	158,400	168,900	170,000
Pay, etc., of the Army	9,416	9,514	9,439	8,887	10,488	10,819
Territorial Army and Reserve	4,721	4,777	5,058	5,979	7,887	9,775
Medical Services	872	910	1,010	1,106	1,055	1,105
Educational Establishments	785	866	910	944	1,053	1,327
Quartermaster and Movements	1,205	1,269	1,650	2,358	1,909	2,446
Supplies, Road Transport, etc.	3,758	3,851	4,450	4,794	6,005	8,677
Clothing and Stores	4,358	5,153	8,060	14,752	20,368	33,355
Works, Buildings, etc., and Misc. Effective Services ..	3,427	4,292	4,802	5,991	4,882	8,137
War Office	802	816	852	938	1,046	1,195
Half-Pay, Pensions, etc.	8,197	8,242	8,424	9,267	8,447	8,541
Net expenditure	37,540	39,692	44,654	55,015	63,120	85,357
					(82,174)†	(106,500)†

† After adding proportions from Defence Loans.

The Ordnance factories, for which separate estimates are again published, require £8,857,000 from loans in 1938-39, against £7,946,000 in 1937-38, and from votes, £684,000 against £582,600. The proportion from loans is intended for the construction or conversion of factories.

AIR FORCE.—Although since re-armament began, the R.A.F., now costing six times as much as in 1934-35, has been absorbing an increasing part of the total expenditure on defence (which has tended to be divided more

AIR FORCE EXPENDITURE (£ thousands)

	1933-34	1934-35	1935-36	1936-37	1937-38 (Est.)	1938-39 (Est.)
Number of effectives	28,470	28,780	35,942	48,583	70,000	83,000
Pay, etc., of the Royal Air Force	4,020	4,227	5,025	6,274	8,340	10,175
Quartermaster, Supplies and Transport	1,400	1,456	2,537	3,328	4,780	6,144
Technical and Warlike Stores	6,953	7,190	11,640	25,342	31,542	42,631
Works, Buildings and Lands	1,390	1,820	4,864	10,560	14,542†	16,631†
Medical Services	278	295	335	390	4,836	3,800
Technical Training	388	380	488	687	802	1,040
Educational	464	406	473	549	967	1,660
Auxiliary and Reserve Forces	460	509	419	602	1,925	2,925
Civil Aviation	326	328	523	821	1,137	2,587
Meteorological and Misc.	643	691	834	1,024	1,250	1,490
Air Ministry	378	368	375	418	482	524
Half-Pay, Pensions, etc.						
Net Expenditure	16,700	17,671	27,515	49,996	56,500	73,500
					(82,500)†	(103,500)†

† After adding proportion from Defence Loans.

equally between the three services), it still costs the least in cash and the most in relation to the personnel. Estimates for 1938-39 require £73.5 millions from votes and £30 millions from loans, against £56.5 and £26 millions respectively in the 1937-38 estimates. If civil aviation be excluded, the amount from votes should be £70.6 against £54.6 millions. Details of expenditure appear in the accompanying table. The gross cost of aircraft and balloons is estimated at £42.7 millions, against £30.1 millions for aeroplanes and spares for 1937-38 under the old classification. This increase is largely attributable to payments maturing on long-term contracts already placed. Vote 4, for works and buildings, actually shows a decrease, owing to the completion of new factories.

Civil Estimates.—The 1938-39 Estimates for the Civil and Revenue Departments (excluding Post Office and broadcasting) and Roads require £439 millions, compared with Exchequer issues in 1937-38 of £407.8 millions, and a final estimate for that year of £422.7 millions. Of the increase over 1937-38 final estimates, however, air raid precautions account for £3,315,000, and, as explained later, apparently about £5,000,000 of the higher charge upon Votes for roads does not represent a real rise in expenditure. Supplementaries in 1937-38 were small, the

largest being £864,000 for land fertility improvement. In 1936-37 net expenditure (excluding roads) of £381.2 millions was £8.6 millions less than final estimates, owing largely to substantial saving on unemployment. The accompanying table analyses broadly the

CIVIL DEPARTMENTS NET EXPENDITURE (£ millions)

Year	Education	Min. of Health	Pensions††			Labour**	Rest (inc. roads)	Total (adj. ‡)
			War	Old age	Others			
1933-34 ...	51.1	21.6	45.2	40.4	15.3	71.8	118.8	364.2
1934-35 ...	52.9	22.4	43.5	41.8	16.2	66.5	128.7	372.0
1935-36 ...	55.8	23.4	42.7	43.2	17.2	76.3	129.0	387.6
1936-37 ...	58.5	24.8	41.7	44.2	18.3	70.7	137.0	395.2
1937-38* ...	60.1	25.8	40.6	45.5	19.5	75.6	141.7	408.8
1938-39† ...	61.8	26.5	39.6	47.7	20.4	68.8	160.0	424.8

* Final estimate. † Budget estimate. ‡ Excluding broadcasting, including roads. § And Department of Health for Scotland. ** Ministry of Labour, unemployment assistance or allowances, U.A. Board and Pub. Assist. grants (including Scotland) from Class V. †† Old age, and widows, etc., (from Class V), and all Class VIII.

actual or estimated cost of the Civil Departments in recent years, and the separate classes are discussed in more detail later under their respective heads.

CENTRAL GOVERNMENT (Classes I, II and III).—Expenditure in these classes of the estimates is compared in the accompanying table. In 1938-39 the Central Government Votes should cost less than in 1937-38, as, in spite of a rise from £350,000 to £450,000 for the Secret Service, the expenditure of £302,000 for the Coronation will not recur. Supplementaries in 1937-38 included a

Civil Votes: Class I, II & III.	1935-36 Actual	1936-37 Actual	1937-38 Estimate	1938-39 Estimate
I. Central Government and Finance	£'000 2,018	£'000 2,271	£'000 2,653	£'000 2,512
II. Foreign and Imperial—of which:	8,593	9,213	9,275	10,270
F.O., Diplomatic and Consular Services	1,428	1,383	1,722	1,628
League of Nations	223	157	145	141
Empire Services	2,293	2,992	2,893	2,892
Dominion, Colonial and Misc. Services	2,082	2,162	2,408	3,147
Colonial Development Fund	900	900	500	650
India and Burma Services	1,667	1,619	1,607	1,812
III. Home Department—of which:	17,238	18,459	24,043	28,066
Home Office (excluding A.R.P.)	494	567	571	647
Air Raid Precautionary Services † ...	54	680	5,243	8,609
Police	12,517	12,972	13,656	13,959
Prisons	1,175	1,236	1,366	1,601
Total	27,849	29,943	35,971	40,878

† Including headquarters' expenses.

further £84,300 for M.P.s' salaries. Under Class II there is an increase in 1938-39 of £995,000, mainly due to £847,000 more for Colonial and Middle Eastern services, despite the reduced cost of defence in Palestine. Expenses incurred in Spain and to a lesser extent in China accounted for over £200,000 of Supplementaries for £285,000 in 1937-38. In the Home Department, A.R.P. services are now assuming an importance second only to that of the police. Of the 1938-39 gross total for A.R.P., £4,518,000 is for equipment and materials, £1,400,000 for grants to local authorities for A.R.P. (a new item) and £2,120,000 for emergency fire brigade services.

EDUCATION.—For 1938-39, total net estimates for Class IV are £65,487,000, but if broadcasting is excluded, requirements of £61,847,000 compare with a final estimate for 1937-38 of £60,096,000 (including a Supplementary of £177,000 for the new physical training services) and net expenditure in 1936-37 of £58,457,000. In recent years, however, average attendance in elementary schools has been slowly falling. For 1938 it has been estimated at 4,441,000; in 1934 it was 4,907,453. The number of pupils at secondary schools, on the other hand, has risen appreciably. Last year the attendance was 484,676, against 448,421 in 1934 and 377,540 in 1928. For 1938-39 the Class IV estimates include (for England and Wales only) £35.5 millions for elementary and £11.7 millions for higher education, £3.8 millions net for pensions and £2.3 millions for the universities, while £7.9 millions is needed

for public education in Scotland. Apart from sums included in the certain grants for schools and colleges, physical training and recreation will require £515,000 against £238,000. Some details of expenditure on education generally in England and Wales are given in the accom-

ENGLAND AND WALES

	Board of Education Net Estimates		Total Expenditure by L.E.A.'s†		Cost per Elementary Pupil
	Total Vote	Grants to L.E.A.'s	Elementary Education	Higher Education	
	£ Mn.	£ Mn.	£ Mn.	£ Mn.	s. d.
1913-14	14.7	12.8	25.6	4.4	95 2
1931-32	48.4	45.2	63.2	16.4	252 5
1932-33	42.9	39.0	61.2	15.8	242 7
1933-34	42.1	37.8	61.9	16.0	244 6
1934-35	43.6	39.5	64.6	16.8	263 5
1935-36	46.1	42.1	68.2	18.1	287 3
1936-37	48.1	43.9	69.8	19.0	304 5
1937-38	49.5†	44.8	70.8*	19.8*	311 1*
1938-39	51.0‡	45.6	72.6*	20.8*	327 1*

* Provisional. † Including proportion borne by the rates. ‡ Final estimate. § Budget estimate.

panying table. A large part of the increased total cost of elementary education in 1938-39, as against 1937-38, is due to special services and expenditure on reorganisation in preparation for raising the school-leaving age. Secondary education in 1936-37 cost £27 14s. per pupil, against £27 in the previous year and £12 10s. in 1912-13.

HEALTH, LABOUR AND INSURANCE (Class V).—In 1938-39 this important class will absorb 39 per cent. of Civil and Revenue Votes. Total net estimates will require £172.3 millions, against an original estimate of £170.2 millions for 1937-38. In that year, however, Supplementaries for £608,000 net were presented: £110,000 was wanted for special Coronation payments by the Unemployment Assistance Board, £301,000 for financial assistance to site companies and new factories in the Special Areas, and £197,000 owing to the larger number of old-age pensioners.

Expenditure under this class in recent years is shown below:—

(£ millions)	1933-34	1934-35	1935-36	1936-37	1937-38†	1938-39‡
Total, Class V ...	150.7	150.8	161.9	162.2	170.9	172.3
Pensions.....	52.4	54.8	57.2	59.2	61.6	64.7

† Final Estimate. ‡ Budget Estimate.

The small net increase in 1938-39 does not reflect some substantial changes within the Departments. Thus, old-age pensions will require £2,200,000 gross more, the automatic increase in contributory pensions involves £1,000,000, and £4,000,000 more is to be spent on the Special Areas. Payment to the Unemployment Assistance Fund, on the other hand, is estimated at £7,070,000 gross less than the 1937-38 estimate.

Health.—By far the greater part of Votes under this head is for housing, grants in the 1938-39 Estimates being for £17.7 against £17.3 millions gross. Grants in respect of the National Health Insurance Acts are to absorb a trifle more at £6,726,000. Apart from services actually rendered by the Ministry, and payments under the health insurance Acts, direct expenditure for health purposes continues to be quite small, though provision is made for physical training under the Education Votes.

Labour and Pensions.—While the cost to the Exchequer of unemployment insurance does not fluctuate greatly (it is estimated at £22.8 millions gross in 1938-39, against £21.9 millions in 1937-38), unemployment assistance varies widely with the state of trade. A small rise in unemployment seems to be foreshadowed in the 1938-39 contribution of £42.5 millions to the Unemployment Assistance Fund, as it exceeds by £7.1 millions the 1937-38 estimates, which are now known to have been

about £8½ millions too large. The gross cost of administration by the Ministry of Labour in 1938-39 is estimated at £6,297,000, of which £3,855,000 and £2,087,000 will be recoverable from the Unemployment Fund and the Unemployment Assistance Fund respectively, it being estimated that in 1938-39 some £39 millions will be paid out at the Labour Exchanges in benefit and some £39.2 millions in unemployment allowances.

Measures to stimulate employment (as distinct from the cost of unemployment as shown and defined in our table analysing the Civil Estimates) are, however, becoming increasingly important, the Special Areas Fund, for instance, receiving £7,500,000 in 1938-39 against £3,500,000 in the previous year, while employment schemes will receive a trifle less at £3,520,000. The net estimates for Class V in 1938-39 include some £80.6 millions for "labour," after adding in all such kinds of ancillary expenditure.

Though it is normal for the cost of old-age pensions to rise, the increase of £2,200,000 to £47,700,000 for 1938-39 is larger than in recent years, while the original estimate for 1937-38 did not prove quite sufficient. Contributory pensions are to receive £17 millions, the Exchequer share rising automatically by £1,000,000 each year.

TRADE, INDUSTRY AND TRANSPORT (Class VI).—Estimates for 1938-39 amount to £40,646,000, against final and original estimates for 1937-38 of £33,166,000 and £31,383,000 respectively. The Supplementaries were larger for this than for any other Civil class in 1937-38, the total of £1,783,000 including £864,000 for the new service for land fertility improvement, £208,000 to the Milk Marketing Boards' campaign to increase the demand for milk, and £334,000 in respect of foot-and-mouth disease. In 1938-39 roads will cost £22 millions, against £15.5 millions estimated for 1937-38, but the latter year's grant was based on the assumption that the year would start with a balance of £5 millions in the Road Fund, so that the increase in expenditure by the Fund seems to be only about £1,500,000. But total grants under Class IX are practically the same in 1938-39 as in 1937-38, so it appears that some £6,500,000 for roads will again be provided from that source, making Exchequer and Road Fund expenditure on roads £28.5 millions, say, in all in 1938-39. The Ministry of Agriculture will cost £3,444,000 net, while the Beet Sugar subsidy and the livestock industry are estimated to require £2,550,000 and £4,575,000 (against £2,250,000 and £4,732,000) respectively. A new item is £203,000 for the oats and barley subsidy in the United Kingdom.

WORKS, STATIONERY, ETC. (Class VII).—Estimates for this Class in 1938-39 amount to £11,692,000, against an original estimate of £9,899,000 in 1937-38 and actual expenditure of £9,360,000 in 1936-37. In 1937-38, however, Supplementaries estimates for a total of £558,000 were presented, chiefly for various minor purposes.

PENSIONS (Class VIII).—This class comprises besides war pensions (including merchant seamen's) some £3½ millions annually for Royal Irish Constabulary pensions and sundry superannuation allowances. The whole Class will cost £43.1 millions in 1938-39, against an estimate of £43.9 millions in 1937-38, and actual expenditure in 1936-37 of £45 millions. The gradual drop in war pensions roughly offsets the increase in widows, etc., contributory pensions under Class V.

CONTRIBUTIONS TO LOCAL REVENUES (Class IX).—Exchequer contributions under the Local Government Acts will absorb £54,248,000 in 1938-39, against an estimate of £54,392,000 in 1937-38 and actual expenditure in 1936-37 of £45,192,000. Since 1936-37, however, grants have been continued which formerly were reimbursed by the Road Fund.

Revenue Departments.—The cost of the Revenue departments (other than the Post Office) continues to rise slowly: details are given in the accompanying table.

REVENUE DEPARTMENTS (£ thousands)

	1913-14	1935-36	1936-37	1937-38 Est.	1938-39 Est.
Customs and Excise	2,431	5,628	5,792	5,973	6,065
Inland Revenue	2,052	7,500	7,611	7,923	8,220
Total	4,483	13,128	13,403	13,896	14,285

Expenditure in 1936-37, however, was slightly below estimate. Details for 1936-37 show that the cost of collection was 1.85 per cent. of gross sums collected, against 1.93 per cent. in 1935-36.

POST OFFICE AND BROADCASTING.—In and after 1937-38 broadcasting belongs nominally to Class IV (Education), but for comparative purposes is referred to here. The Finance Accounts show that hitherto the gross proceeds of wireless licence sales (£4,041,000 in 1936-37) were paid into the Exchequer as telegraph receipts, so that "Post Office net receipt" in the weekly revenue returns included the Government's share of these sales (£705,000 in 1936-37). Theoretically self-balancing, the Post Office nevertheless hands over about one-eighth of its takings, a fixed annual contribution of £10,750,000 being due to the Exchequer. The Post Office gives up all its net surplus (total receipts less expenditure and net wireless receipts, subject to adjustment for work done by and for other departments), the fixed contribution being made up by payments to or by the Post Office Fund, whose assets in March, 1937, were £3,842,000.

Post Office and broadcasting are estimated to cost £80,442,000 in 1938-39, against issues of £76,080,000 in 1937-38, and expenditure of £71,866,000 in 1936-37. Of

these sums, payments to the B.B.C. require £3,640,000 in 1938-39, against a final estimate of £3,230,000 for 1937-38 and issues of £2,939,000 in 1936-37. In 1937-38 a Supplementary Vote of £900,000 was required for Post Office purposes and £360,000 for broadcasting, largely for television and foreign broadcasts. The past year saw no important changes in rates, but there has been considerable development of air mail services. Improvement and expansion of the telephone service has also continued.

The Commercial Accounts for 1936-37 show operating income on general account (excluding broadcasting) of £84,140,000, to which postal business contributed £44,080,000, telegraphs £3,257,000, telephones £30,389,000 and remuneration for services for other departments £4,149,000. This was an increase of £4,087,000, thus revealing a similar rate of progress to that of 1935-36. Operating expenditure was £66,375,000, including £35,001,000 wages, etc., to the non-industrial staff and £7,984,000 for plant depreciation, but excluding £5,942,000 interest on capital. The year's surplus (after charging interest and bringing in non-operating receipts) was slightly lower at £12,307,000. Letter traffic expanded satisfactorily, while parcel revenue recovered from the decline following the rate reduction of 1935, but owing to increased expenses, the telephone surplus was £654,000 lower at £1,472,000, although operating income was £2,004,000 higher. The development of the telephone service is illustrated also by capital expenditure, which amounted to £13,598,000, against £10,477,000 in 1935-36 and £7,653,000 in 1934-35. Capital is provided from the Consolidated Fund (issues in 1937-38 were £16,950,000) and is repaid by annuities from the Post Office Vote, which includes £12,358,000 for this purpose in 1938-39.

THE NATIONAL DEBT

AFTER its great fall at the period of the conversion of War Loan, the annual cost of interest on and management of the National Debt has recently started to rise again. The requirement in the year just ended was £216.2 millions, which was £5.4 millions more than in 1936-37, when the figure was the lowest for recent years. This increase is only partly to be explained by the new policy of borrowing for re-armament, as the nominal amount of National Defence Bonds issued during the year was only £100 millions. Moreover, the amount actually spent out of this loan was only £64.9 millions, and even that total was only reached in the last days of the financial year, so that the money raised by the National Defence Bonds was available for the greater part of the year to reduce the floating debt. The total of the floating debt, however, was higher for the greater part of the year owing to the increase in the total of the Exchange Equalisation Account by a further sum of £200 millions. Defence borrowing will, of course, become more important in the coming year, and it is clear that the lowest point of debt expenditure has been passed.

Apart from the two transactions mentioned above—the issue of £100 millions of National Defence Bonds and the issue of a further £200 millions to the Exchange Equalisation Account—the year 1937-38 was comparatively uneventful so far as the National Debt was concerned. In the remainder of this section, the historical review has to end at March 31, 1937, in the absence of detailed figures for the latest year.

Nominal Value.—The accompanying table divides the Debt into internal and external debt, and subdivides the former into categories according to dates of maturity. Funded debt includes all loans with no redemption dates or callable at the Treasury's option only. Unfunded debt comprises all loans with definite dates of maturity, and the subdivision of Floating Debt includes liabilities falling due within a few months. The year 1922-23, when the post-war peak was reached, is retained for comparison.

It will be noticed that the changes in the year 1936-37

were comparatively small. Floating debt was reduced by £84.1 millions and the remainder of the unfunded debt increased by £89.7 millions. This was accomplished, in the main, by issues of 2½ per cent. and 2¾ per cent. Funding Loan and by the reduction, on maturity, of the total of Treasury Bonds.

NOMINAL VALUE OF NATIONAL DEBT AT MARCH 31ST (£ MILLIONS)

	1923	1934	1935	1936	1937
INTERNAL DEBT					
Funded Debt:—					
Pre-war Funded Debt*	314.2	313.3	313.3	313.3	313.3
3½% Conversion Loan	683.6	742.0	739.6	739.6	739.4
4½% Consolidated Loan	...	400.9	400.9	400.9	400.7
3½% War Loan	...	1,918.1	1,914.3	1,912.7	1,911.5
Total Funded Debt	997.8	3,374.3	3,368.1	3,366.5	3,364.9
TERMINABLE ANNUITIES	13.7	12.1	12.1	12.1	12.1
INTERNAL UNFUNDED DEBT:—					
(a) Other than Floating Debt:					
2½% Conversion Loan	...	206.5	206.5	206.5	206.6
3% Conversion Loan	...	301.8	301.8	301.8	301.8
3½%, 4%, 4½%, 5% War Loan	2,170.8	...	...	...	...
2½% Funding Loan	...	...	126.0	200.3	100.6
3% Funding Loan	...	...	148.8	147.2	145.6
4% Funding Loan	400.4	364.3	361.0	357.6	354.0
4½% Conversion Loan	...	375.4	375.4	368.9	365.9
5% Victory Bonds	...	323.0	323.0	322.8	322.8
4% Victory Bonds	353.9	326.7	323.5	320.3	316.9
Exch. and Nat. War Bonds	1,103.4	...	...	...	...
Treasury Bonds	411.0	384.2	234.3	172.2	100.0
Savings Certificates	353.8	†393.7	†397.4	†395.8	†394.3
Total of (a) (inc. other debt)	4,795.3	2,677.4	2,671.7	2,719.1	2,808.8
(b) Floating Debt:					
Treasury Bills	616.0	799.8	799.3	763.1	674.6
Ways and Means Advances	193.9	44.9	34.1	19.1	23.5
Total Floating Debt	809.9	844.7	833.4	782.2	698.1
Total Internal Unfunded Debt	5,605.2	3,522.1	3,505.3	3,501.3	3,506.9
Total Internal Debt	6,616.7	6,900.6	6,885.6	6,879.9	6,883.9
EXTERNAL DEBT	1,155.7	1,036.5	1,036.5	1,036.5	1,032.6
Total Dead-weight Debt	7,772.4	7,945.2	7,922.1	7,916.4	7,916.5
Funding Loan and Vic. Bds. held by Nat. Debt Commissioners	30.2	122.9	121.7	120.6	119.3
NET TOTAL DEAD-WEIGHT DEBT	7,742.2	7,822.3	7,800.4	7,795.8	7,797.2

* 2½% Consols, 2½ and 2½% Annuities, and Debts to Banks.

† Includes National Savings Bonds

The table, however, does not give a completely accurate picture of the position of the National Debt. On the one hand, it takes no account of the assets acquired against the debt; and on the other hand it omits the interest accrued on Savings Certificates. The table also omits certain other liabilities of the State, such as loans contracted under various Telegraph Acts, Public Offices Acts, etc.; but since there are physical assets against these liabilities, they may properly be omitted from a calculation of deadweight debt. The same remark applies to the contingent liabilities of the State. The external debt poses a difficult problem. This all arises from the Great War and interest is not actually being paid upon more than 0.01 per cent. of the nominal amount. If it is to stand in the accounts as a liability, the equally moribund claims of the British Government on other countries, amounting in the aggregate to a much larger sum, ought to be offset against the total. It would seem more realistic, at least for recent years, to ignore both liabilities and claims.

In the following table an attempt is made to arrive at a figure of the net indebtedness of the State. External liabilities and claims are ignored, as are the "other liabilities" mentioned in the preceding paragraph.

NET INDEBTEDNESS OF THE STATE

	(£ millions)	Mar. 31, 1934	Mar. 31, 1935	Mar. 31, 1936	Mar. 31, 1937
Net total deadweight (as above)	7,822.3	7,800.4	7,795.8	7,797.2	7,797.2
Deduct External debt	1,036.5	1,036.5	1,036.5	1,032.6	1,032.6
	6,785.8	6,763.9	6,759.3	6,764.6	6,764.6
Add accrued interest on saving certificates	98.5	107.3	116.3	124.0	124.0
	6,884.3	6,871.2	6,875.6	6,888.6	6,888.6
Deduct estimated assets	620.7	517.1	510.1	499.7	499.7
	6,263.6	6,354.1	6,365.5	6,388.9	6,388.9
Deduct Exchequer balances	2.6	2.5	2.7	2.7	2.7
Net total	6,261.0	6,351.6	6,362.8	6,386.2	6,386.2

Even this does not give a complete picture, for there are various assets held by Public Departments and funds under the control of the Treasury. The "estimated assets" shown in the table include only financial assets. The largest items on March 31, 1937, were the Exchange Equalisation Account, £375 millions, and the estimated market value of the Government's holding of Suez Canal shares, £78.6 millions.

Changes in the National Debt, 1937-38.—The chief changes in the National Debt in the past year were as follows:—

	(000's omitted)		(000's omitted)
Receipts	£	Issues	£
2½% National Defence Bonds, 1944-48	99,660	National Savings Certificates (net decrease)	4,300
Sums raised under the Post Office and Telegraph (Money) Acts	16,950	National Savings Bds. paid off	409
Treasury Bills (net increase)	154,048	Other debt redeemed	93
Temporary Advance repaid	300	Ways and Means Advances (net decrease)	10,440
Other repayments	1,696	Temporary advance	300
Exchequer balances decreased	336	Issues under the Post Office and Telegraph (Money) Acts	16,950
	272,990	Issues under the North Atlantic Shipping Act	500
Surplus	28,787	Issues under the Tithe Act	3,867
		Issues under the Exchange Equalisation Account Act	200,000
		Issues under the Defence Loans Act	64,867
		Issues to National Debt Commissioners	40
		Old Sinking Fund	11
	301,777		301,777

FLOATING DEBT
(000's omitted)

	Mar. 31, 1937	Mar. 31, 1938	Change
Ways and Means Advances outstanding:—			
By Bank of England	Nil	Nil	...
By Public Departments	23,535	13,095	— 10,440
Treasury Bills Outstanding	674,595*	828,660*	+ 154,065

Total Floating Debt Outstanding 698,130 841,755 + 143,625

* Includes £49,000 in 1937 and £66,000 in 1938, the proceeds of which were not carried to the Exchequer during the period of the account.

The list of issues under various Acts is lengthening year by year. All these are formally repayable. Even the issues under the Defence Loans Act will be repaid out of Supply Votes. But some of these sums in past years, especially the advances for various agricultural purposes, have proved to be merely disguised current expenditure.

The increase in the floating debt over the year is more than fully accounted for by the issue of £200 millions to the Exchange Equalisation Account. But for this there would have been a reduction over the year of £56,375,000. The balance of the cash raised by the issue of National Defence Bonds and not spent in the year is £34,793,000.

The Debt Charge.—In his Budget of 1928 Mr Churchill introduced the principle of a fixed debt charge which should include both interest and sinking funds. This charge he put at £355 millions. In the second Budget of 1931 this principle was abandoned and separate provision was made for interest and sinking funds. For the last five years no provision has been made in the Budget for sinking funds, but in fact the sum provided for interest and management has in every year been sufficiently in excess of the actual requirement to provide a margin for debt reduction. The reduction of the Budgetary provision for the Debt from £355 to £224 millions, however, is not entirely due to the omission of a sinking fund. Over £50 millions of the reduction is due to the fall in the interest charge, which is shown in the accompanying table.

NATIONAL DEBT INTEREST (£ millions)

	Treasury Bills	Savings Certificates	Total of (1) & (2)	Other Interest Charges	Management and Expenses	Total Interest, Management, etc. (3) to (6)
1931-32	(1) 20.7	(2) 15.3†	(3) 36.0†	(4) 251.6	(5) 1.9	(6) 289.5†
1932-33	5.9	15.0†	20.9†	259.2	2.1	282.2†
1933-34	4.1	11.1	15.2	230.0	1.1	216.3
1934-35	3.5	9.0	12.5	198.1	1.0	211.7
1935-36	3.5	8.9	12.4	198.1	1.0	211.5
1936-37	3.8	9.4	13.2	196.6	1.1	210.9

† In 1931-32 these figures were exclusive of £8,430,922 and in 1932-33 of £2,655,995, paid as interest on Savings Certificates in excess of provision in the Permanent Debt Charge.

The total charge in 1937-38 was £216.2 millions.

Debt Redemption.—The composition of the nominal sinking fund during the six years 1931-37 is shown in the following table:—

	(000's omitted)	1931-32	1932-33	1933-34	1934-35	1935-36	1936-37
Specific Sinking Funds							
Principal of Terminable Annuities	£ 932	£ 909	£ 920	£ 928	£ 922	£ 933	
Sinking Fund for—							
3½% Conversion Loan	15,302	7,503	...	...	...	...	
4½% Consolidated Loan	10,000	2,310	...	...	...	...	
4% Funding Loan	3,451	3,581	3,726	3,868	4,002	4,141	
3% Funding Loan	...	...	...	1,135	1,639	1,688	
4% Victory Bonds	2,823	2,936	3,053	3,175	3,302	3,434	
U.S.A. Government Loan	...	9,091*	...	...	...	...	
Total of above	32,508	26,330	7,699	9,106	9,865	10,196	
Balance	...	...	51	3,237	2,601	2,931†	
Nominal Sinking Fund	32,508	26,330	7,750	12,343	12,466	13,127	

* This represents proportion of total payment made on December 15, 1932, which would normally count as repayment of capital, although the right was reserved to treat the whole sum on this occasion as a capital payment.

† This balance was issued to the National Debt Commissioners and used to purchase and cancel £2,931,162 of 4½ per cent. Conversion Loan.

The total of the sinking fund, however, does not necessarily indicate the actual debt redemption in any year. Budget surpluses or deficits have to be added or subtracted, as the case may be, and in addition there are borrowings

many definitions, and even when precisely defined is subject to a margin of error in estimation. The estimates in the table, however, are all based on the same assumptions. Their proportionate variations should therefore be considerably more precisely reliable than their absolute amounts. It should be added that each of the earlier periods, except 1911-13, included the whole of a trade cycle.

Period*	National Income†	Total Expenditure†			National Debt‡		Defence		All Other		
		£ mn.	£ mn.	%	£ mn.	%	£ mn.	%	£ mn.	%	
1860-69...	899	66	7.3	26	2.9	27	3.0	13	1.4		
1870-79...	1,177	70	5.9	27	2.3	26	2.2	17	1.4		
1877-85...	1,242	79	6.4	29	2.3	30	2.4	20	1.7		
1886-93...	1,410	80	5.7	26	1.8	32	2.3	22	1.6		
1894-1903...	1,666	130	7.8	24	1.4	69	4.1	37	2.3		
1904-1910...	1,940	138	7.1	27	1.4	62	3.2	49	2.5		
1911-13...	2,241	165	7.4	24	1.1	73	3.3	68	3.0		
1924.....	4,035	745	18.5	357	8.8	115	2.9	273	6.8		
1929.....	4,384	771	17.6	355	8.1	113	2.6	303	6.9		
1932.....	3,844	800	20.8	309	8.0	103	2.7	388	10.1		
1935.....	4,530	776	17.1	224	4.9	137	3.0	415	9.2		
1936.....	(4,850)	830	17.1	224	4.6	186	3.8	420	8.7		
1937.....	(5,200)	908	17.4	227	4.4	262	5.0	419	8.1		
1938.....	(5,000)	1,020†	20.4†	224†	4.5†	343†	6.9†	453†	9.1†		

* Including Road Fund expenditure, but not Post Office. † Figures of National Income refer to calendar years, figures of expenditure to financial years ended March 31st of following calendar year. ‡ Annual average. † Estimate. ‡ Figures are taken from "National Income and Outlay," by Colin Clark (Macmillan, 1937), pages 88, 90 and 232; they represent net National Income, as defined by Mr. Clark. The figures for 1936, 1937 and 1938 are tentative estimates for which Mr. Clark is not responsible; the 1938 figure in particular is necessarily no more than a guess. ‡ Inc. Sinking Fund.

The last line of the table is necessarily even more approximate than the rest. Not only are the figures of expenditure those of the Estimates, which may prove to be very wide of the mark, but it is also more than usually difficult this year to forecast, even within a wide margin of error, the probable national income of the year, since it is not yet possible to say by how much the trend of recovery has been affected. The figures do, however, suggest that, even including the whole expenditure on re-armament, the total expenditure of the State is not as large as it has been in at least one previous year. On the other hand, it has now virtually returned to the crisis level of 1931-32. And if, as is not impossible, we are to have in the next few years both steadily rising expenditure and some fall in the national income, the position will rapidly become very difficult. We have no previous experience, save only in war-time, of raising more than one-fifth of the whole national income, either by taxation or by borrowing, for the purposes of the State. Borrowing is at best a temporary expedient, which cannot do more than postpone the real burden. Moreover, even borrowing, if it becomes so large as to disturb general confidence in the solvency of the Treasury, may have the effect of complicating rather than easing the problem of the Chancellor of the Exchequer. It is important, however, to notice that if the National Debt and Defence expenditure be taken together they still require in combination a smaller proportion of the national income than they did in 1924, and an only slightly larger proportion than in 1929 or 1932. Since much the largest part of the National Debt was incurred in past wars, it is still possible to say that the cost of human bellicosity, past and future, is not yet imposing a substantially larger burden on the community than in the immediate post-War years. It is disturbing, however, to notice that the proportion of the national income required for all expenditure other than the Debt and Defence Forces is substantially larger now than it was in the last roughly comparable period of prosperity. In 1924 these Services required 6.8 per cent. of the national income, and an almost exactly similar proportion in 1929. By 1938, however, the proportion has risen to over 9 per cent. If there is to be a trade recession it is certain that this proportion will rise, for unemployment expenditure will increase while the national income will fall. It is thus possible to argue that the uncomfortable position in which the Treasury is facing the possible onset of another trade cycle is due at least as much to the uncontrolled increase of peace-time services as to the combined cost of past and future wars.

Whatever the cause of the great growth in expenditure, however, it is quite apparent that it has now reached the most serious dimensions. This does not mean that it will now be arrested. Even apart from the unpredictable element

of defence expenditure, there are many other items which can be relied upon to go on increasing. Unemployment has already been mentioned. But in addition there are contractual liabilities for old age pensions, which are certain to rise, and there is steady pressure for similar increases in other social services. Our position to-day is fundamentally different from that of the last century, when a steady and rapid increase in tax revenue could be relied upon, as a result of the mere expansion of the community. To-day we are at the end of our increase in population, and any further rise in the national income will have to come from the necessarily slow increase in average productivity.

It would therefore be a mistake to lull ourselves into security with the belief that with the eventual reduction of defence expenditure, which we may still hope to be granted some time, our budgetary problems would come to an end. We may well wake up one day to discover that what we thought to be the temporary emergency of re-armament has been covering a much more deep-seated problem. That problem is either to cut down the scale of State expenditure to which the community has grown accustomed or alternatively to discover new sources of tax revenue.

The search for new sources of revenue is not made any easier by the contemplation of the present position, which is shown in broad outline in the following table:—

TAX REVENUE, 1929-30 to 1937-38
(£ millions)

	1929-30	1931-32	1934-35	1935-36	1936-37	1937-38
Inland Revenue:						
Income Tax	238	288	229	238	257	298
Sur-tax	57	77	51	51	54	57
Death Duties	79	65	81	88	88	89
Stamps	25	17	24	26	29	24
Other Inland Revenue	3	3	3	2	2	3
Total Inland Revenue	402	450	388	405	430	471
Customs and Excise:						
Customs	120	136	185	197	211	222
Excise	128	120	105	107	110	114
Total	248	256	290	303	321	335
Of these:						
Sugar	14	16	12	12	12	12*
Tobacco	63	63	71	75	77	80*
Alcohol	124	113	96	101	104	108*
Entertainment	7	8	10	8	8	10*
Hydrocarbon oils	15	29	42	45	48	50*
All other duties	25	27	61	62	71	63*
Motor Vehicle Duties	27	27	32	31	33	35
Total tax revenue	677	733	710	739	784	841

* Budget estimate.

It is probable that there will be a further "natural" increase in the yield of income tax in 1938-39, but this should mark the end of the rising cycle, and we may expect declines after that unless there is an increase in the standard rate. Sur-tax is still well below its crisis yield, which suggests either a substantial amount of evasion or a condition of diminishing return, or perhaps an element of both. The figures for income tax and sur-tax taken together do not encourage the hope that there is a substantial new source of revenue to be found in direct taxation. The rates of death duties have not been altered sufficiently in recent years for an opinion to be possible on the probable revenue from a further turn of the screw in this direction, but it is possible that there might be some revenue for the Chancellor there. Indirect taxation is already heavy, but the average level of popular consumption in recent years has been so high that further burdens can undoubtedly be carried; but there would be difficult questions both of equity and of incidence to be weighed before any far-reaching increase in indirect taxation could be secured.

In short, we are already a very heavily taxed nation, and if at the height of the trade cycle there is no margin of revenue over expenditure the fiscal problem becomes almost insoluble. Defence borrowing, and other expedients that are open to a resourceful Chancellor of the Exchequer (such as the revaluation of the national gold stock), may give us a brief breathing space. But it is vitally important that realistic and unremitting thought should be given to the problem of permanently reducing the State's expenditure, or, alternatively, of discovering methods by which more than one-fifth of the whole national income can be diverted into the Treasury's coffers.

THE ECONOMIST BUILDING SOCIETIES

SATURDAY, APRIL 23, 1938

ABBEX ROAD BUILDING SOCIETY

LONDON'S LARGEST BUILDING SOCIETY

During sixty-three years the confidence of a discerning and growing membership has built up a great Building Society with resources exceeding fifty million pounds sterling.

Thus, since the War alone, over 100,000 families have been enabled to enjoy the benefits of owning their own homes throughout the length and breadth of Great Britain.

248,000 members dwelling all over the World have entrusted the Society with their savings, for which they receive a fair and equitable rate of interest paid free of liability to Income Tax.

That the Society enjoys a unique measure of public confidence is evidenced in the fact that for some years it has not been necessary to advertise its investment facilities.

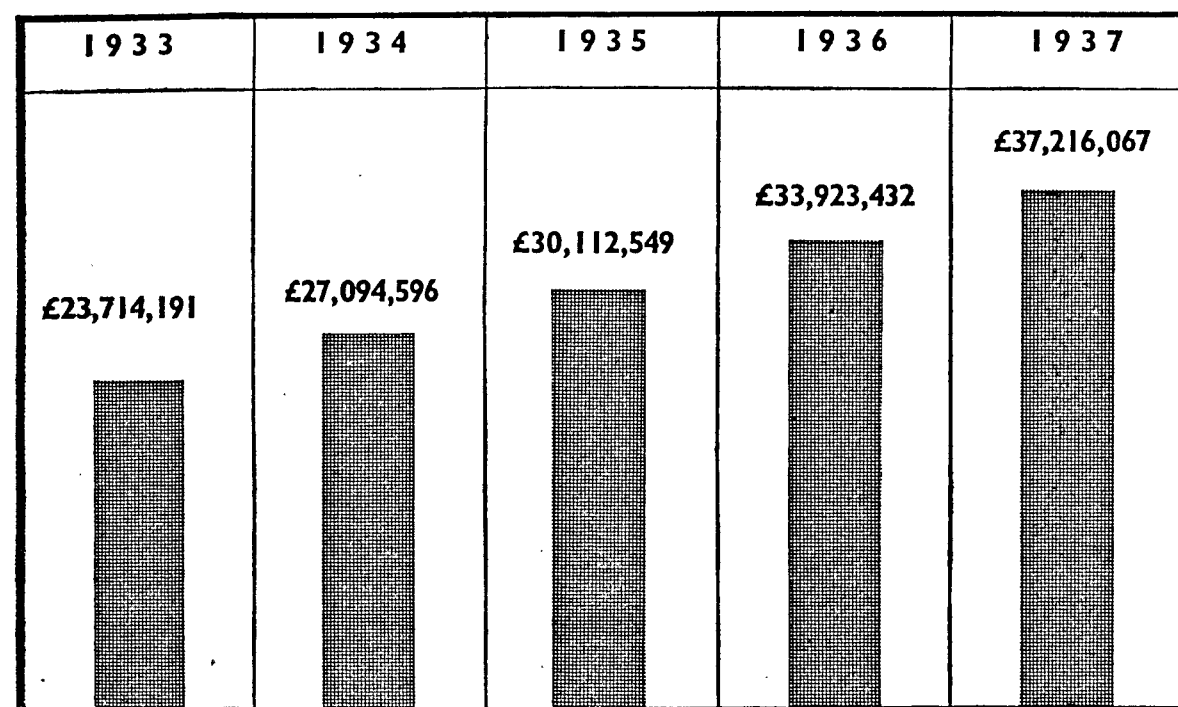
Despite rapid expansion during the post-war years, the policy of the Society has remained unchanged—sound finance, and liberality of mortgage terms consistent with safety.

Its traditions are courtesy, efficiency and speed of service. These are the surest guarantees of mutual goodwill.

ABBEX ROAD BUILDING SOCIETY

Sir Harold Bellman : Managing Director

ABBEX HOUSE, BAKER STREET, N.W.1.



The Progress of a Great Financial Institution

Year by year, million by million, the assets of the Woolwich Equitable Building Society increase. Year by year these assets are wisely employed, helping thousands of people to the privileges of home ownership and earning interest for the shareholders.

The balance sheets and accounts of the Society show a healthy relationship between new capital received and mortgage advances to borrowers, while the reserve funds of the Society steadily increase as the Society's prosperity and income continue to grow.

Extracts from the Society's Balance Sheets:—

Year Ended	Share Capital	Advances	Total Assets	Reserve Funds
30th September, 1933	£18,059,543	£3,912,805	£23,714,191	£935,000
30th September, 1934	£20,003,823	£6,403,957	£27,094,596	£1,040,000
30th September, 1935	£21,633,676	£7,158,855	£30,112,549	£1,200,000
30th September, 1936	£23,937,635	£7,462,762	£33,923,432	£1,400,000
30th September, 1937	£25,962,833	£7,193,634	£37,216,067	£1,600,000

WOOLWICH EQUITABLE BUILDING SOCIETY

A Member of the Building Societies' Association

Chief Office: Equitable House, Woolwich, S.E.18

City Offices: 27, Queen Victoria Street, E.C.4; 22, Liverpool Street, E.C.2.

Strand Office: Bush House, Aldwych, W.C.2.

And Branches and Agencies throughout the Kingdom.

THE ECONOMIST BUILDING SOCIETIES

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Building Societies To-day

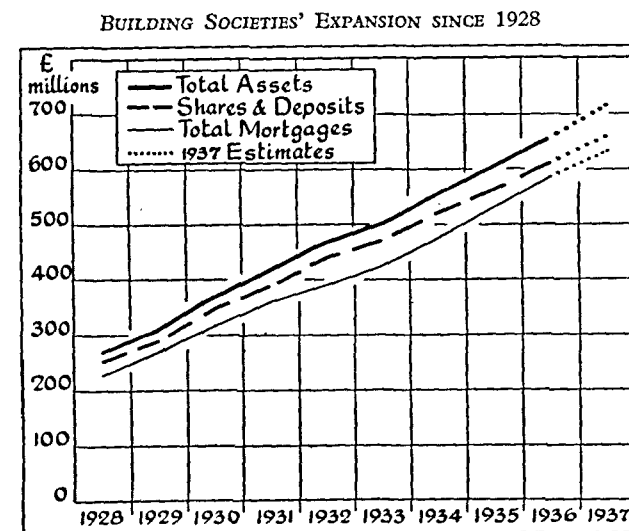
ON April 11, 1936, *The Economist* published a full-length survey covering many aspects of the building society movement. The two years which have since elapsed have been an eventful period in the movement's history. Indeed, their passage finds the societies, in no exaggerated sense, at a decisive stage in their growth. Those who would attempt to forecast the movement's future must first be prepared to search out the lessons of the past. Their next task will be to assess the scope for further growth in building society business after the greatest building boom of this century. In essence, the inquiry involves two main questions. What is the financial position of the movement to-day? Will it be able to maintain that position in the future?

In the following pages we have attempted to provide an answer to these main questions and the various ancillary problems which they involve. We have, in the first place, brought our statistical analysis of the leading societies up to date, thus providing the first comprehensive indication of the trend of business recorded by the movement last year. The financial growth of 110 of the largest societies since 1925 may be traced in tables on pages 10 and 11. For as many as 99 of these societies we have extracted comparable totals, under some 37 headings, for each of the years 1925, 1929 and from 1932 to 1937. These figures are presented in a synoptic table on page 5, and form the basis for the smaller analytical tables accompanying the discussions on particular aspects of building society finance. These articles occupy the first section of this survey, and form the sequel to the historical review of the movement which was given in the first six sections of our previous supplement.

It has seemed convenient, in the second place, to relate the conclusions which emerge from this examination of the position of the leading societies to-day to certain problems which, sooner or later, the movement may have to consider. We have accordingly invited three closely-informed correspondents to discuss certain more technical

matters, such as the operation of the builder's pool system, the extension of mortgage facilities to cover a wider range of property, and the responsibility of the movement for building standards. Their comments present a personal, but none the less authoritative, view. Further, we have suggested a rather wider horizon for the consideration of the movement in two articles on the future demand for housing and the related problems of housing and industrial location.

So much for the general outline of the present survey. If the past two years have been eventful, they have certainly not been without their difficulties. Official figures published by the Registrar of Friendly Societies up to 1936 suggested no check to the remarkable growth of the movement, which formed the text of our historical discussion in the previous survey. The main figures are summarised in the following table:—



	No. of Societies	Total Assets	Mortgage Assets	Shares	Deposits
1925	1,092	169.2	145.9	127.8	27.3
1929	1,026	312.7	268.1	250.2	38.9
1932	1,014	469.3	388.4	380.9	61.5
1933	1,013	501.1	423.5	395.5	95.5
1934	1,007	555.6	476.2	424.3	97.3
1935	999	602.0	529.7	447.2	114.8
1936	985	656.1	586.5	480.6	128.4

These figures are presented graphically on the chart above, which includes an estimate, based on our examination of the reports of 99 leading societies, covering the year 1937. The size of the building societies' resources, like the growth in electric power output, is one of the most striking illustrations of regular and, so far, unchecked growth.

Yet the latest reports show an aggregate decline in new mortgage advance business in 1937, for the first time since 1932. New advances made in 1936, officially computed at £140,293,312, may prove to be the peak of the society's

achievement, at least in this housing cycle, when the complete figures for 1937 are available. Our own computations suggest that new business declined by some 3½ per cent. last year. And the level of house building activity, which is closely associated with the demand for building society accommodation, has shown a significant further decline in recent months. This is a broad economic movement which the societies, by themselves, can do little to modify. But its potential repercussions on advance business in the future, as we show on later pages, are very considerable.

For the societies' part, the year of peak advances—if we may so label 1936—produced fruits which were bitter as well as sweet. During the two preceding years the leaders of the movement had worked towards the introduction of a code of business practice which, it was hoped, would secure general and voluntary acceptance by all societies. It was designed to cover all aspects of lending policy, whose terms, particularly since the introduction of the builders' pool, had tended to become more elastic and competitive. Voluntary agreement in such a contentious field was bound to be difficult, but at the beginning of 1936 it appeared that two years' work was nearing success. That promise, however, was not realised; for despite the general support for a policy of co-operation, in principle, a section of the movement found itself unable to agree to the new code when its introduction was proposed. In June, 1936, it became necessary to take the extreme step of dissolving the National Association of Building

Societies; out of its ashes arose the Building Societies Association, consisting of 210 societies which controlled assets of the order of £475 millions, and which were agreed on the necessity for the introduction of the new code of practice. A number of the dissenting societies at the same time formed the National Federation of Building Societies, whose members were responsible for the administration of total assets of the order of £50 millions.

Such a division of the movement's ranks, in the circumstances of to-day, is obviously unfortunate. Doubtless, any regulation of business practice was bound to be experimental in the first place; in fact the members of the Association itself have in recent weeks been considering certain revised terms of co-operation. But such revision would have been facilitated by a greater feeling of common purpose within the whole movement. Again, there are matters involving legislation or jurisdiction on which the movement ought to speak with one voice. The episode arising from the introduction of N.D.C. last year is a case in point. The whole movement, again, is vitally interested in the problem of war risks insurance. More recently, certain litigation, which is at present *sub judice*, has thrown up the problem of the societies' statutory lending powers, and has challenged, in particular, the practice of accepting certain forms of collateral security in mortgage business. And, finally, the adaptation of policy to current economic trends itself demands consideration in a cosmic, rather than parochial, spirit.

Building Society Finance Since 1925

In our earlier supplement, we examined the financial progress of 110 building societies since 1925. On pages 10 and 11, we have brought these results up to date for the same societies, by the inclusion of their figures for 1936 and 1937. It will be seen that our table records, for each society, the growth in total assets and mortgage assets, and the corresponding increase in shareholders' and depositors' balances, by which it has been largely financed. Three final tabulations, showing new shares and deposits subscribed in recent years, and new mortgage advances made by the societies, involve the problem of continued growth of the movement, which we discuss on a later page.

In addition to the detailed items listed in this table, however, we have also extracted from the reports of these societies information covering every aspect of building society activity. The record for 1925, 1929, and 1932 to 1937 relating to 99 societies is presented in the summary table opposite. In a similar table published in our earlier supplement, we included 98 societies, and the figures have been adjusted for the slightly different composition of the total. The societies which have been excluded consist almost entirely of those whose financial year ends at March 31st, and whose figures were consequently too late for inclusion in our table. The considerable task of analysing the results of nearly 100 leading societies during this period, under nearly 40 separate headings, has been greatly assisted by the ready co-operation of the societies themselves, and of the Registrar of Friendly Societies and his staff, whose help we gratefully acknowledge.

Current economic conditions suggest that an examination of recent trends in the building society movement is desirable, and it is hoped that our summary table, stretching well over a single trade cycle, and covering what may be a peak period of building society business, at least in this cycle, will be accepted as a prompt and adequate statistical contribution, which fairly sets out the scope of the movement's achievements and its potential problems. From the statistical aspect, the 99 societies included in our summaries should provide a fully representative picture of the whole movement. The total assets of all building societies in 1936, as officially recorded by the Registrar of Friendly Societies, amounted to £656 millions. As much as £554 millions of this total was contributed by the 99 societies concerned, and it is unlikely that this coverage of 84½ per

cent. has been markedly changed during 1937. Again, the official returns show that 80 societies in 1936 controlled total assets exceeding £1,000,000, and of these societies, as many as 71 are included in our table. Conclusions based on our sample, although it refers to only 10 per cent. of the total number of societies in existence, are likely, therefore, fairly to represent the position of the movement as a whole.

Before examining the results in detail, it is necessary briefly to note certain changes arising from the new form of annual accounts which came into operation last year. Societies are no longer required to present a receipts and payments account; this, in itself, appears a sensible reform. But they must now specify loans separately from deposits. In order to preserve comparability with our previous figures, however, we have included the relevant loans with deposits as far as possible. Changes have also been made in the presentation of management expenses, which may tend to affect the comparability of previous figures. Up to 1936, we have attempted as far as possible to exclude interest from the amounts under "shares withdrawn" and "deposits withdrawn," but the 1937 returns no longer allow of this adjustment, and the figures consequently include accrued interest for that year. The taxation charge includes N.D.C. paid in respect of 1937. Finally, in our analysis of outstanding mortgages, the figures now include mortgages to non-members, and substantially cover the entire amount outstanding on mortgage for all the societies concerned.

Indices of Growth

With these preliminary observations, we may proceed to discuss the general trends revealed by the returns, before examining certain more detailed problems which they suggest. During the past twelve years, the total assets of these 99 societies have increased more than four-fold from £136,876,400 to £598,555,500. In the same period, their mortgage assets have increased, at a slightly faster pace, from £117,318,100 to £531,604,500. The most convenient way of examining this growth is undoubtedly to recast the actual figures in the form of index numbers based on 1925. The indices are presented in the following table, together with an analysis of mortgage assets and share and deposit

liabilities as a percentage of balance sheet totals for each year:—

BALANCE SHEET TRENDS—1925-37							
	1925 = 100				Relation to Total Assets		
	Total Assets	Mortgages	Shares	Deposits	Mortgages	Shares	Deposits
1925 ...	100	100	100	100	85.7	73.8	15.3
1929 ...	189	187	211	142	84.7	82.3	11.5
1932 ...	293	278	328	240	81.3	82.5	12.6
1933 ...	311	303	346	300	83.6	82.1	14.8
1934 ...	345	340	360	397	84.6	77.0	17.7
1935 ...	371	378	375	472	87.3	74.5	19.5
1936 ...	405	420	403	532	88.8	73.5	20.1
1937 ...	437	453	434	578	88.8	73.2	20.3

The striking feature of the table is the consistent and regular growth in the total resources controlled by these societies. In recent years, they have annually increased their stature by about one-third of their total size in 1925; in fact, total assets, outstanding mortgage advances, and the amount due to shareholders have all increased by approximately four and a half times since 1925. There has been no repetition, as yet, of the slower rate of growth of outstanding mortgages recorded between 1932 and 1933. On the investment side, however, the effect of a regime of cheap money is particularly prominent. Although certain societies

have, during the past year, relaxed the restrictions which they imposed on new investment, particularly in shares, the growth in the total amount due to depositors continues to be much more rapid than the growth in shareholders' balances. The former represented no more than one-eighth of the societies' total funds in 1932, but during the past two years the proportion has slightly exceeded one-fifth. By contrast, shares which represented over 82 per cent. of the total funds in 1929, 1932 and 1933, have provided less than three-quarters of the total resources during each of the past three years. Two consequences of considerable importance follow from this trend. The societies, as a whole, have been able to finance their growing business at a somewhat reduced over-all interest charge (apart, of course, from the actual reduction in rates offered to both classes of investors), but they have tended appreciably to increase what may be called their "short notice" liabilities, as contrasted with their "deferred" liabilities.

Nor is the relation of outstanding mortgages to total assets less interesting. In the two latest years, these societies had as much as 88.8 per cent. of their total resources outstanding on mortgage advances. In 1932, the proportion temporarily touched 81.3 per cent., but it has since grown steadily, and has reached apparent stability during the past two years. The balance of the societies' residual assets consists largely of municipal and county

Building Societies Finance—1925-1937

[Note.—THE TABLE COVERS THE OPERATIONS OF 99 LEADING SOCIETIES SINCE 1925]

(Amounts in £'000)

	1925	1929	1932	1933	1934	1935	1936	1937
Total assets	136,876.4	259,408.5	401,191.9	425,460.5	471,860.9	508,200.1	554,320.4	598,555.5
Due on mortgages	117,318.1	219,824.2	326,098.5	355,655.1	399,317.6	443,891.1	492,189.4	531,604.5
Shares outstanding	101,035.5	213,451.2	331,029.6	349,205.3	363,335.6	378,580.0	407,458.1	438,223.2
Deposits outstanding	21,000.4	29,755.4	50,392.6	62,990.7	83,299.1	99,187.1	111,680.4	121,386.9
New shares subscribed	29,598.3	55,800.1	63,319.8	34,058.0	46,483.1	41,970.9	57,166.7	63,369.3
New deposits	10,847.3	12,583.0	23,810.1	28,816.6	39,452.5	40,635.2	37,397.9	37,650.5
New mortgage advances	41,987.0	64,133.3	67,640.0	85,517.7	104,665.5	108,087.8	115,191.6	111,437.0
No. of new mortgages	N.A.	117,828	129,516	158,880	181,093	191,636	205,068	192,204
Shares withdrawn*	15,092.2	28,878.0	37,334.1	33,415.6	30,712.6	23,542.8	38,058.4	46,412.8
Deposits withdrawn*	8,720.8	14,004.4	14,912.7	15,522.3	20,633.4	26,642.3	27,505.8	30,197.2
Mortgages repaid (inc. interest)	25,154.9	40,405.4	62,425.2	74,932.2	80,062.5	85,229.1	91,168.0	95,602.0
Interest on shares	4,276.7	8,922.0	14,112.2	13,034.6	13,148.1	13,183.4	13,360.1	14,031.1
Interest on deposits	726.3	1,134.7	1,684.3	1,956.4	2,046.0	2,707.9	2,908.4	3,126.4
Interest on mortgages	5,936.1	11,683.8	18,513.8	19,077.0	20,689.0	21,940.7	23,036.5	24,916.4
Analysis of outstanding mortgages :								
Under £500—								
Amount (£'000)	54,346.6	97,240.1	132,396.6	149,183.9	173,439.0	196,342.0	224,778.3	247,763.5
No.	173,720	365,543	481,485	530,902	605,082	669,988	742,432	821,997
£500-£1,000—								
Amount (£'000)	35,767.1	79,307.7	139,509.3	152,463.5	168,666.6	183,144.2	196,889.3	208,256.9
No.	58,153	118,820	209,951	232,811	260,430	284,943	311,538	327,333
£1,000-£3,000—								
Amount (£'000)	16,012.6	27,193.7	36,078.7	35,236.5	34,368.5	33,825.3	35,338.4	37,210.5
No.	11,104	19,990	26,710	24,952	24,432	23,828	24,345	25,620
£3,000-£5,000—								
Amount (£'000)	3,644.8	5,131.9	6,510.2	6,792.1	7,763.6	8,502.2	9,784.0	11,798.2
No.	971	1,348	1,728	1,834	2,223	2,202	2,567	3,068
Over £5,000—								
Amount (£'000)	6,322.7	8,295.8	10,184.8	10,801.9	12,298.6	16,722.9	21,832.3	26,548.3
No.	673	787	957	966	1,063	1,282	1,559	1,903
Properties 12 months in possession :—								
Amount	31.9	51.9	241.3	285.4	302.7	307.8	299.4	236.3
No.	43	76	262	345	446	443	458	349
Properties 12 months in arrear :—								
Amount	39.3	95.1	256.1	311.1	266.4	199.6	176.2	211.3
No.	74	147	332	396	374	298	269	299
Municipal and county securities & loans	7,905.7	18,646.6	35,123.2	41,188.8	41,199.3	38,831.6	36,867.5	39,241.6
Other investments	7,478.5	11,127.6	19,004.8	14,452.5	11,796.4	12,040.7	10,917.9	11,548.3
Cash	2,794.4	7,430.5	16,396.3	10,443.3	14,743.1	9,897.3	10,488.1	11,961.2
Total P. & L. income	6,651.3	13,826.4	21,458.9	22,066.5	23,533.0	24,474.4	25,681.0	27,294.3
Management expenses	729.2	1,336.1	1,452.0	1,956.9	2,279.9	2,497.9	2,773.5	2,911.1
Income tax†	231.4	517.8	1,800.8	2,199.0	2,239.9	2,202.7	2,480.2	2,992.7
Balance of P. & L. account	3,981.1	9,016.0	15,812.6	15,991.6	16,338.9	17,121.5	16,828.2	17,270.4
General reserve	4,587.9	9,859.4	13,494.2	15,450.9	17,649.5	20,087.1	23,616.7	26,532.3
Reserve No. 2	280.0	457.6	1,133.1	1,498.8	1,879.2	2,417.7	2,975.2	3,220.3

* Excluding interest as far as possible up to and including 1936.

† Includes N.D.C. for 1937.

securities and loans, other investments, and cash, the totals for which are set out towards the foot of our summary table. The proportion of mortgage assets to total assets, of course, varies considerably as between different societies. If we take the first five societies recorded in our main tables, for instance, it will be found that the proportions are as follows:—

	Mortgages as per cent. of Total Assets
Halifax	80.2
Abbey Road	87.6
Woolwich Equitable	90.9
Leeds Permanent	93.8
National	91.2

Mortgage Business and Repayments

It is commonly acknowledged that, in the absence of the building societies' organisation, the house-building boom of recent years could not have achieved its fullest scope. The underlying conditions would, in any case, have been favourable, for interest rates were low and real wages were rising. But the translation of these conditions into actual mortgage business owes much to the work of the societies themselves. The extension of their advance business before the years of highest building activity proves, in fact, that the societies' publicity was already attracting increased custom some years before the dramatic increase in their mortgage business occurred.

In the following table the principal figures relating to increased mortgage business, and the method by which it has been financed, are set out. In column 5, we have expressed the new advances made in each year since 1933 as a percentage of the average amount outstanding on mortgage for the corresponding years. Similar percentages are given for the proportion of repayments to the average mortgage outstanding, while the final column relates the repayments and new advances in each year from 1925:—

TRENDS IN MORTGAGE FINANCE

	Total Mortgages outstanding	New Mortgage advances	Repayment of advances inc. interest	Proportion new advances to average outstanding	Proportion repayments to average outstanding	Proportion repayments to new advances
	(£'000)	(£'000)	(£'000)	(%)	(%)	(%)
1925	117,318.1	41,987.0	25,154.9	...	...	59.9
1929	219,824.2	64,133.3	40,405.4	...	...	63.0
1932	326,098.5	67,640.0	62,425.2	...	...	92.2
1933	355,655.1	85,517.7	74,932.2	25.1	22.0	87.6
1934	399,317.6	104,665.5	80,062.5	27.7	21.2	76.5
1935	443,891.1	108,087.8	85,229.1	25.6	20.2	78.9
1936	492,189.4	115,191.6	91,168.0	24.6	19.5	79.2
1937	531,604.5	111,437.0	95,602.0	21.8	18.7	85.9

The first positive fact which emerges from the table is that new mortgage advances last year showed a reduction—actually for the first time since 1932. This fact may come as something of a surprise, since general economic conditions, as measured by *The Economist's* Index of Business Activity, showed a growth of 5½ per cent. The decline of 3.2 per cent. in new advances, however, may be more accurately compared with a reduction of 8 per cent. in building activity last year. During the past two years the possibility of some decline in house construction has been stressed by economic forecasters. Its dimensions have so far been of a comparatively moderate order, and its effects on building society business are limited to a minor check to the advance figures, which still leaves them appreciably higher than the excellent returns of 1935. The potential effect of reduced housing construction on the immediate prospects for mortgage business of the societies is examined at a later stage in this section.

Our first inquiry, however, is to examine the relation between the flow of advances on new mortgages to the repayment money received from existing mortgages. The growth in mortgage assets in recent years has in fact been more rapid than that of new mortgage advances. Since 1934, when the proportion of new advances to the average mortgages outstanding reached 27.7 per cent., a fairly rapid decline has occurred, last year's figure being no

In general, however, as the movement has grown in size, it has extended its frontiers to new mortgage business. As we have seen, the year 1932 was somewhat exceptional, and the proportion of other assets held in that year was consequently in excess of the normal. The determination of the safe lending limit is in the last resort a matter for the societies themselves, but many outside observers may feel that the halt in the proportion of total mortgages to total assets recorded during the past two years is not without its advantages, at a time when the total resources of the movement are still expanding, but new mortgage business is tending to fall off. The recent trend of new mortgage business forms our next topic.

higher than 21.8 per cent. The proportionate decline in the relation of repayments to average mortgages, however, has been much less rapid, falling from 21.2 to 18.7 per cent. in the same period. It is for this reason that the repayments, expressed as a proportion of new advances, have increased from 76.5 per cent. to as much as 85.9 per cent. in the latest year. These figures illustrate the problem of "return money." To a large extent the societies have become self-financing; even if their outstanding share and deposits were to remain unchanged they would be faced with the problem of re-investing repayment moneys.

An appreciable part of the gross mortgage repayment figures, however, consists of interest, from which the societies must provide a return on their share and deposit capital and meet their management expenses. It is impossible precisely to separate the amounts repaid in respect of capital, and the amounts paid for interest on outstanding mortgage balances. Until last year, moreover, the "repayments" included certain amounts derived from the sale of properties in possession. We have, however, again adopted a basis of estimation in order to separate capital from current mortgage interest as far as possible. The effective rates of mortgage interest which are shown in a table on page 14 have been deducted from the percentage repayments figures shown in column 6 of the above table. In the following table the computed rate of capital repayment, excluding interest, is expressed as a percentage of the average mortgage balances for each year since 1933:—

GROSS AND NET REPAYMENT RATES

(As percentage of average mortgages outstanding)

	Gross Rate	Computed rate of interest	Approximate net rate of repayment	Net repayments as percentage of new advances
1933.....	22.0	5.6	16.4	65.3
1934.....	21.2	5.5	15.7	56.7
1935.....	20.2	5.2	15.0	58.6
1936.....	19.5	4.9	14.6	59.3
1937.....	18.7	4.9	13.8	63.3

Strict accuracy, of course, is impossible in this type of calculation, for during the period the total figures have been moving with great rapidity, and the age composition of mortgages has also been changing. The figures are sufficiently consistent over the period since 1933, however, as to suggest that no major changes of lending practice have occurred. There is, however, a decline in net repayment rates which may suggest that the average length of mortgage advances has been slightly extended. The latest figure of 13.8 per cent. for the net rate of mortgage repayment would correspond to an average length for mortgage advances of 7¼ years, and this in turn would suggest, on the assumption of regular capital repayments, that the average actual life of mortgage advances, as distinct from the pre-arranged term of years, has slightly increased to between 14 and 15 years. Such calculations, however, are considerably affected by the sale of houses before the full mortgage term has expired.

The final column in the table above may be compared

THE NATIONAL BUILDING SOCIETY

FOUNDED 1849.

Today, more and more people are availing themselves of the House Purchase and Investment facilities of The National Building Society. Since its foundation in 1849 it has been the constant aim of the Society to justify the confidence and trust which has been placed in its services. The continued growth of 'The National' bears testimony to the success of this policy.

Assets exceed £33,000,000. Reserves exceed £1,800,000

Head Office:

National House, 12-18, Moorgate, London, E.C.2.

Met. 8410.

Managing Director: R. Bruce Wycherley, M.C., F.C.I.S.

West End Office: 33 St. James's Street, S.W.1.

(THE SOCIETY IS A MEMBER OF THE BUILDING SOCIETIES ASSOCIATION)

with the final column of the preceding table at the beginning of this section. It expresses the proportion of net capital repayments to new mortgage advances, after adjusting for the amount of interest included in the earlier figures. It will be seen that, on a net basis, the societies to-day are probably able to finance nearly two-thirds of their new advances from repayments on existing mortgages. The possibility that new mortgage advances in the immediate future will be less expansive than in the past, coupled with the certainty that a substantially greater volume of repayments will be forthcoming in respect of the bumper advance business recorded in recent years, confirms the conclusion which was provisionally suggested in our previous supplement. Building societies now have less necessity to achieve a substantial expansion in the investment branches. They are tending towards a position in which, granted the maintenance of their share and deposit funds, they will be able to rely increasingly on repayment money to finance new mortgage business. It will rather be more essential to obtain an adequate volume of new mortgage business if the movement as a whole is to retain its present financial stature.

Mortgage Advances and Building Activity

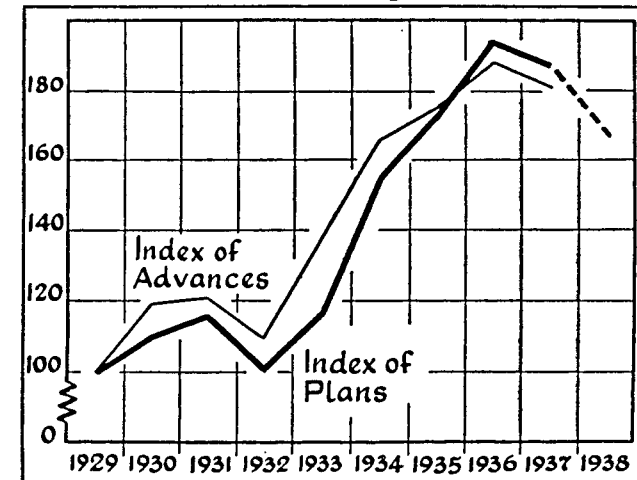
We have suggested in the preceding discussion that the fall in mortgage business last year may be accounted moderate, in relation to the available evidence regarding building activity. A closer comparison of the two trends reveals a considerable degree of correlation between the value of plans approved for dwelling-houses and the total of new mortgage advances. There are, of course, considerable imperfections in the comparison. Not all plans approved are actually built, and the time lag between their approval and construction is difficult to measure with accuracy. Further, building societies derive a large volume of new mortgage business from transactions in existing properties. On the assumption, however, that the plan approved this year may become the new mortgage advance of the next, it is possible to devise a series of index numbers which give some advance indication of the potential movement in advance business during the succeeding year. In the following table we have set out the value of plans approved since 1928, and the totals for mortgage advances since 1929 (as officially recorded, together with our estimate for 1937). The former are expressed as a percentage of 1928, but are shown under the succeeding year to provide a comparison with the index number of mortgage advances,

which is based on 1929:—

	Amounts in £'000s		Index Numbers	
	Value of Plans Approved for Dwelling Houses	Mortgage Advances (all Societies)	Plans Approved 1928=100 (post-dated one year)	Mortgage Advances, 1929=100
1928	40,124	...	...	...
1929	44,260	74,719	100.0	100.0
1930	46,764	88,767	110.3	118.8
1931	40,492	90,253	116.6	120.8
1932	46,888	82,142	100.9	110.0
1933	62,308	103,196	116.8	138.0
1934	69,588	124,559	155.3	166.6
1935	78,145	130,947	173.4	175.3
1936	75,061	140,292	194.7	187.8
1937	67,636	135,500*	187.0	181.3
1938	...	...	168.6	...

* Estimated.

The close correlation between the index numbers given above is exhibited in the following chart:—



It is unjustifiable, of course, to claim accurate prophetic qualities for a method which, in the last resort, is merely a matter of statistical presentation. But throughout the period since 1929 the correlation between the two movements has been reasonably close, and particularly in recent years. If, therefore, last year's returns for plans of dwelling-houses approved are a reliable portent of the mortgage business to be expected during the current year, it would seem that a fall of the order of 7½ to 10 per cent. in new advances is not beyond conservative expectation.

Mortgage Values Analysed

We have already referred to the part played by the building society movement as a positive encouragement to the recent building boom. For two important reasons the composition of their mortgage assets deserves closer analysis. From the social aspect, it is desirable to measure the contribution which the societies have made towards the rehousing of the people during the past decade. And, secondly, our inquiry should indicate from what direction the societies can expect new advance business in the future. Sir Harold Bellman has estimated that of the 1,708,674 houses erected by private enterprise between 1919 and September, 1934, some 1,300,000 were financed by building society advances. Largely, though by no means exclusively, these advances have been made in respect of Class "A" and "B" houses. The datum value for the typical new house has been £500-£600 in the London area—with perhaps some tendency to fall in recent years—and, say, £400-£500 in the provinces.

These limits are broadly confirmed by the following calculations of the average value of new mortgage advances for 1929 and from 1932 for the 99 societies included in our table:—

AVERAGE VALUE OF NEW MORTGAGES			
1929	£544	1935	£564
1932	£522	1936	£562
1933	£538	1937	£580
1934	£578		

The striking regularity of the average value, since 1934, around £575 suggests that the societies have made little variation in their lending practice in recent years. Actually, however, it is probable that they have tended to increase the proportion of large mortgages, and that the average value of the smaller properties has tended to decline somewhat during the past two years. The exact situation cannot be accurately judged, more especially since the rise in building costs has prevented any appreciable fall in new property values, even under the stress of considerable competition.

In the absence of full details for the composition of new mortgage advances, the inquiry may be carried a stage further by an analysis of the distribution of outstanding mortgages. The figures, of course, merely summarise the position of the mortgage assets at the end of the societies' financial years, and are necessarily weighted by advance business carried out several years earlier. During a period like the past decade, in which mortgage business has been exceptionally active, the trend may therefore become slightly distorted. When the addition of new mortgages exceeds the rate of repayment, the average behaviour of the separate groups from year to year may be affected.

With this proviso, we set out in the first table below the percentage of distribution of outstanding mortgage

THE LATEST ANNUAL FIGURES

ASSETS EXCEED £122,000,000

RESERVES £5,000,000

Extracts from the Statement of Accounts for the 85th year, ended January 31st, 1938.

TOTAL ASSETS - - - £122,626,007
Increased by £8,298,431

MORTGAGE ASSETS - - - £98,276,899
Increased by £6,080,910

RESERVE FUNDS - - - £5,000,000
Increased by £400,000

OPEN ACCOUNTS - - - 712,414
Increased by 29,799

MORTGAGE LOANS DURING THE YEAR
£20,943,616

SEND FOR THE LATEST BALANCE SHEET

General Manager - Sir ENOCH HILL, F.C.I.S.

HEAD OFFICES - HALIFAX

LONDON OFFICE - HALIFAX HOUSE, STRAND, W.C.2
CITY OFFICE - 62, MOORGATE, E.C.2

HALIFAX BUILDING SOCIETY

THE LARGEST IN THE WORLD

FINANCIAL GROWTH OF 1

LEADING SOCIETIES (£000's omitted)

SOCIETY

Date Established

TOTAL ASSETS

DUE TO SHAREHOLDERS, END YEAR

DUE TO DEPOSITORS, END YEAR

DUE TO

MORTGAGES, END YEAR

NEW SHARES SUBSCRIBED DURING YEAR

NEW DEPOSITS DURING YEAR

SOCIETY

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Halifax Permanent

Abbey Road

Woolwich Equitable

Leeds Permanent

National

Co-operative

Bradford Third

Huddersfield

Leicester Permanent

Westbourne Park

Burnley

Bradford Second

Leeds Provincial

Cheltenham & G.

Northampton T. & C.

Bingley

Temperance Perm.

Birmingham Inc.

Portman

Leek and Moorlands

Derbyshire

Borough (Burnley) Co

Newcastle Perm.

Rock

Keighley and Craven

Coventry Perm. Ecn.

Liverpool Invest.

Hastings Perm.

Nottingham

Eastern Counties

Magnet

Skipton

North Counties

Bristol and West

Leeds and Holbeck

Church of England

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Hearts of Oak

Scottish Amicable

Lambeth

Leek United

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West Bromwich

Leicester Temp.

Isle of Thanet

Bradford Perm.

Fourth City

Darlington Equit.

Marsden

Brighton and Sussex

Universal

Planet

Wolverhampton Free

N. W. District

Eastbourne Mutual

Dewsbury & W. Rid.

Radham

Grainger

Wolverhampton & Dis.

Heerness and Co.

Chesham

Fourth Post Office

Cheshire

Sunderland W.M.

Ipswich and Suffolk

Hastings & E. Sussex

Dundunferline

Redditch Benefit

Hinckley & S. Leics.

Rugby

Furness & S. Cumb.

Waltham Abbey

Norwich

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Goldhawk

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Cunningham

Sharn Hall

Dorchester Perm.

Durham and Yorks.

Birm. Citizens.

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Percy

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NA = Not available. (g) Combined totals of the two Societies. (f) Estimated

(a) Includes Halifax Equitable. (b) Includes Friendly Benefit and Birmingham and Midland Counties. (c) Operating as Borough Land and Building Society in 1925.

(c) This Society united with the "Cinque Ports," April, 1935; 1935 figures show, combined with

balances, by value, in their various categories, for 1925, 1929 and from 1932:—

PERCENTAGE DISTRIBUTION OF MORTGAGE ASSETS

	Under £500	£500- £1,000	£1,000- £3,000	£3,000- £5,000	Over £5,000
1925	46.3	30.6	13.7	3.1	5.4
1929	44.2	36.1	12.4	2.3	3.8
1932	40.6	42.8	11.1	2.0	3.1
1933	42.0	42.9	9.9	1.9	3.0
1934	43.5	42.3	8.6	1.9	3.3
1935	44.2	41.3	7.6	1.9	3.8
1936	45.7	40.0	7.2	2.0	4.4
1937	46.6	39.2	7.0	2.2	5.0

Until 1937 this analysis covered all mortgages with the exception of those to non-members, which have been included in the total for last year. "Scheduled mortgages," where the society has been in possession more than twelve months, or where repayments are more than twelve months in arrear, have also been excluded. Since 1932 the proportion of mortgage assets valued below £500 at the end of each year has risen steadily from 40.6 per cent. of the whole to 46.6 per cent. During the same period there has been a comparable decline in the relative importance of mortgage balances in the £500-£1,000 and £1,000-£3,000 groups from 42.8 per cent. to 39.2 per cent. and 11.1 per cent. to 7.0 per cent. of the whole. Balances exceeding £5,000 still account for no more than 5 per cent. of the whole, but five years ago they represented no more than 3 per cent. of a much smaller total.

To what extent the relative growth in the "under £500" and the relative fall in the "£500-£1,000" class is due to the process of repayment on mortgages which originally may have exceeded £500 and have since fallen below the limit, it is impossible to judge. But it would not be surprising if the major part of the outstanding balances in the lowest category consisted of mortgages originally made for sums below, or not appreciably exceeding, £500. The societies have not financed the purchase of the smallest type of working-class property to any large extent; but they have brought home ownership within the reach of the artisan with moderate wages and the clerk with limited salary, whose housing requirements may be said broadly to fall within such limits.

The other significant movement lies at the highest end of the scale. It has been apparent for some time that certain societies have been prepared to extend their lending operations to larger properties outside the usual definition of "owner-occupied." This fact was brought out by Sir Enoch Hill in his last speech as president of the Halifax Building Society at the end of March. Sir Enoch declared that the societies might be able to find compensation for any reduction in the number of small borrowers by care-

ful selection of larger investment mortgages, and he has long held the opinion that in the interest of building society investors the basis of mortgages could be considerably broadened. Our analysis suggests that the process is already in operation. Between 1932 and 1937 the total value of mortgage balances exceeding £5,000 for the 99 societies we have examined increased from £10,184,800 to £26,548,300. This development is discussed by a correspondent in a later article. Wisely controlled, it would appear to provide an outlet for a certain proportion of building society funds. But, at the same time, it involves the exercise of a type of judgment which many societies may have been unable to develop in the administration of smaller owner-occupier mortgages. Such business, indeed, appears more suited to the larger society, whose valuation staff can be relied upon to observe the necessity for a generous margin of security to cover commercial, as well as personal, hazards.

A cross-check on these conclusions may be obtained by calculating the average values of outstanding mortgage balances, which are given in the following table:—

AVERAGE VALUE OF MORTGAGES

	Under £500	£500- £1,000	£1,000- £3,000	£3,000- £5,000	Over £5,000
1925	£ 313	£ 615	£ 1,443	£ 3,755	£ 9,395
1929	266	668	1,360	3,810	10,540
1932	275	665	1,351	3,770	10,640
1933	281	655	1,412	3,705	11,200
1934	287	648	1,407	3,490	11,570
1935	293	643	1,420	3,865	13,045
1936	303	632	1,452	3,815	14,000
1937	301	637	1,454	3,845	13,950

Since 1929 there has been a steady growth in the average balance in the under £500 category and a fall in the average for the £500-£1,000 group. It is, however, somewhat remarkable that the average in the three groups between £500 and £5,000 is in each case closer to the lower than to the upper limits, although in both of the larger groups, £1,000-£3,000 and £3,000-£5,000, the average values in recent years have tended to increase. These movements, however, are dwarfed by the very substantial increase in the average value of mortgage balances exceeding £5,000. From a level slightly exceeding £10,500 this class shows an average growth to nearly £14,000 during the past eight years. It is already evident that some societies have broken away from the conventional limits which were formerly held to apply to building society mortgage advance business. And this development may have far-reaching effects on the future business and policy of the movement.

Investment Business and Interest Rates

It is commonly said that the building boom owed its strength to cheap money. This generalisation contains some, but certainly not the whole, truth. For the increase in real wages during the years of recovery, coupled with the liberalisation of mortgage conditions, was undoubtedly a very material factor in releasing purchasing power for new houses. Nevertheless, cheap money has certainly been of prime importance on the investment side of the societies' business, from which the funds for new mortgage advances have been provided. When War Loan was converted in 1932, substantial investors switched an appreciable volume of funds into savings media which had hitherto catered primarily for the small investor—like savings bank deposits and building society shares and deposits. At a time when the new building wave had yet to get under way, this wave of "bad money" formed a distinct embarrassment for the movement.

The societies replied by drastically limiting the amount of new money in the share department—in some cases applying a closure to new business—and also by restricting individual amounts of new deposits. In each case, the basic rates of interest were reduced, both for new and old balances, although they still remained attractive, after

allowance for income tax, compared with the gross rates obtainable on comparable securities. The effect upon the turnover of new and old funds, both for shares and deposits, is shown in the following table:—

TRENDS IN INVESTMENT BUSINESS

	Average Balance Outstanding	Subscribed during Year	Proportion of Average Outstanding	Repaid during Year	Proportion of Average Outstanding
	(£'000)	(£'000)	(%)	(£'000)	(%)
Shares—					
1925*	96,928.6	29,383.8	30.3	15,072.3	15.6
1929*	194,645.7	54,152.8	27.8	28,458.3	14.6
1932*	309,053.5	61,958.2	20.0	36,742.3	11.9
1933	340,117.4	34,058.0	10.0	33,415.6	9.8
1934	356,270.4	46,483.1	13.0	30,712.6	8.6
1935	310,957.8	41,970.9	11.3	23,542.8	6.3
1936	393,019.0	57,166.7	14.5	38,058.4	9.7
1937	422,840.6	63,369.3	15.0	46,412.8	11.0
Deposits—					
1925*	18,793.5	10,638.1	56.6	8,706.5	46.3
1929*	28,344.0	12,421.4	43.9	13,891.1	49.0
1932*	44,607.4	23,276.9	52.1	14,720.2	33.0
1933	56,691.7	28,816.6	50.9	15,522.3	27.4
1934	73,144.9	39,452.5	54.0	20,633.4	28.2
1935	91,243.1	40,635.2	44.5	26,642.3	29.2
1936	105,433.8	37,397.9	35.5	27,505.8	26.1
1937	116,533.7	37,650.5	32.3	30,197.2	25.9

* Based on sample of 98 societies. 99 societies subsequently.

3 SAFETY INVESTMENTS

WITH 3 PRUDENT ESSENTIALS

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Withdrawal at Short Notice

At a time when the financial world is beset with doubts and fluctuations, the Temperance Building Society offers a security to investors that is without doubt or challenge. The choice of three attractive methods is offered or two or more may be used simultaneously up to an investment limit of £4,975 in the aggregate.

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are now being issued of £25 each bearing interest at the rate of 3%, Income Tax paid, equivalent to a yield of 4% to an investor liable to Income Tax at the standard rate. Dividends are paid half yearly by warrant.

3%

INCOME TAX PAID

2. Subscribing Shares

In response to a general demand Subscribing Shares of £25 each are now issued. The subscription is a minimum payment of 4/- per month per share. Interest at the rate of 3% is credited annually until share becomes fully paid.

3%

INCOME TAX PAID

3. Deposit Accounts

may be opened with any sum from £1 upwards and added to as desired. Interest is at the rate of 2½%, Income Tax paid, equivalent to £3. 6. 8. per cent. if liable to tax at the standard rate. Deposits are covered more than 2½ times by assets.

2½%

INCOME TAX PAID

In financial strength the Society believes itself to occupy the premier position among Building Societies throughout the country. Reserves now represent nearly 19% of the combined share and deposit capital and are greatly in excess of those of any large Building Society with Assets of £2,000,000 or over. Whichever investment you may elect to make is abundantly secure.

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Reference to our summary table on page 5 shows that the volume of new shares subscribed in 1932 was no less than £63.3 millions. Not until the latest year has this figure been equalled. New deposits, which amounted to no more than £23.8 millions in 1932, quickly achieved—and have almost maintained—a substantially higher level of about £40 millions. The relative importance of deposits in the movement's investment business has thus been vastly increased in recent years. In consequence, the societies have achieved some reduction in their over-all interest charge through the changing composition of their total resources.

In order to throw light on an important financial factor for the societies—the rate of turnover of its investment funds—we have expressed new subscriptions and withdrawals, both for shares and deposits, as a proportion of the average balance outstanding, in each year since 1933 for 99 societies, and for preceding years for 98 societies. The difference between the two rates in each case, therefore, should show the rate of retention of new funds for each year. Even in 1933, it will be seen, the societies showed a small net receipt on shares account. Following the relaxation of restrictions, new share subscriptions have again increased—last year they represented 15 per cent. of the average balance outstanding—but, at the same time, increasing repayments have tended to reduce the rate of growth of net new money on shares, even compared with 1935. A similar trend is even more evident in the case of deposits, where the rate of turnover has always been higher than in the share department. In terms of net subscriptions, the societies' funds increased last year by approximately £24½ millions, after repaying funds to a total of £76½ millions.

These calculations, however, are subject to one important qualification. Until the latest year we have excluded accumulated interest, as far as possible, from the amount of capital withdrawn. It is impossible, however, completely to eliminate interest from the figures up to 1936, and for 1937, in particular, no dissection of interest from capital can be made, owing to the changed method of presentation of the figures. In order to indicate the importance of this factor, we give below the relevant figures for societies which disclosed interest and capital separately, both for shares and deposits, for the two years 1935 and 1936:—

(£000's)

	Shares Withdrawn		Deposits Withdrawn	
	Principal	Interest	Principal	Interest
1935	16,555.9	5,779.0	15,522.0	780.5
1936	19,466.0	5,504.0	15,218.4	768.2

Strictly comparable figures with 1937 may be obtained by adding back the amount of interest shown above to the respective amounts of withdrawals for shares and deposits in the two years. Alternatively, an estimate, based on the 1936 sample figures given above, may be employed to adjust for the amount of interest included in the 1937 figures. Such formal accuracy, however, is probably not required in considering a problem which, in the last resort, concerns the balance of receipts and payments of the societies, whether they may be strictly regarded as capital or revenue in character. Indeed, from the figures quoted above for interest it would appear that an appreciable proportion of share capital balances in fact consists of accumulated interest which has been credited to share accounts over a period of years. In this respect it may well be that the 1937 figures are the more reliable guide to financial turnover than those of earlier years.

If the total volume of the building societies' financial resources is to remain as high as it is to-day, the societies must positively maintain the total funds entrusted to them by the public. On the side of interest rates, it does not seem likely that they will be compelled to increase their rates through any deterioration in cheap money conditions which can be foreseen at the moment. Factors no less real than interest rates, however, demand attention. The first is the tendency, partially evident during the previous depression, to withdraw shares and deposits of a "savings-bank" nature. The second is the factor of confidence, which has

not been seriously challenged since pre-war times. Its importance, however, has been recognised in recent years by attempts to secure the observance of safe lending limits, and a higher proportion of cash assets. It is somewhat remarkable, therefore, that no significant quantitative increase in cash reserves and investments has been achieved. As the movement's total assets have increased, the proportion of mortgage assets has grown even more rapidly since 1932. A ratio of 88.8 per cent. for mortgage assets to total assets, recorded both in 1936 and 1937, appears significantly high in relation to the vastly increased responsibilities of the movement in recent years. The societies have steadily expanded their general and "No. 2" reserves since 1929, but these still represent less than 5 per cent. of their total assets. Cash assets and general investments represent some 10 per cent. of the total, but they are actually lower, absolutely as well as relatively, than in the three years from 1932 to 1934.

The societies, in fact, have been faced with a dilemma. In order to cover interest payments on their funds, together with management expenses, they have been forced to seek outlets, as far as possible, in new advance business rather than in cash and short-dated securities. Moreover, it is scarcely to be expected that, in a competitive world, the movement as a whole should suddenly impose a self-denying ordinance by which it could increase liquidity only at the expense of profits. The societies' share capital has, in fact, only a limited equity basis. The distinction between deposits and shares is largely a matter of priority for interest and principal, but the share capital, scarcely less than deposits, is of a fixed-interest *cum* short-term character. Both classes of capital, in practice, are readily withdrawable, although their ultimate security is the value of mortgage advances which, in the first place, may have fifteen or more years to run. To achieve the most adequate degree of liquidity, within the limitations which the building society movement is compelled by law and precedent to observe, is an objective deserving of the closest attention.

Changes in Interest Rates

In order to relate the trends in the investment business of the societies with changes in interest rates in recent years, we have brought up to date a series of calculations which appeared in our previous supplement. In the following table the amounts of interest paid on deposits and shares and received from mortgagors are related to the average balances under each heading for the years 1925, 1929, and from 1932 to 1937:—

COMPUTED INTEREST RATES

	Average Balances (£000's)			Interest Paid (£000's)			Computed rates of interest (%)		
	Shares	Deposits	Mortgages	Shares	Deposits	Mortgages	Shs.	De- posits	Mort- gages
1925*	86,929	18,794	100,179	4,242	725	5,857	4.4	3.9	5.9
1929*	194,644	28,344	126,145	11,111	1,492	11,492	4.5	3.9	5.8
1932*	309,054	44,607	308,060	18,884	1,659	18,144	4.5	3.7	5.9
1933..	340,117	56,692	340,877	13,035	1,956	19,077	3.8	3.5	5.6
1934..	356,270	73,145	377,486	13,148	2,046	20,689	3.7	2.8	5.5
1935..	370,958	91,243	421,604	13,183	2,708	21,941	3.6	3.0	5.2
1936..	393,019	105,434	468,040	13,360	2,908	23,037	3.4	2.8	4.9
1937..	422,841	116,534	511,897	14,031	3,126	24,916	3.3	2.7	4.8

* Based on sample of 98 societies. 99 societies subsequently.

It will be observed that, since 1935, the downward trend of rates has continued in each category. Substantial benefit has accrued to the societies, though they are still able to pay gross rates on their shares and deposits which compare favourably with the return on comparable investments. But the benefits granted to borrowers since 1932 are no less impressive. The rates for new mortgage business have been reduced to a basic level of 4½ per cent. and some societies are prepared to advance on even more advantageous terms.

Many societies have also distributed the fruits of cheap money to existing mortgage borrowers by allowing a rebate of interest. The fact that, in general, no obligation rested on the societies to make downward adjustments does not derogate from the equity and sound policy of the rebate system. Unless the societies pledge themselves to maintain fixed rates on mortgage advances—which, incidentally, certain important societies do—a measure of relief to existing as well as new borrowers, which has involved no strain on the movement's finances, should be welcome.

The Pool System: An Appraisal

THE building societies' "pool" system of house purchase finance now occupies a central position in their mortgage technique. It is impossible to assess the precise proportion of current mortgage business which is financed on this basis, but in some of the larger societies it probably accounts for as much as one-half of the annual advances.

The essential features of the system were outlined in our previous Survey. Briefly, it was devised to permit the sale of houses on terms which did not require the purchaser to provide a cash deposit of normal proportions. Looked at from another angle, the pool system allows advances in excess of normal to be made, while at the same time it safeguards the societies' position. When the pool system was introduced, building societies, as a rule, limited their advances to about 80 per cent. of their valuation of the property, and the purchaser thus provided cash equivalent to at least 20 per cent. And if the valuation was below the purchase price—as it frequently was—he was left to provide more than 20 per cent. The system tended to retard sales, since for every potential purchaser who had cash resources equal to 20 per cent. or upwards of the valuation, there were many more whose capacity was limited to, say, 5 or 7½ per cent.

In short, the pool system enables a borrower to purchase his house on the basis of a more modest personal stake. The societies' position is protected by an arrangement which is usually involved and varies somewhat for different societies. In general, the builder provides the society with an agreed proportion of cash representing the difference between the society's normal advance and the amount of the advance actually made. This cash constitutes "the pool," on which the society retains a lien to cover any losses which may arise through default while the mortgage debt exceeds an agreed datum. Further, the builder undertakes to repurchase the property if the society should become empowered to sell while the outstanding balance still exceeds the normal limit. Clearly, the pool system has been one of the basic factors in the recent expansion of building society business. Without the pool, or an equivalent arrangement for reducing the borrower's personal stake, housing construction would not have assumed boom dimensions and economic recovery might well have been much less vigorous.

An appraisal of the merits and demerits of the pool system, however, is difficult, for there is little available information concerning its operation. Its significance for any given society will depend, again, upon circumstances which cannot be assessed outside that society's offices—such, for example, as the care and skill with which the property is valued. At the best, therefore, an individual observer must rely on generalised impressions.

In so far as an extended range of house ownership is regarded as desirable in itself, the system may claim sub-

stantial merits. It has sensibly broadened the path to ownership, and many thousands of the 1,300,000 existing borrowers owe their homes to it. If it is argued—as it can be with broad justice—that the majority of these borrowers have been satisfied in their new ownership, the system has still further justified itself. They have, in the main, secured a better standard of housing accommodation than was otherwise open to them. If they are able to maintain their contract, their "compulsory thrift" will provide a considerable capital asset which, without the "pool" system, many might not have possessed at all.

In real life, however, a boon is rarely gained except at a price. Some house purchasers under the "pool" system have no doubt footed this traditional bill. Some prospective purchasers may have been encouraged to judge a house in relation to the initial cash deposit and the monthly outgoings rather than from the essential criterion of capital value, and to this extent the "pool" may have facilitated, especially some years ago, an inflation of selling prices. Moreover, it may be that some builders have treated the proportion of cash which they have been called upon to lodge with the society as a capital cost. In localities where the purchaser's range of choice has been wide these disadvantages may not have been severe. And on balance it might still be urged that, if the "pool" was the only available medium for raising large numbers from the status of tenant to owner, it has provided a net benefit.

The building societies themselves have to consider the system from a rather different angle, although they cannot be insensible of the value of the satisfied borrower. The decisive test of "pool" business, so far as the societies are concerned, is whether it provides an adequate measure of security. For reasons already suggested, the question can scarcely be answered by a categorical "yes" or "no." The system was already in operation, though much less extensively than to-day, during the severe depression of 1930-32 and it successfully survived the difficulties of those years. Moreover, if the schedules of properties in possession and with payments in arrear are a partial guide, the position to-day is actually healthier than in "pre-pool" years. There is no evidence, again, that the societies' management expenses have been adversely affected in an appreciable degree. There appears to be substance in the argument that the exceptional qualities of the average British borrower's personal covenant, though intangible, must be borne in mind in judging purely mechanical safeguards. On the other hand, some doubt has been felt whether low deposits have not tended to encourage—on a restricted scale—a type of borrower whose financial and social capacities did not fully qualify him for ownership. Certainly, discrimination must still be exercised. It would be regrettable if there was any relaxation of standards under the pressure of a shrinking mortgage market.

The principal danger, however, is that the "pool" system may be so far extended under the stress of competition that the necessary margins of security may be prejudiced. On a broad view, adherence to agreed minimum standards appears vital to the movement's continued stability, especially having regard to the new phase of the building cycle which is now in progress, for free competition can scarcely be carried much further with complete security. For this reason, it may be hoped that the scheme of co-operation now understood to be before the societies affiliated to the Building Societies' Association will meet with a consistent support denied to its predecessors.

Moreover, it appears somewhat anomalous that although

Parliament has sought to provide checks on the societies' operations by insisting on statutory accounts, these throw comparatively little light on this important feature of building society operations. If an effective method could be devised whereby the societies would disclose the amount of money held as collateral security, and the amount of excess advances in respect of which it was held, the facts would enable the observer to assess the problem of adequate security on an objective basis. On balance, the "pool" system is no doubt beneficial; the principle has been recognised in housing legislation, and on a long-term view, it has unquestionably come to stay. But the movement must employ it with care and discretion.

The Outlook for New Advance Business

OF the several aspects of management which have lately engaged the attention of building society directors and officials, none has received more serious consideration than the question of future lending policy. Its importance is obvious for two reasons. The first is that the abnormally high level of mortgage lending which in the past few years has thrust prosperity upon the building society movement, at last shows unmistakable signs of recession. There is no abrupt check to new business, but the steady slowing down in the demand for advances is a sure indication that the shortage of owner-occupied house property, the purchase of which is mainly financed by building society loans, has in great measure been met by supply.

This fact leads to the second point. A diminishing volume of applications for loans intensifies the problem of what is technically termed "return money." The enormous amount of mortgage business transacted during the past ten years is being naturally succeeded by a correspondingly increased volume of repayment of loan instalments; while the normal loan outlet for these funds is narrowed by the reduced demand for new advances. In these circumstances the problem of safe and profitable employment for building society funds has now assumed considerable importance. The re-investment of substantial mortgage repayments is essential if the building society movement is to maintain its present position. There is, however, some danger lest this very diminution of demand should lead to intensified competition to secure mortgage business on terms exceeding the limits of prudence.

Unless the societies' surplus funds can be employed in the normal business of mortgage advances, they must be invested, as prescribed by law, in trustee securities—a development which, if carried to excess, would find the building societies operating as investment trusts on a narrow basis. But as the yield from trustee securities would not repay the rate of interest paid by building societies to their shareholders, such investment is manifestly unprofitable. In a previous survey of the movement *The Economist* posed the question whether the societies should endeavour considerably to extend their lending facilities into such fields as financing large residential flats or commercial and industrial premises, and at the other end of the scale whether they had fully developed the finance of smaller houses to let, as one contribution towards the national task of slum clearance. These possibilities have been closely explored, and in some cases acted upon, but they have a greater appeal in present circumstances than even two years ago. It may well be that, in some degree these suggestions may provide opportunities for the employment of resources that might, owing to their magnitude, otherwise become an embarrassment.

Of these several suggestions, that of further co-operation in the provision of small dwellings to let at low rents is of the greatest importance, for it is the more necessary and affects the greatest number of people. It should have been a major consideration of all engaged in the provision of small houses. Until the urgent demand for this type of dwelling is met, the problem must remain, but so far little has been done, either by local authorities, private enterprise, or investors in house property, to utilise the building societies' resources for that purpose. The latter, however, have always been available and the societies can

do no more than offer their financial assistance in new schemes of this sort. Legislation, however, appears to have confirmed the position of the local authorities as "most-favoured" undertakings for the provision of houses of this class. They enjoy rights to acquire land; and can draw upon specially cheap money. They are not under any necessary obligation to make a profit; indeed, their building schemes may do no more than pay their way or operate at a loss. Such factors tend to deter private enterprise from engaging in this particular branch of building. Except in relatively few cases, local authorities have not responded to the building societies' offer of financial co-operation in their housing development. The tripartite guarantee provisions of the 1933 Act have commended themselves little to local authorities, who apparently prefer to undertake the entire risk of housing schemes rather than surrender even in part their independence of action.

What are the prospects of new business in other directions? The financing of improvements to existing properties represents a legitimate outlet for building society funds, but while the total sums involved are significant, they absorb only an infinitesimal portion of the large sums seeking employment. The extension of lending facilities to commercial properties is more debatable. In many quarters it is objected that the constitution of the societies as settled by the statutes under which they work is not best suited to that class of business. While their primary purpose is to assist in the acquisition of dwelling houses for occupation or investment, however, business premises and other freehold or leasehold property are not excluded as mortgage securities. Thus, societies may lend on factories, cinemas, warehouses and land. Indeed, such lending is already carried out to some extent, but only with the backing of substantial collateral security. Commerce, industry and entertainment are subject to periodical and sometimes violent profit fluctuation, and after some experience of the consequent ill-effects upon their security values, many societies have avoided this type of business.

It remains, finally, to consider the operation of the Small Dwellings Acquisition Acts, under which powers have been widely adopted by municipal and other public bodies to provide a supply of houses of a class which, as the building industry contends, rightly belongs to private enterprise. Whatever useful purpose the Acts may have served in the past, their importance to-day is certainly reduced. It is estimated that perhaps £60 millions is owing to local authorities in respect of loans under the several Housing Acts, and it has been suggested that this sum might be financed by surplus building society funds. The transfer to building societies of the mortgages held by local authorities would relieve them of the burden of administration and would set free a corresponding volume of public money for other purposes.

Whatever the eventual solution of the problem of new advance business may be, it would seem that, in default of the continued large-scale absorption of their expanded resources, the building societies will be faced with the alternative of relating the volume of their funds to mortgage loan requirements. In such circumstances, they might be compelled severely to restrict the inflow of new money or even to reduce any portion of withdrawable capital on which no satisfactory return could be obtained.

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Building Standards and Building Societies

DURING recent years a large proportion of the population has been rehoused, mainly by the enterprise of speculative builders in association with building societies, and few would deny that the process has contributed substantially to the general welfare. Quite apart from the support given by building activity to business recovery, the new houses have brought greatly improved living conditions to millions of people. This is not to say that the best possible use has been made of the special opportunities of the post-war period; indeed, examples of housing development without due regard for appropriate standards of lay-out and construction have been all too numerous. But the housing shortage was so acute for several years that hasty construction was perhaps unavoidable, and certainly discrimination was dulled by the needs of the time. More recently, however, the relaxation in the pressure of demand has permitted increasing attention to the questions of house design and construction.

Unsatisfactory housing development is not new. The drab consequences of the rapid urban development which took place last century are to be found all over the country. Some would assert, indeed, that the finest achievements of British building passed with the advent of the industrial revolution, and that the work of the Adams brothers represented the last contribution of this country to architectural distinction. More relevant to our purpose, however, is the fact that the housing problem, in its modern form, did not emerge until the concentration of population into crowded industrial and metropolitan areas was well under way. The results of early efforts to meet housing difficulties were dismal, and for decades improvement was far from rapid.

About eighty years ago, for example, a large land and building society, of which Richard Cobden and John Bright were prominent founders, published a series of model plans for new houses on the outskirts of London "suited to the wants of a considerable number of members." Suburban development, then as now, was pressing outwards in all directions, and prospective householders were informed that the costs of construction would range from £160 to £320 for each house "in a row." By that time, the characteristically urban type of dwelling, with its narrow frontage and deep construction, was well-established, but the cheapest houses in the plans had no bathroom and only one window to each of the rooms downstairs, while a narrow, unlighted corridor ran practically the depth of the house and ended in a steep, dark staircase. The more expensive houses did provide a bathroom, but they also had basements with domestic offices. As to the exterior, central valley roofs with a parapet giving a false impression of height were popular. The old drawings show that elevations became more highly decorative as the price increased, displaying a remarkable mixture of styles to be executed in stone or "Roman cement compo." New estates, judging from this old publication, were then commonly designed with straight, monotonous roads, and the houses were crowded closely together in rows and terraces. Yet these standards, propounded by the distinguished reformers directing the society concerned, were probably among the highest of the period.

The progress of building standards is illustrated by the fact that development of this kind would be quite impossible to-day. It is most unlikely that such plans would now be approved by any local authority, or accepted, for that matter, by any financially interested party. Apart from the positive demand for higher standards of housing accommodation, building control has been greatly strengthened during recent years. For centuries, some measure of direct regulation has been exercised over building, at least in London, and during the past sixty years

local authorities in all parts of the country have enforced by-laws relating to new construction, designed to protect public health and safety. Building projects and property in course of construction are subject to regular examination, and in 1936 the legislation by which these powers are exercised was consolidated and amended. More recently, however, even wider applications of the principle of control have been made. Town-planning, following valiant pioneer efforts in the early years of this century, reached more complete expression in the Acts of 1925 and 1932. To-day, as a general rule, the maximum density of house development may not be greater than twelve dwellings to an acre, while in most areas other amenities are protected, and future building will be directed along pre-determined lines. A further example of the new outlook is provided by special legislative restrictions imposed upon ribbon development in 1935.

Even so, control by local authorities has not entirely prevented bad housing in the past, and it will be observed that the new powers are directed more particularly towards the preservation of local amenities in a wide sense. In general, moreover, regulation is of a negative kind; it usually defines what may not be done. At present, as hitherto, positive action towards the improvement of building standards depends largely upon the house builder and the house purchaser. The builder's principal concern is to produce a house for which there is a ready market and, within the restrictions imposed by local by-laws, he is usually willing to provide such houses as the public demands and can afford. Wide variations, however, exist in structural materials and methods, and sometimes the claims of salesmanship have been placed before those of workmanship in new buildings. Well-directed efforts to ensure the observance of suitable standards of construction are, however, already being made. A central council has been established, with the approval and support of the Minister of Health, which consists of distinguished architects and surveyors, together with representatives of house builders and building societies. Any competent builder willing to observe the agreed standards may register with the council, which will then undertake regular and independent inspection of his work while it is in progress, and will issue a certificate to the purchaser that the house conforms to sound and reasonable standards of construction.

This service, it should be noted, is permissive; its widespread adoption depends upon the building industry and also upon the purchaser. Here a new aspect of the problem is revealed. Until recent years, house-owners were relatively few in number; in the past most people rented the houses in which they lived, and their interest in structure and design was correspondingly remote and temporary. To-day, house-ownership is becoming the general rule and the concern of buyers regarding building standards is, correspondingly, immediate and lasting. It is surprising that, although the purchase of a house may frequently represent the most important monetary transaction in the buyer's life, expert advice is rarely sought. Again, the aesthetic standards of the public at large may not be reliable, and they are certainly not uniform. In short, the exercise of increased discrimination, which might have been expected to accompany the spread of home-ownership, has not been immediately effective, though in time it will doubtless play a more important part.

It is sometimes urged that the responsibility for unsatisfactory new development may be held to rest with the building societies, in view of their intimate concern both with the building industry and the buyers of houses. But such suggestions are not in accord with the facts. Building

societies, as lenders, are mainly concerned with the security value of a house; æsthetic considerations are taken into account since they affect the market value of the property, but they are not regarded as an end in themselves. In fact, many building societies exercise a greater measure of selectivity in supporting housing projects than is commonly realised, and proposals for development are frequently rejected as being unsuitable. Such influence is to be welcomed, though it cannot be regarded as providing a guarantee to the borrower concerning the quality of his house, despite the common misunderstanding that some such warranty is implied in the transaction. Nor does it operate to establish general minimum standards of lay-out and construction. Nearly a thousand individual building societies carry on business in Britain independently of one another; competition in the movement is keen, despite efforts at co-operation, and clearly the influence of the societies upon building standards cannot be uniform or evenly exerted over all areas. Nevertheless, the best interests of building societies are at one with the best type of development, and the influence which they wield, however

incomplete and uneven, does work in favour of sound construction and good design.

Responsibility for housing standards is thus divided, and cannot be wholly attributed to any one authority. Possibly this diffusion itself constitutes an element of weakness, but we have seen that a number of positive factors are now contributing towards the achievement of improved housing standards. Reference has been made to increased public control, to the introduction of certification of buildings, to the growth of the house-owning public and to the influence of the building societies themselves. It remains to be added that the architect is now devoting increasing attention to estate and house development. The efforts of such experts as Sir Raymond Unwin and Mr Stanley C. Ramsey should help to fuse the somewhat scattered forces of progress, and to guide development along better paths. In housing, more clearly than in most other branches of economic activity, the mistakes of the past are evident for all to see. They serve as a lasting and sometimes painful reminder of the responsibility imposed on those who plan for the future.

The Future Demand for Houses

A NATION whose population, after two centuries of rapid increase, is reaching its maximum point, might be expected to reveal a slackened demand for houses. Great Britain, on the contrary, has for nearly six years enjoyed the biggest house-building boom of which there are records. This is the fundamental dilemma with which any attempt to forecast the future demand for houses is faced. The truth is that the governing principles of the economics of house-building are still largely unexplored. The average man (which includes the average builder) experiences in his own working life-time only one, or at the most two, of the long, slow cycles in which house building moves. Theoretical research is, for this reason, most inadequately supported by hard practical experience. Nobody knows what constitutes the demand for houses.

Nevertheless, many people have, from time to time, tried their hands at guessing. Perhaps the most authoritative and best documented guess was that made by the Registrar-General in the Housing volume of the Report of the Census of England and Wales, 1931. The Registrar-General was concerned to estimate the probable requirement of new houses in the decade before the next census in 1941. His figure for the net increase in the number of families arising out of "natural" causes, such as the excess of marriages over deaths, etc., was 771,000 in the decade. He allowed 300,000 houses for slum clearance schemes and

100,000 for the net replacement of obsolete houses outside the slums. (This last is a net figure; it represents the excess of houses demolished and replaced over the number of new dwellings coming into existence through the sub-division of existing houses). He further added 300,000 houses to relieve overcrowding and 200,000 houses to bring the percentage of vacancies up to the normal figure. The total estimate was therefore 1,700,000 houses in ten years, or an average of 170,000 a year.

At the time of the Census, the rate of building in England and Wales was, in fact, about 170,000 a year. But in the 6½ years between April 1, 1931, and September 30, 1937, the number of houses built was 1,823,677, or an average of about 280,000 a year. Thus the Registrar-General's estimate—an estimate which he regarded as a maximum, to be mentioned in the same sentence with the words "saturation point"—has actually been exceeded in less than two-thirds of the decade for which he was prophesying.

To criticise the Registrar-General's estimate would be both foolish and unjust. In point of fact, the remarkable nature of his estimate is that each of its specific items has been, if not correct, an over-estimate, and yet the total figure has proved woefully below the mark. The marriage rate has not taken any unexpected bound upwards, nor have deaths fallen off to any surprising extent. Less than

300,000 houses have been provided in replacement of slums—the total figure to September 30, 1937, was 163,274. It is doubtful whether other replacement has exceeded the net figure of 100,000, and the proportion of vacant property, though rising, is probably not yet back to the pre-war normal level.

The remaining item is the one of 300,000 houses to "be allowed for existing sharing families, to provide for the overcrowded amongst them and possibly others who might be expected to prefer separate dwellings were they available." The abatement of overcrowding in the statutory sense has hardly yet begun, since the total number of houses classified as being for this purpose is less than 6,000. But the major explanation of the enormous discrepancy between estimate and reality is to be found in that almost casual phrase about sharing families who might possibly be expected to require separate dwellings. They have in fact required separate dwellings in such enormous numbers as to upset all calculations.

The Registrar-General's estimate would have called for about 1,100,000 houses in the 6½ years. Since, as we have seen, his estimates under some heads have not been realised, the number of houses actually provided for the specific items in his estimate was probably under, rather than over, 1,000,000. The remaining 800,000 houses (at least) have been occupied by 800,000 families which have split off from pre-existing families, even though they were not suffering from overcrowding on any definition of the term. Considering that there were in 1931 only some 9,400,000 dwellings (in the Census meaning of the word), and rather fewer "families," this unexpected increase of 800,000 houses in less than seven years is a social phenomenon of the utmost interest. It betokens an amazingly rapid increase in the standard of housing of the people. The figure must conceal a very large number of cases in which lodgers have been dispensed with, adult children have become independent and the mother-in-law incubus has been removed—all of them presumably occasions of increased happiness.

When the phenomenon is examined more closely, it becomes even more surprising. It is a commonplace that the great majority of the houses provided in such profusion in the last few years have not been intended for the poorest section of the population. Fewer than 800,000 of the 1,800,000 houses built since April 1, 1931, have been of less than £26 rateable value (£35 in Greater London) and built to let. The remainder are either large houses or else small houses built to sell. This seems to indicate that it is the middle class and upper wage-earning class which have been spreading over such a largely increased number of houses. If so, the emergence of 800,000 new families in less than seven years is a remarkable occurrence.

Any attempt to set limits on the probable future demand for houses is necessarily governed by the question whether this extraordinary demand will continue. It is easy to establish that the present total rate of building cannot continue indefinitely. There are at present about 11,000,000 houses in the country. In the latest twelve months for which statistics are available, nearly 340,000 houses were built. This would be sufficient, if continued, either to double the present number of houses, or alternatively to replace every house now standing, in 33 years, and it can be confidently predicted that neither thing is going to happen. It follows that the rate of domestic house-building is certain to fall to some extent.

But to what extent? The answer very largely depends on the continuance of the marked falling tendency over the last six years in the number of persons per house that is conventionally acceptable. There will only be a small demand for private enterprise housing from other sources. The "natural" increase in families, due to marriages, etc., which has amounted to about 500,000 in 6½ years, will only be about 400,000 in the 13½ years to the Census of 1951—an average annual increase of, say, 30,000, as compared with the annual average of about 80,000 in 1931-37, and after 1951 there will be an annual decline. The speed of slum clearance and overcrowding abatement depends on political factors and, by the same token, offers little scope

for private enterprise building. The replacement of obsolete houses is a factor which is very difficult to estimate. There are still hundreds of thousands of old houses awaiting remodelling and sub-dividing, and every house so treated may provide from three to a dozen new dwellings, within the Census definition, without much benefit to the building industry. Indeed, if such remodelling occurs on a large scale, the net requirement under the head of replacement, as under that of "natural" growth, might well become a negative figure.

It follows from these considerations that the future business for the private enterprise section of the domestic house building industry depends almost entirely, after the immediately approaching years (and very largely even then), on the extent to which the British public can be persuaded to spread itself more thinly over a larger number of houses. The standard of living, in this respect as in others, has a secular rising tendency. All through last century, the number of houses usually increased, from census to census, at a faster rate than the number of inhabitants. But two points deserve careful notice. The first is that there were several decades (five out of thirteen) when the rate of increase in houses was smaller than the rate of increase in the population. And, secondly, there is no example in the century between Waterloo and 1914 of house building moving so much faster than the population as it has done since the war, and especially since 1932. The closest comparison is as far back as the decade between 1831 and 1841, when the population increased by 14 per cent. and the number of houses by nearly 20 per cent. Since 1931, however, there has been an increase of something like 17 per cent. in the number of houses (equivalent to over 25 per cent. in a decade), while the population has risen by a bare 2 per cent., and even the number of adults has increased by only a slightly larger proportion.

The social phenomenon which has created the building boom of the last few years is thus historically unprecedented. It may be that the British standard of living has now reached a point in its steady rise at which a further advance will be devoted to a further raising of housing standards. In that case, a continuance of the exceptional demand for houses can be expected. It would be more prudent, however, to assume that what was exceptional will remain exceptional. It is not difficult to find explanations for the sudden emergence of so large a demand for houses. The years 1932-37 were years of industrial recovery, in which the ordinary man was encouraged to feel himself in a position of relative economic security. At the same time, the great fall in the cost of food and clothing as a result of the world-wide agricultural crisis had given him a considerable margin of surplus income, and the existence of a cheap money policy, together with the development of the building society movement, placed large supplies of easily obtainable credit within his reach. Finally, improvements in transport, by making it possible for the large cities to expand into the countryside, crystallised the potential demand for housing into the specific desire for suburban villas. Can we count on finding all these factors again in combination in the future? Shall we experience industrial recovery together with low prices? Are we not just as likely to have either one without the other?

These are the questions that everybody connected with the building society movement would do well to ask himself. It is virtually certain that building cannot for long continue at its 1937 rate, and there are already unmistakable signs of some falling off in the residential section of the industry. It is also an uncomfortable fact that if the industry is to rely entirely on the sort of demand which has provided its staple fare for centuries past—namely the demand arising out of the growth of the population plus only the minimum amount of replacement—then the demand will be very small for the next decade or so, and will afterwards virtually disappear. If, in spite of this, there is to be any substantial amount of building, it can come only from a continuance of conditions which, as we have seen, are exceptional.

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Society and the Societies

BRITAIN'S population has ceased to grow appreciably in numbers—indeed, it threatens to decline in the not very distant future. The people are, however, being rapidly re-distributed, and the building societies play no small part in their movement. In recent years there have been two distinct movements—a regional shift to the South-East of England, and more local movements, almost everywhere, from the countryside and urban centres to the new suburbs. New housing estates betoken new standards of living, new modes of transport, new sites for industry and commerce, new concentrations of population and new ways of life.

These movements, which are now engaging the attention of the Royal Commission on the Geographical Distribution of the Industrial Population, can be readily traced in the official population figures. Between 1921 and 1931, for instance, the population of England and Wales increased by 5.6 per cent., but the numbers in the South-East Counties rose by 10.8 per cent., in Greater London by 9.3 per cent., and in the Eastern Midlands by 7 per cent. Again, between 1931 and 1935, when the total population rose only by 1.7 per cent., the South-Eastern population increased by 3.9 per cent. and that of Greater London by 3 per cent. This movement has undoubtedly continued in the last two years.

Local movements are similarly visible. Between 1927 and 1936, the estimated resident population of Greater London rose from 7,810,000 to 8,756,000. Within the metropolitan conurbation, however, the population of twelve central boroughs fell from 1,675,000 to 1,426,000, and of the L.C.C. area from 4,550,000 to 4,141,000. On the other hand, Outer London, which constitutes the outside ring of Greater London, drew immigrants from nearer the city's centre, as well as from other parts of the country, and increased its residents from 3,260,000 to 4,435,000. A similar decline in the population of central areas, accompanied by an increase in the number of suburban residents, is also evident in other large towns. Even in the depressed areas, the urban centres are ringed round by new housing estates.

It is commonly held that population movements are initially due to changes in the geographical balance of industry and trade. But to say this is not to deny the considerable contribution which the building societies have recently made to the redistribution of Britain's population. Such movements cannot take place without the provision of new housing facilities; and these have been largely furnished through the building societies, together with the local authorities and the State. The housing required by the modern migrants is of two kinds. Cheap dwellings for working-class people have been largely provided since the war by local authorities, assisted by Government subsidies, though private enterprise has played an increasing part since 1934. Secondly, more expensive, but still reasonably low-priced, houses are required by salaried people and the higher wage-earners. The location and character of working-class houses are determined, within narrow limits, by the incomes of individual families. Indeed, many working people, in fact, find accommodation by "filtering-up" into old houses vacated by wealthier people moving into new residences. Middle-class houses, however,—in the financing of which the building societies have been largely concerned—must satisfy a relatively wide range of choice in situation, price and design; and no feature of modern life is more typical than the style of new suburban estates and the habits of their inhabitants.

It is fashionable, in some quarters, to decry suburbia. Yet the new housing estates represent at once the pretensions initially due to changes in the geographical balance of and aspirations of middle-class people. And the house-owners of the suburbs have at least found local habitations where their families may be immune from some of the discomforts, dangers and inconveniences of town-life under

modern conditions. The suburbs are themselves amenities. Those who can afford to seek their dwellings on cities' outskirts escape the growing discomforts of urban congestion, and bring themselves at least within distance of the greater amenities of the countryside, gardens and reasonably pure air. It is true that, despite the increased efficiency of transport services, they must accept the serious disadvantages of crowded daily travel. But the luxuries of a town house and a country cottage are available to only a small minority. The bulk of the new salariat and artisan home-owners seek the best compromise in a daily *pied à terre* removed from the urban throng and a permanent refuge at week-ends.

The truth is that modern suburbia, in the formation of which the building societies have very largely been instrumental, notably reflects the modern trend of our urban development. Unrestricted and unco-ordinated growth of towns necessarily involves increasing business congestion at the centres, increasing invasion of the countryside and increasing dependence upon transport facilities. Except for the very poor, few employees live near their work in the large cities, and economic necessity rather than choice compels the former to do so. The net effect is a growing differentiation between places of work, places of entertainment and places of residence; and there is no little danger that much of the civic liveliness and communal character of urban civilisation, characteristic of the later nineteenth century, may be thereby lost. Granted the social value of the amenities created in the best new housing estates, the disadvantages of suburban isolation cannot well be ignored. Time is spent in travelling and recuperation which might otherwise assist in the development of an organic communal life, and the problem becomes most acute in the far-flung suburbs. Formal patterns of social behaviour become accepted. Standards of competitive ostentation in gardens and motor-cars become the rule. But neither family nor communal life fully flourish in dormitory suburbs.

The national income has more than doubled since before the war. It has increased by 25 per cent. since the early twenties. The number of salary-earners has simultaneously grown, and the so-called middle-class has been correspondingly augmented. These are the people, together with the higher wage-earners, whose remuneration has notably increased since the war, who are populating the new suburbs. And their migration is facilitated by the building societies who finance their houses and the companies who finance their buying of motor-cars. They have canalised a powerful demand for higher standards in housing, living conditions and surrounding amenities. To a point, these requirements have been satisfied; suburban dwellers have escaped congested towns, though they are tied to the train, the bus or the tube. But some of them are also victims of a seemingly endless process of urban growth. Industry moves and towns grow; but there is but little conscious concern for the kind of social life which the new suburbs will eventually produce. For this reason, the suburban escape from the city streets has been only partly successful.

The face of Britain is changing and, with it, the face of British society. And, so far, no one is responsible for the features which are emerging. The State is still, perhaps rightly, reluctant to influence industrial location. The powers and interests of local authorities in planning towns have been increased since the war, but are still short of the ideal. And, more locally, none of the agencies responsible for fashioning suburbia—the builders, estate companies or building societies—have any direct responsibility to consider the character and opportunities of suburban life. True, it is not their business; but it would be regrettable if the fullest opportunities of the new modes of living should not be realised when the physical supply of houses has been so readily provided.

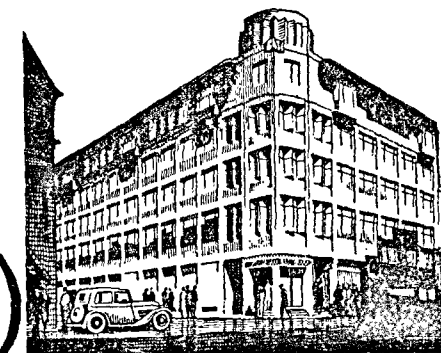
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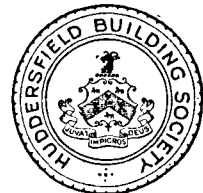
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THE ECONOMIST

TRADE SUPPLEMENT

New Series

SATURDAY, APRIL 30, 1938

No. 16

The Trend of Business

THERE has been little change since last month in the main trends of British business activity. The deterioration on the world economic front and the downward trend in the volume of new civil investment for commercial purposes in the home market continued to offset the increase in direct and indirect defence expenditure. The seasonal expansion of activity this spring has consequently been less marked than usual. These tendencies are reflected in *The Economist* index of business activity, which is adjusted for seasonal variations. The index has declined almost without interruption from 113½ (1935=100) last September to 110 in February and 108½ last month. The index for March, moreover, is 2½ points below the figure for the corresponding month last year.

The downward trend of world production, trade, and prices has persisted. The decline in world trade is reflected in the further fall of our index of tramp shipping freight rates from 118.9 in February (1898-1913=100) to 115.5 in March. The volume of shipping laid up at the ports of Great Britain and Ireland has risen from 174,325 net tons at the end of December to 339,325 net tons at the end of last month. In June, 1937,

only 61,225 net tons were idle. The persistent fall in world prices is reflected in the decline of our index of primary products (September 18, 1931=100) from 143.1 on March 2nd to 137.8 on April 12th. The easing of political tension in Europe consequent upon the conclusion of the Anglo-Italian Agreement, and President Roosevelt's decision to come to the rescue of business by the resumption of large-scale Government expenditure, have led to an improvement in confidence. But even if this improvement is maintained, some time must elapse before it is reflected in the sphere of business activity.

As a result of the decline in world production and trade, there has been a further shrinkage in the volume of new business secured by British industry. Moreover, the persistent decline in new export orders since last autumn is now being increasingly reflected in shipments. Thus, our index of the volume of exports of British manufactures (1935=100) has fallen from 122½ last June to 101½ in February and 100 last month. A year ago the index stood at 120. As a result of the decline in export orders, the cotton and wool textile trades have relapsed into a condition of depression. The tonnage of mercantile shipping on which work was commenced declined from 368,000 gross tons during the second quarter of 1937 to 217,000 gross tons in the last quarter and 173,000 gross tons in the first three months of this year. Coal exports last month were again smaller than in the corresponding month a year earlier. In the case of machinery, however, where the time lag between new orders and their completion is substantial, a fall in export orders has not yet been reflected in shipments.

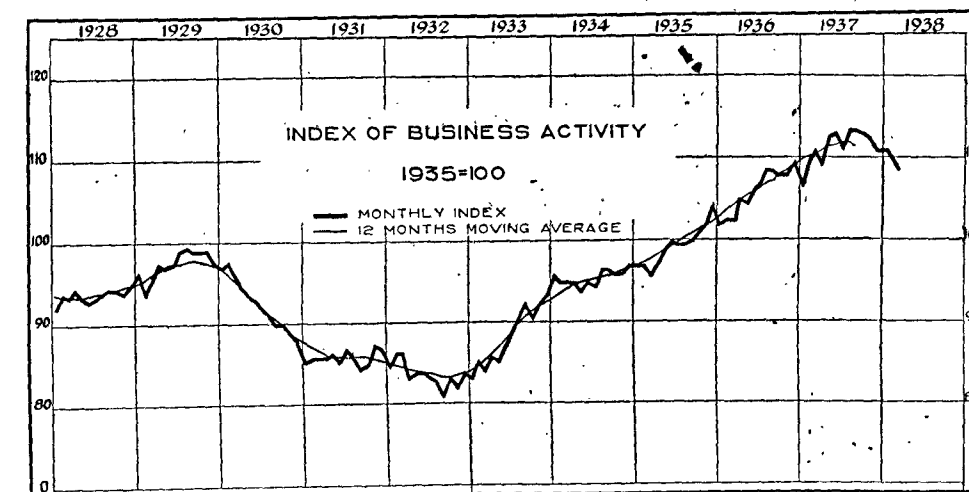
The industries on which armament expenditure is concentrated remain very active. Nevertheless, even in some of the metal trades, there is evidence of a slight contraction in activity. In the iron and steel industry, the steady expansion of home production, coupled with rising imports and declining exports, has resulted in a heavy accumulation of stocks. New orders, consequently, have declined. While output has been fairly well maintained so far, some curtailment of operations seems to be unavoidable in the absence of an early revival of new orders. Our index of domestic iron and steel consumption (1935=100) has fallen from 173½ last December to 155 in February and 143 in March. Nevertheless, the index for March is still appreciably higher than a year ago, when it stood at 118½. The extent of the actual reduction in consumption is probably somewhat exaggerated by the

index, as it is not adjusted for changes in stocks. Even in engineering there has been a further, if slight, increase in unemployment, due to a persistent decline in non-armament orders.

Activity in the building and contracting trades remains at a high level. The proportion of insured

persons unemployed in building and public works contracting last month was 1.5 per cent., and 4.6 per cent., respectively, smaller than a year ago. Although the weather last month was more favourable to outdoor work than a year ago, the latest unemployment returns point to sustained activity in these trades. The absence of a decline in building operations however, is largely due to the long time-lag between the inception and completion of buildings. The value of building plans passed by 142 local authorities last month was again lower than a year ago, the decline amounting to 12.4 per cent. Although these returns are by no means comprehensive, the persistent decline must ultimately lead to a contraction of operations.

The majority of other countries have also experienced a further decline in business activity. In the United States, the trend of industrial production remains indeterminate, though some improvement is expected later in the year as a result of President Roosevelt's new "pump-priming" measures. There has been a further deterioration in business activity in France, though the recent rise in the value of industrial securities indicates that a more favourable view of the future is now taken. Under the stimulus of increasing armament expenditure, activity in Germany is sustained at a high level. The recession in world prices is being increasingly felt in primary producing countries. In Canada, business activity has now fallen below the level of a year ago. In the Far East, China's trade remains dislocated. An increasing proportion of Japan's industrial resources is being transferred to armament work, with a consequent decline in commercial production and exports.



British Industrial Developments

The following reports on British industry cover, in most cases, the period to the middle of April. In the remainder they relate to the month of March.

COAL

While the coal-mining industry has been the last to recover from the depression, it has not been left entirely unaffected by the general decline in business activity. The volume of both domestic and foreign orders has shown a decline, though, in view of the contracts previously booked, this lull in new orders is as yet scarcely reflected in current output and exports. The output of coal rose from 20.1 million tons in February to 22.0 million tons in March, compared with 20.9 million tons raised in March, 1937. There is evidence, however, of an increase in stocks. For the first time for many months exports in March, at 2,966,000 tons, were slightly smaller than in the corresponding month a year earlier. Apart from the downward trend of demand due to the decline in domestic and export orders, the coal-mining industry is now faced with a seasonal decline in requirements for heating purposes. It remains to be seen whether the reduction in prices, which will come into force at the beginning of next month, will lead to an improvement in sales.

IRON AND STEEL

The steady expansion of home production of iron and steel, coupled with rising imports and declining exports, has resulted in a heavy accumulation of stocks. Congestion has been increased by the lull in the expansion of home consumption. The volume of new orders, consequently, has shown a serious decline. Even a few months ago it became apparent that, in the absence of a revival of new orders, some curtailment of production this spring was unavoidable. The output figures for March still show an increase over the corresponding month a year ago, though the margin has narrowed considerably, especially in the case of crude steel. The output of pig iron last month was 714,600 tons, compared with 693,300 tons in February and 680,300 in March, 1937. The production of steel ingots and castings was 1,115,800 tons, compared with 1,057,600 in February and 1,109,500 tons a year ago. Meanwhile, our monthly index of domestic iron and steel consumption, which is adjusted for seasonal variations, but not for changes in stocks, showed a further decline last month. After reaching 173½ last December (1935=100), the index has fallen without interruption. In March it stood at 143. So far there have been few indications of a sustained revival of demand. In the absence of such a revival, the industry may have difficulty in disposing of its output at the current rate of operations during the next few months.

GENERAL ENGINEERING

The engineering industry has been marking time in the last few weeks, with activity showing a slight downward trend. The proportion of insured persons unemployed in general engineering rose by 0.2 per cent. to 6.7 per cent. between February and March. Moreover, the percentage of persons unemployed last month showed an increase of 0.9 per cent. on the corresponding month a year ago. The industry is somewhat unsettled by the uncertainty concerning future Government policy. As Government contracts will probably have to be given priority, negotiation of private contracts is likely to be hampered in certain cases until the Government's policy, and especially its requirements, is more closely defined. The negotiations between the employers and the trade unions concerning the speeding-up of output in certain sections of engineering have not yet been concluded. In contrast to the slight decline in the activity of the industry, exports remain at a satisfactory level owing to the long time-lag between the placing of orders and their completion. Thus, exports of machinery rose from 35,723 tons in March, 1937, to 45,720 tons in the past month, and their value increased from £3,887,000 to £5,363,000. In terms of volume, exports in March were higher than in any month since July, 1930, and, in terms of value, since May, 1929.

ELECTRICAL EQUIPMENT

There has been little change in the position of the electrical equipment industry during the past month. The proportion of insured persons unemployed showed an increase of 0.2 per cent. between February and March in the case of electrical engineering, but a decline of 0.1 per cent. in the electrical cable and apparatus manufacturing section. In both sections, however, the proportion of insured persons unemployed last month was slightly higher than a year ago. Exports remain well ahead of last year's level. Thus, shipments of electrical machinery rose from 1,682 tons (valued at £278,981) in March, 1937, to 2,555 tons (valued at £402,764) in the past month. During the same period the value of exports of electrical goods and apparatus rose from £2,632,382 to £3,559,441.

AUTOMOBILES

The latest estimates of the Society of Motor Manufacturers and Traders indicate that the downward trend of the activity of the

private car section of the industry has not yet been arrested. The output of private cars and taxis declined from 28,449 in February, 1937, to 24,481 units in the corresponding month this year. On the other hand, the output of commercial vehicles rose from 8,468 units to 8,802 during this period. The improvement in the commercial vehicles section is ascribed mainly to increased Government purchases. Combined exports of private cars and commercial vehicles last month showed a slight decline in number, but an increase in value.

BUILDING

Operations in the building and public works contracting industries continue at a very high level. Thus, the proportion of insured persons unemployed showed a decline of 1.5 per cent. between March, 1937 and 1938 in the case of building and 4.6 per cent. in public works contracting. The sustained activity in these trades is largely responsible for the comparatively small decline in general business activity since last autumn. To some extent, persistence of the high level of building operations is due to the long time-lag between the placing of contracts and their completion. The persistent decline in the value of building plans passed, however, suggests that the present level of operations may not be maintained indefinitely. Thus, the value of building plans passed last month by 142 local authorities showed a decline of 12.4 per cent. on the corresponding month a year ago. It must be remembered, however, that these returns are not comprehensive, and are exclusive of Government contracts.

CHEMICALS

Chemical markets have continued quiet during the past month, owing partly to the unsettled international situation. New inquiries for industrial chemicals have been rather limited although contract deliveries are on quite a good scale. A very fair demand has been reported for fertilisers and interest in most wood distillation products has been maintained, with the exceptions of lime and wood tar. Only a small business has been transacted in dyestuffs. The demand for pharmaceutical chemicals is slow, although some interest has been shown in citric and tartaric acids. There is a good seasonal trade in refined coal tar, but demand is light for other tar products. The value of exports of chemicals, drugs, dyes and colours in January-March showed a fall of 7 per cent. from the corresponding months of 1937.

POTTERY

Employment in North Staffordshire and at Derby continued slack, but the Bristol trade showed a slight improvement. Unemployment in the industry as a whole fell slightly between February and March, but is still higher than a year ago. Exports of some varieties of tiles and of general earthenware were higher for the first quarter of the year than in 1937, but in all other sections exports were below the level of last year.

FOOTWEAR

Employment showed little change in March, and was fairly good. Short time was common at Bristol, Northampton and Leeds, while around Stafford there were more workpeople on overtime than short time. Exports in the first quarter of the year were higher both in volume and in value than in 1937; the increase was concentrated on the trade in men's shoes.

COTTON

Conditions in the cotton industry are generally difficult, and spinning production in March was estimated to have fallen further to 65 per cent. of capacity, against 70 per cent. in February and 92 per cent. a year ago. The decision of the Committee controlling the Medium Ring Price Agreement to reduce margins by 1d. per lb. has led buyers to look for a similar fall in price in other sections. Inquiries for piece-goods, especially from India, have increased, but prices have shown little change. The increase in the Egyptian tariff on heavy grey and white cloths and heavy printed and dyed fabrics and cabots, noted in *The Economist*, April 16th, page 156, has seriously disturbed these sections. Conditions in the home trade have somewhat improved and stocks have fallen.

JUTE

Unemployment in the jute industry showed a further increase in March, and approximately a third of those insured were unemployed in the middle of the month. Exports of jute manufactures fell from 34.8 million square yards in January-March, 1937, to 19.1 million square yards in the first quarter of the current year, while exports of jute sacks and bags amounted to 216,853 cwt., against 270,405 cwt. last year. Imports from India remain heavy, and the Indian jute mills continue to produce in excess of requirements.

LINEN

Flax sales are confined to current requirements, and prices are firm and unchanged. Yarns have received more attention, particularly damask and cambric varieties. There has been some expansion in cloth business, with increased shipments to Dominion markets, but sellers to the United States find it difficult to interest clients at present.

RAYON

There has been no material improvement in demand for rayon yarns from the weaving trade during the past few weeks, and there are still many looms standing idle. At the same time, the stocks of grey and finished rayon fabrics are assuming much more normal proportions and the outlook is considerably improved. Business remains fairly steady in the underwear trade, but rayon stocking business is still depressed.

WOOL

The industry generally continues depressed in all sections. The percentage unemployed in March showed little change from February, but was 14.5 per cent. higher than in March of last year; short time is being worked in most districts. Exports for the first quarter of the year are lower for all types of woollen goods than in the corresponding months of last year, and there are no immediate prospects of a substantial revival in the home demand.

AGRICULTURE AND FISHERIES

Spring sowing on arable farms is well advanced and germination is satisfactory; autumn-sown crops are doing well but need rain. The fall of lambs on lowland farms has been good, and mortality amongst ewes and lambs is reported to be lower than usual. The prospects for hill lambing are satisfactory. Pastures have begun to

grow, but are in some districts suffering from the drought. Milk yields are about normal and supplies of fodder are adequate. The night frosts over Easter have affected the early strawberries, and plum and greengage blossom is reported to have been seriously caught in some districts. The British catch of wet fish in March was slightly lower than a year ago, but that for the first quarter of the year showed little change. Owing to the better prices in January and February, the value for the quarter's catch amounted to £3.8 millions, compared with £3.5 millions in the corresponding months of 1937.

SHIPPING

The decline in freight rates continued, and *The Economist* index for March was 3 per cent. lower than in February and 16 per cent. lower than in March, 1937. There was some improvement in freights to North and South America, but the small Argentine maize crop is a depressing factor in the latter market. The latest returns of the Chamber of Shipping show that the volume of shipping laid up in the ports of Great Britain and Ireland increased from 61,225 net tons at the end of June last year to 339,325 net tons at the end of last month; the launching of new vessels ordered during the period of rising freight rates has stimulated the withdrawal of older ships.

RETAIL TRADE

The value of retail trade in March, according to the *Board of Trade Journal*, was 7.1 per cent. lower than in March of last year; some of this fall must be attributed to the difference in the date of Easter, and it is probable that the April figures will show an increase. The fall was least in Scotland (1 per cent.) and greatest in suburban London (11 per cent.). Sales of food and perishables fell by 1.2 per cent., and those of piece-goods, sports and travel goods and fancy drapery fell by 17 per cent., 19.2 per cent. and 11.1 per cent. respectively. The decline in all sections was most obvious in London.

UNITED KINGDOM—THE ECONOMIST INDICES OF BUSINESS ACTIVITY*

Daily Averages of 1935 = 100

Period	Employment	Consumption of Power		Transport		Postal Receipts	Building Activity	Consumption of		Foreign Trade		Bank Clearings		Complete Index		
		Coal	Electricity	Merchandise on Railways	Commercial Motors in Use			Iron and Steel	Cotton	Imports of Raw Materials	Exports of British Manufactures	Shipping Movements	Metropolitan, Country, Provincial	Towns	Monthly	Twelve-Months' Moving Average
Number of Weights.....	10	4	2	4	2	3	2	2	1	2	3	2	4	1	42	
1929.....	98½	103	68	127	76	95	80	97	111	98½	137½	108½	91	109	98½	...
1930.....	94½	98½	68½	115½	80½	96½	65½	82	88	108	107	89	89	112	83	...
1931.....	91	92	69	98½	83½	95½	62	73	86	82½	80½	97½	86½	96	87½	...
1932.....	90	90	71½	86	86	94½	57	59½	84	84	82	94½	86½	84	84	...
1933.....	93½	90	78	89½	89½	96½	57½	70	101	92½	85	96	91	88	89	...
1934.....	97	97½	88½	100	97½	97½	58	93½	98½	100	92½	98	95½	98	96	...
1935.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	...
1936.....	105	104½	112½	106½	105½	104½	107	125	100½	110½	101½	102	104	103½	104	...
1937.....	111	109½	126½	113	111	109½	98½	142	116	121	112	109	105	101½	112	...
March.....	98½	92½	98	98½	95½	96½	97½	94	85	98½	97½	97	98	92	96	97½
April.....	99	98	97	97	99	101	98	92½	90	100	99½	97	97	97	98	98½
May.....	99½	102½	99	100½	99	98	100	93½	98	100½	97	100	99	100	98	98½
June.....	100	99½	97	99½	99½	98½	98	99	97	105½	100½	102½	106½	100	100	99½
July.....	101	94	96½	98	100	98½	99	93½	112	108	96	100½	104	99½	99	99½
August.....	101	92½	99	100½	100	99	100½	104½	100	100½	97	100	100½	98	99½	100
September.....	101	100½	99½	98	100½	101	102½	105½	99½	104½	103	101½	102	99½	101	100½
October.....	101	105	101½	101½	101	99	102½	102	99	102½	102½	98	99½	96½	101	100½
November.....	101½	104	102	103	101½	100½	105	102½	107	106	99	101	99	96½	102	101½
December.....	101½	105½	108½	102½	102	104	108	113½	99	117	99	103½	103	112½	104½	102½
1938—January.....	101½	107	104	104	103½	101	106½	117	106½	97½	92½	98½	98	91	102	102½
February.....	102½	100½	108	102	104	101½	107½	115	100	98	102	100½	99½	93	102½	103½
March.....	103	98	105	105½	104½	102	107	112½	101½	99½	99	99	100½	94	102½	104½
April.....	103½	103	111	106½	104½	102	106½	126	110	107½	98½	98	101	97	105	104½
May.....	104½	102½	107½	105½	105	102	107½	118	112½	106	99	100	103	96½	104½	105½
June.....	105	106½	107½	104½	104½	101½	109	121	119	117	98	102½	104	97	107	106½
July.....	106½	104½	109½	106	105½	103½	109	123	120	117	108½	101½	104	97	107	106½
August.....	107	104	111½	109½	106	103½	109	139	120	117½	101	107½	105½	103	108½	106½
September.....	107	102½	112	106½	106½	108½	132	107	123½	105	100½	106	113½	108½	107	107½
October.....	107	104	113½	107	107½	104	107	127½	102½	117	107½	103	106	114	108	108
November.....	107½	104	117½	108	107	108	108	127½	100½	119½	107	108	109½	111	108	108½
December.....	107	107½	117½	113	108½	108	108	134½	109	108½	108½	103½	107	122	109½	109½
1937—January.....	109	97½	116	110½	109	107½	102	124	111½	103½	104½	101	106½	105	107½	106½
February.....	109½	108½	116	107	109½	110	102½	118	110	102½	111	107	108	115	109½	110
March.....	109	110	125	106	110	107	109	118	109	103	119	120	114	108	107½	110
April.....	110	112	122	115	110½	110	102½	117	116½	103½	108½	102½	103	109	110	110½
May.....	110	115½	123½	113	111	106½	100½	130	143	116	117½	114	107	98½	112½	111½
June.....	111½	115	122½	113½	111	107	99	133½	111	125	122½	106½	106½	106	113	111½
July.....	112	106½	123	114	111	105	96½	140	131½	122½	113	109	102½	100½	114	111½
August.....	112½	107	125½	115	111½	108	95½	160	115½	130	111	113	106	99	113½	112½
September.....	112½	110½	124½	117	111½	108½	95	157½	109	133	113	108	106	99	113½	112½
October.....	112	105½	124	112	112½	108	96	158½	107½	146½	112½	110	104½	99½	113	112½
November.....	111½	107½	128½	110½	113	108½	95	167	106½	145	104	109	104½	100	112½	113
December.....	109½	105½	131½	114	113	111½	96½	173½	97	110½	108	108	101½	99	111	113
1938—January.....	110½	107½	128	116	114½	110	96½	169½	107	106½	103½	105½	104½	98½	111½	114
February.....	110	109½	128	112	114½	110	93½	155	101½	112½	101½	106½	102½	94½	110	110
March.....	109½	113	120	112½	115½	110	92½	143	102	105	100	102	100	84½	108½	109½

* For method of construction and earlier figures (1924-1936) see Supplement to *The Economist* of July 25, 1936. Revised. P Provisional. † Annual indices represent averages of monthly figures.

Business Developments Overseas

BRITISH EMPIRE

AUSTRALIA.—The recent rains in the interior should assist the autumn sowing of wheat and improve the pasturage. The disturbances abroad have produced slight reactions, according to a cable from the National Bank of Australasia, but industry and trade building continue active and the Stock Exchange is little affected. Sales of wool are slow, and between July, 1937, and February, 1938, 330,647 fewer bales were exported than in the same months of the previous season, with a reduction of £A.13.4 millions in the amount realised; the deficiency was made good by increased exports of gold and dairy produce.

SOUTH AFRICA.—Business conditions remain quiet. Wholesale and retail turnovers in many lines are below those of the corresponding period last year; production in some industries has also fallen, but the general index of industrial employment for January compares favourably with that of January, 1937. The Budget has been postponed until after the General Election on May 18th; owing to the buoyant revenue, a surplus of £3½ millions is expected in place of the original estimate of £1.2 millions.

CANADA.—The official index of business activity (1926 = 100) fell from 115.0 in February, 1937, to 111.8 in January and 106.7 in February, this year. The output of minerals remains above the level of a year ago, but manufacturing activity has fallen well below that level. There has been a further fall in construction contracts. Both imports and exports were lower in February last than a year ago, and the active balance of trade fell by half compared with February, 1937.

INDIA.—In spite of a small increase in acreage, the all-India cotton harvest is estimated at 5.4 million bales, or 10 per cent. lower than the estimated yield for the last season. Sugar production is also expected to be smaller than in 1937, while the latest forecast of the wheat harvest is 10,184,000 tons, compared with an estimated yield of 10,145,000 tons in 1936-37. The Calcutta wholesale price index showed a slight further fall in March. Imports in March, 1938, rose by 280 lakhs and exports by 194 lakhs compared with the previous month; owing to a fall in the exports of gold, the favourable balance of trade fell by 218 lakhs to 19 lakhs.

EUROPE

FRANCE.—The latest available statistics point to a further decline in business activity. The official index of industrial production (1928=100) fell from 87 in January to 85 in February, a decline of 7.6 per cent. on February, 1937. The only indices to show an improvement between January and February are those relating to the chemical and automobile trades. Compared with a year ago, the decline in production has been very marked in the case of textiles, mining, paper and iron and steel. Wholesale prices have shown little change during the past four weeks. The formation of a new Government under the leadership of M. Daladier has given rise to an improvement in confidence, reflected in the increase of 12½ per cent. in the official index of the prices of industrial securities between March 19th and April 23rd. Unemployment has also shown a slight decline in recent weeks, the number in receipt of benefit having fallen from 404,257 on March 19th to 394,619 on April 16th.

GERMANY.—Industrial activity in Germany appears to have been well maintained, largely because of the sustained effort to increase military efficiency. Combined statistics for Austria and the former Germany are not yet available. The number of unemployed in Germany (excluding Austria) declined from 946,000 in February to 508,000 in March. A year ago the number of unemployed was 1,245,000. In the metal and engineering industries, in particular, activity remains at a high level. The weekly index of business activity calculated by the German Institute for Business Research declined slightly from 117.3 (1936 = 100) for the last week of February to 116.4 for the week ended April 2nd. In the corresponding week last year the index stood at 112.6. Retail trade also remains fairly brisk, turnover in January-February showing an increase of 8 per cent. over the corresponding period of 1937. There are indications that Austria's resources will be developed as speedily as possible.

SWEDEN.—General business activity continues at a slightly lower level than in the latter months of 1937. The output of steel, in particular, shows a fall from the peak of 107,000 tons in October last to 73,000 tons in February, and there has been a definite recession in the textile trades. The index of wholesale prices in February was 4.3 points lower than in the autumn of 1937. Although considerable increases in the grants to the defence services had been proposed in the defence Bill put before the Riksdag at the beginning of the session, the decision of the Government, after the Austro-German Anschluss, to speed up the re-armament programme was cordially received by all parties, and may serve to stimulate industrial activity.

BULGARIA.—Wholesale prices in January showed a slight further fall from the December, 1937, level, but are considerably

above those recorded in January, 1937; there was also a contraction in the volume of merchandise traffic on the railways and in the total monetary circulation. General activity, however, continues at a higher level than that in January of last year. Imports in January, 1938, were lower both in volume and value than in the corresponding month of 1937, while a smaller volume of exports returned a somewhat higher value.

NORWAY.—The index of industrial production in February showed an increase, largely seasonal, of 10.7 per cent. from the January figure and an increase of 8.9 per cent. compared with February of last year. Unemployment in February and March, 1938, was somewhat higher than a year ago. Wholesale prices fell slightly from February to March, owing to a sharp fall in the prices of some agricultural products. The freight market has been very depressed and the amount of shipping laid up has increased.

CZECHOSLOVAKIA.—There has been a decline in industrial activity and the index for January was 6 per cent. and 3.5 per cent. lower than those for December and January, 1937; the number of unemployed, however, remains smaller than in 1937. The value of imports in February increased from the January figure but was smaller than that in February, 1937; the reverse held for the value of exports, which was considerably higher than a year ago but smaller than the return for January of this year.

UNITED STATES OF AMERICA

Business activity has been marking time. Thus, the March index of industrial production calculated by the Federal Reserve Board (1923-25 = 100) is 79, the same as in February. Compared with March, 1937, however, the index for the past month shows a decline of no less than 33 per cent. There are no indications of any significant change of trend in April, a further decline in some industries having been balanced by a slight improvement in others. President Roosevelt's decision to come to the rescue of business once more by the resumption of large-scale Government expenditure and a policy of credit expansion is expected to bring about an improvement in business activity in the year. So far, however, there are no indications of an early and sustained expansion of the capital equipment industries, whose operations remain at a very low level.

LATIN AMERICA

ARGENTINA.—Owing to drought and damage from locusts, the current maize crop is not expected to yield more than 4.5 million tons, compared with 9 million tons harvested last year; exports of maize are unlikely to exceed 3.4 million tons, against an export of 9.1 million tons in 1937, and this shortage will emphasise the falling trend in exports. In the first quarter of 1938 the tonnage of exports was 65.4 per cent. lower than that recorded in the corresponding months of 1937, although the total value was only 53.2 per cent. less, owing to the higher prices. Among the agricultural products, the exports of oats, frozen beef, and canned beef were the only ones to show an increase on the figures for 1937.

BRAZIL.—Imports and exports showed a higher aggregate value in 1937 than in 1936, but the favourable balance fell from £9,000,000 (gold) to £2,000,000 (gold). Exports of coffee are not yet at a level necessary to compensate for the fall in prices, though there has been some expansion in sales since the price reduction in November last. Business generally continues quiet.

PARAGUAY.—The elections for the Chambers of Senators and Deputies have been further postponed until September 25th. The cotton and tobacco harvests are expected to be small and markets are generally depressed. The River Paraguay is very low, and transport will be very difficult unless heavy rains fall in Brazil.

THE FAR EAST

The index of business activity for Japan, published by the Oriental Economist, showed a fall of three points from December, 1937, to January, 1938, owing to recessions in the cotton and silk industries. Wholesale prices continued to rise in February, and the index topd at 245 (January, 1913 = 100), compared with 218 in February, 1937. The value of imports and exports during the first quarter of the year were 37 per cent. and 19 per cent. respectively below the figures for the corresponding period of 1937. The Stock Market remains uncertain, and Government disbursements at the end of the fiscal year kept the money market in a quiet condition. A revised Ordinance of the Finance Department came into operation on April 5th, by which the Government is enabled to control more closely the dealings of the banks in foreign exchange. The value of China's imports in February was 72.4 million standard dollars, against 85.4 millions in February, 1937; during the same period exports fell from 85.1 to 40.9 million standard dollars.

UNITED KINGDOM

(Population, mid 1936, 47,098,000; Area 95,030 sq. miles; 244,000 sq. kms.)

United Kingdom figures; otherwise Great Britain (G.B.)	Unit of Measurement	Monthly Average												1937		1938			1938		
		1929	1930	1931	1932	1933	1934	1935	1936	1937	Feb.	Mar.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.			
PRODUCTION																					
1. Industr. Prod. B. of Trade (a)(d)	1930 = 100	108.6	100.0	91.0	90.5	95.5	106.1	113.6	124.6	133.1	131.7	131.7	131.7	136.8	136.8	136.8	136.8	136.8			
2. Coal, G. B.	Mill. tons	21.4	20.3	18.3	17.4	17.2	18.4	18.6	19.0	20.1	19.8	20.7	20.4	21.2	21.1	20.8	20.1	22.0			
3. Electricity, public supply, G.B.	Mill. kw-hrs.	858	910	951	1,020	1,130	1,283	1,464	1,685	1,908	1,944	2,074	2,029	2,285	2,500	2,382	2,144	2,111			
4. Pig iron	Thous. tons	632	516	314	298	345	497	535	641	703	604	680	770	762	784	761	693	715			
5. Steel ingots and castings	Thous. tons	803	610	434	439	583	738	822	975	1,080	995	1,110	1,134	1,178	1,104	1,081	1,038	1,119			
6. Buildg. plans passed f dwellg.	Thous. f's	3,658	3,897	3,374	3,907	5,192	5,799	6,536	6,255	5,837	5,390	5,945	5,538	5,285	7,037	5,482	4,840	5,229			
7. 146 towns, G.B. (Other	"	2,403	2,320	1,977	1,614	1,781	2,164	2,990	3,497	3,579	3,399	3,953	3,159.8	3,024	3,075	3,279	3,103	3,194			
New Orders, heavy gen. plant																					
8. Home	1929 = 100	100	125	77	112	67	160	148	250	232(1)	253	255	197	200	...	...	...	...			
9. Foreign	"	100	67	50	31	44	60	62	96	109(1)	118	125	93	92	...	...	...	...			
10. Total	"	100	93	58	59	56	107	104	167	168(1)	189	188	144	144	...	...	...	...			
11. Shipbuilding: commenced (f)	Thous. gross tons	137	79	17	6	20	43	57	91	88	84	84	72.5	72.5	72.5	58	58	58			
12. " launched (f)	"	127	123	42	16	11	38	42	71	76	59	59	74.5	74.5	74.5	60	60	60			
13. " on hand, end yr.	"	1,560	909	401	225	332	597	743	964	1,125	1,014	1,014	1,014	1,014	1,014	1,014	1,014	1,014			
TRADE AND TRANSPORT																					
14. Automobiles: priv. cars (b)	Number	15,196	14,139	13,250	14,720	19,232	21,406	25,992	29,487	32,469	28,449	44,578	26,977	27,034	31,552	31,409	24,481	22,481			
15. " Com. vehicles (b)	"	4,705	5,372	5,009	5,123	5,459	7,136	7,681	8,997	9,543	8,468	11,045	9,627	7,773	8,170	10,637	8,802	8,902			
16. Cotton delivered to mills, G.B.	Mill. lbs. daily av.	5.27	3.92	4.04	4.47	4.72	4.91	4.72	5.17	5.43	5.50	6.23	5.24	5.63	5.06	5.42	4.91	4.87			
17. Rayon: Output	Thous. lbs.	4,742	4,064	4,548	6,043	7,007	7,758	10,314	12,110	12,901	11,720	12,520	13,570	13,720	11,830	12,510	12,190	11,830			
18. " Quantity excised	Thous. st. barrels	1,620	1,568	1,365	1,102	1,193	1,293	1,355	1,458	1,585	1,488	1,596	1,473	1,500	1,100	1,100	1,100	1,100			
20. Distilling: Drink (1)	Thous. proof galls.	914	840	786	721	733	719	720	780	785	634	634	1,100	1,100	1,100	1,100	1,100	1,100			
21. " Industrial alcohol (1)	"	1,205	1,393	1,438	1,834	2,484	2,816	3,172	3,595	4,369	3,700	3,700	4,663	4,663	4,663	4,663	4,663	4,663			
22. " Stocks, end year	Mill. proof galls.	151.6	153.4	148.5	141.5	134.9	135.4	136.1	137.4	144.5	139.3	140.6	143.2	143.2	144.5	145.7	147.1	147.1			
TRADE AND TRANSPORT																					
23. Rly. traf.: Merch. & lvtk. G.B.	Thous. tons	9,780	8,890	7,602	6,605	6,875	7,660	7,661	8,188	8,690	8,180	8,404	9,296	9,223	8,728	...	...	...			
24. " Coal and coke, G. B.	Thous. tons	15,938	14,868	13,360	12,441	12,727	13,834	13,447	13,539	14,384	15,355	15,635	14,327	15,248	15,687	...	...	...			
25. Automobiles: priv. cars in use, G.B.	Thous. cars	893.8	967.7	978.7	1,018.4	1,084.9	1,184.5	1,349.8	1,648.2	1,858.6	1,680.6	1,857.4	1,680.6	1,676.9	1,705.4	1,597.1	1,604.2	1,636.6			
26. " Comcl. vehicles in use, G.B.	"	314.7	333.6	348.0	358.2	370.0	393.5	413.2	437.0	450.9	443.6	453.8	467.1	465.7	472.0	464.3	466.1	472.0			
27. Postal traffic receipts, daily	Thous. f's	133	135	134	135	135	137	140	147	151	146	149	156	157	207	151	146	150			
28. Retail trade, Gt. Brit.: Food	Avg. daily sales	101.5	90.9	82.9	84.6	92.7	101.1	100.1	102.8	103.4	101.1	102.8	103.4	103.4	103.4	103.4	103.4	103.4			
29. " Other merchandise	in 1935 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...			
30. " Total	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...			
31. Advtg. expndtre. on brand, Gt. Brit.	1935 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...			
Foreign Trade																					
32. Retained imports, value: Food	Thous. f's	42,444	37,603	32,041	29,810	27,311	27,311	28,916	30,921	34,099	29,717	34,033	42,111	41,693	41,797	35,204	32,220	35,949			
33. " Raw materials	"	23,774	17,674	12,277	11,740	12,897	15,183	15,287	17,934	23,203	17,491	21,559	25,521	26,478	24,906	23,713	19,600	21,162			
34. " Manufactures	"	25,467	23,622	20,367	12,168	11,654	13,395	14,802	16,452	20,878	17,223	19,917	22,275	23,335	21,711	20,724	17,757	21,721			
35. " Total	"	92,589	79,762	66,449	54,221	52,161	56,831	58,473	65,710	79,492	64,725	75,974	90,387	91,946	88,349	80,155	68,211	79,407			
36. Volume: Food (a)(d)	Avg. of 1935 = 100	108.6	100.0	91.0	90.5	95.5	106.1	113.6	124.6	133.1	131.7	131.7	131.7	131.7	136.8	...	...	...			
37. " Raw materials (a)(d)	"	101.5	90.9	82.9	84.6	92.7	101.1	100.1	102.8	103.4	101.1	102.8	103.4	103.4	103.4	...	...	...			
38. " Manufactures (a)(d)	"	133.6	133.9	123.9	79.5	81.8	85.0	100	111.6	127.8	110	107.2	113.9	106.0	106.0	...	...	...			
39. " Total (a)(d)	"	108.6	106.3	105.0	92.2	93.7	99.0	100	107.2	113.9	106.0	106.0	106.0	106.0	106.0	...	...	...			
40. Domestic exports, value: Food	Thous. f's	4,555	3,944	2,898	2,825	2,314	2,538	2,636	2,966	3,232	3,120	2,908	3,443	3,383	3,451	3,031	2,780	2,788			
41. " Raw materials	"	6,575	5,818	3,920	3,634	3,832	4,021	4,409	4,278	5,388	4,901	5,268	6,810	5,447	4,873	4,680	4,241	4,928			
42. " Manufactures	"	47,899	36,745	24,398	23,031	23,475	25,409	27,411	28,410	33,737	29,737	34,158	36,747	34,682	33,336	32,595	29,706	33,536			
43. " Total	"	60,779	47,563	32,552	30,418	30,659	33,000	35,493	36,727	43,466	38,572	43,470	47,216	45,183	43,882	41,381	37,529	42,155			
44. Volume: Food (a)(d)	Avg. of 1935 = 100	126.7	118.7	94.5	90.9	81.8	93.3	100	110.6	113.6	110.2	110.2	110.2	110.2	110.2	110.2	110.2	110.2			
45. " Raw materials (a)(d)	"	130.4	110.2	86.9	82.0	85.0	90.3	100	102.4	125.7	100.2	100.2	100.2	100.2	100.2	100.2	100.2	100.2			
46. " Manufactures (a)(d)	"	142.1	118.0	87.7	83.0	85.5	92.4	100	102.1	115.5	100.2	100.2	100.2	100.2	100.2	100.2	100.2	100.2			
47. " Total (a)(d)	"	140.3	115.0	83.8	84.0	85.9	92.4	100	101.5	119.5	100.2	100.2	100.2	100.2	100.2	100.2	100.2	100.2			
48. Shipping: Tonnage entered	Thous. net tons	5,225	5,150	5,823	6,427	5,036	5,223	5,302	5,616	5,868	4,821	5,760	6,100	6,139	5,860	5,002	4,486	5,598			
49. " Tonnage cleared	"	3,655	3,488	4,027	4,620	4,938	4,674	4,772	4,795	5,116	4,282	4,708	5,503	4,911	4,841	4,530	4,153	4,538			
50. " Tonnage laid-up (k)	"	365	1,593	1,966	1,971	1,240	878	438	212	95	90	90	175	175	175	111.5	105.4	102.3			
51. Freight rates, Economist Index	1929 = 100	100	81.7	82.2	77.9	75.1	76.4	76.8	87.3	132.5	119.3	122.3	145.4	129.8	112.2	111.5	105.4	102.3			
52. Cable and wireless traffic recpts.	Corresponding month 1929 = 100	100	87.8	78.9	72.3	70.5	72.5	73.5	74.4	78.9	84.6	90.6	76.5	72.5	82.5	71.5	73.3	74.4			
EMPLOYMENT AND WAGES																					
53. Insured pers. employed G.B.	Thousands	10,220	9,797	9,421	9,348	9,681	10,139	10,377	10,612	11,496	11,887	11,242	11,659	11,573	11,437	11,309	11,324	11,345			
54. Insured pers. unemployed	"	1,212	1,915	2,630	2,756	2,496	2,107	1,958	1,688	1,415	1,557	1,504	1,328	1,432	1,584	1,827	1,810	1,748			
55. Per cent. unemployed	"	10.3	15.8	21.1	21.9	19.8	16.6	15.3	13.0	10.6	11.9	11.5	9.9	10.7	11.8	12.9	12.8	12.8			
PRICES																					
56. Regist'd at Exchanges, all ages,	"	1,276	2,014	2,718	2,813	2,588	2,221	2,106	1,822	1,586	1,704	1,677	1,460	1,580	1,755	1,927	1,908	1,848			
57. " London	"	118	177	273	306	272	216	209	179	171	194	183	167	180	198	211	213	213			
58. " S. E. England	"	50	75	114	142	120	93	91	79	70	89	88	72	85	96	117	113	98			
59. " W. England	"	165	217	311	371	325	245	217	178	144	152	149	140	152	179	197	198	198			
60. " Midlands	"	280	419	569	602	557	478	452	304	165	164	166	145	162	193	206	202	193			
61. " N.E. England	"	285	422	627	562	517	461	439	374	304	320	315	289	313	344	362	391	381			
62. " N.W.	"	158	244	358	378	304	331	314	277	246	267	269	222	234	271	269	263	253			
63. " Northern (c)	"	158	244	358	378	304	331	314	277	246	267	269	222	234	271	269	263	253			
64. " Scotland	"	116	158	196	228	219	208	206	198	151	172	164	141	141	146	158	158	158			
65. " Wales	"	28	60	71	68	68	62	70	67	71	76	76	70	81	90	99	97	97			
66. " N. Ireland	"	676	861	527	541	87	78	160	154	285	84	220	285	152	45	103	133	111			
67. Industr. disputes, No. days lost	"	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100			
68. Wage rates, Min. of Labour (d)	1929 = 100	100	100	97.1	96	95.1	95.1	95.1	95.1	95.1	101.1										

(Bi-monthly Table)

	Unit of Measurement	1929	1930	1931	1932	1933	1934	1935	1936	1937	Feb.	Mar.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
AUSTRIA (Population 1936: 6,758,000; Area: 84,000 sq. kms.)																		
1. Industrial production (a).....	1929=100	100-0	85-0	70-0	61-0	63-7	70-0	80-0	86-0	106-1	97-0	99-0	112-0	108-0	103-0	...	...	...
2. Retained imports	Mill. schilling	271-9	224-9	180-1	113-3	93-7	96-1	100-5	104-1	121-6	115-7	126-8	128-2	123-8	137-9	103-3	...	...
3. Domestic exports	"	182-4	154-3	107-6	63-7	64-6	71-4	74-6	79-3	101-4	90-2	110-2	110-2	106-3	110-4	72-6	...	...
4. Applicants for work	Thous.	2,649	2,172	1,929	1,234	1,128	1,128	1,426	1,753	2,271	2,154	2,514	2,371	2,272	2,355	2,008	...	...
5. Wholesale prices	1929=100	100-0	90-0	83-9	86-2	83-1	84-6	84-4	83-9	87-0	85-9	86-6	86-7	85-5	85-0	85-5	85-2	...
6. Cost of living	"	100-0	100-0	95-5	97-7	94-8	94-5	94-4	94-4	94-3	94-3	94-1	94-5	94-5	94-3	94-4	94-1	...
7. Price of industrial securities ..	"	100-0	84-0	64-0	54-5	45-1	49-4	65-3	81-8	94-3	102-1	102-2	98-9	89-3	84-0	85-0	84-0	...
8. Notes in circulation	Mill. schilling	1,094	1,090	1,183	914	952	964	976	944	944	893	891	922	907	944	892	953	...
BELGIUM (Population 1935: 8,300,000; Area: 30,000 sq. kms.)																		
9. Industrial production	1929=100	100-0	88-8	81-1	69-1	72-2	73-0	82-2	86-7	93-6	87-8	90-4	88-1	81-5	80-9	73-6	...	...
10. Retained imports	Mill. francs	2,961	2,581	1,979	1,347	1,215	1,142	1,426	1,753	2,271	2,154	2,514	2,371	2,272	2,355	2,008	1,926	...
11. Domestic exports	"	2,649	2,172	1,929	1,234	1,128	1,128	1,426	1,753	2,271	2,154	2,514	2,371	2,272	2,355	2,008	1,798	1,822
12. Unemployment	Thousands	273	74-2	201-1	336-7	338-0	349-1	238-2	213-7	194-0	206-8	193-0	173-5	225-7	283-8	325-3	1,982	...
13. Wholesale prices	1929=100	100-0	87-4	73-6	62-5	58-9	53-6	63-1	69-1	80-4	79-3	81-4	80-3	77-9	77-4	77-6	77-2	75-3
14. Cost of living	"	100-0	103-6	93-0	83-6	82-6	79-4	79-9	84-7	91-8	90-1	89-7	94-9	95-4	95-3	95-7	95-0	...
15. Price of industrial securities ..	"	100-0	68-2	49-0	37-4	36-4	30-8	37-4	47-0	62-2	55-0	52-4	55-0	52-4	52-5	51-3	48-7	...
16. Notes in circulation	Mill. francs	13,425	16,419	18,270	18,183	17,093	17,650	20,583	22,702	21,542	22,387	22,022	21,745	21,355	21,542	21,409	21,624	22,094
CZECHOSLOVAKIA (Population 1936: 15,187,000; Area: 140,000 sq. kms.)																		
17. Retained imports	Mill. kr.	1683-5	1309-4	980-3	623-9	485-6	531-8	561-5	659-1	913-8	782-0	850-5	959-4	985-3	1072-4	667-1	757-0	...
18. Domestic exports	"	1708-1	1456-0	1093-2	611-9	489-9	606-7	618-2	667-3	996-3	876-7	981-0	1120-3	1042-3	1199-6	938-8	911-3	...
19. Registered unemployed	Thousands	41-7	105-4	201-3	554-0	738-7	637-0	686-3	627-7	408-9	679-9	627-3	730-7	333-5	459-1	519-0	511-3	433-1
20. Wholesale prices	1929=100	100-0	88-8	80-6	74-5	72-2	74-0	72-2	77-4	82-0	82-6	83-7	81-5	80-2	80-3	80-3	80-0	...
21. Cost of living	"	100-0	97-8	93-4	91-7	90-7	89-6	92-3	93-1	94-3	93-7	93-7	94-5	94-8	95-3	96-7	96-9	...
22. Price of industrial securities ..	"	100-0	81-8	65-0	51-7	56-6	65-7	88-4	111-2	115-7	115-7	125-7	100-2	95-5	97-0	98-0	98-0	...
23. Notes in circulation	Million kr.	8,230	7,824	7,679	6,755	6,334	6,017	6,137	6,972	7,497	6,253	6,425	7,111	7,025	7,497	6,646	6,623	7,535
DENMARK (Population 1936: 3,709,000; Area: 43,000 sq. kms.)																		
24. Industrial production (b).....	1929=100	100-0	108-0	100-0	91-0	105-0	117-0	125-0	139-0	134-0	134-0	136-0	131-0	131-0	130-0	130-0	131-0	...
25. Retained imports	Mill. kr.	142-9	138-0	117-5	92-0	102-1	108-9	107-2	120-2	136-0	114-3	140-9	140-0	131-8	127-5	153-0	124-0	...
26. Domestic exports	"	134-6	127-0	105-0	90-5	96-9	98-0	101-1	110-5	128-4	113-6	117-6	143-8	137-5	139-7	119-3	112-3	...
27. Applicants for work	Thousands	44-6	40-6	59-4	126-0	121-1	97-6	92-4	93-3	107-1	145-6	131-3	96-3	121-4	168-9	150-1	108-3	106-5
28. Wholesale prices	1929=100	100-0	86-1	75-9	77-8	83-3	90-7	92-6	97-2	110-2	106-5	108-3	110-1	112-0	111-1	105-2	105-3	...
29. Cost of living	"	100-0	94-6	89-3	89-3	92-9	96-4	99-1	100-4	104-4	108-7	102-6	106-1	104-1	104-1	104-1	103-1	...
30. Price of industrial securities ..	"	100-0	94-3	85-4	83-7	81-7	80-2	81-4	81-5	85-8	89-1	89-1	89-1	89-1	89-1	89-1	89-1	...
31. Notes in circulation	Mill. kr.	367	360	346	332	375	388	384	399	417	375	378	413	392	417	386	391	399
FINLAND (Population 1935: 3,582,000; Area: 388,000 sq. kms.)																		
32. Industrial production (a).....	1929=100	100-0	90-8	80-0	83-3	95-8	116-7	125-0	137-5	149-2	155-0	143-3	153-3	149-2	146-7	...	...	...
33. Retained imports	Million mks.	583-5	437-3	283-7	291-9	327-3	398-0	445-4	530-7	773-1	504-8	569-2	640-4	876-7	770-2	686-3	578-1	...
34. Domestic exports	"	535-8	450-3	371-4	386-0	441-5	518-8	520-0	601-9	780-6	383-7	483-8	999-1	901-4	797-0	522-2	473-9	...
35. Registered unemployed	Thousands	3-906	7-993	11-522	17-581	17-139	10-011	7-163	4-796	3-763	5-383	4-482	3-705	3-924	3-770	4-879	4-544	...
36. Wholesale prices	1929=100	100-0	91-8	85-7	91-8	90-8	88-6	91-8	93-1	105-1	103-1	104-6	106-1	104-1	104-1	104-1	103-1	...
37. Cost of living	"	100-0	92-2	84-8	83-7	81-7	80-2	81-4	81-5	85-8	89-1	89-1	89-1	89-1	89-1	89-1	89-1	...
38. Notes in circulation	Mill. markka	1,361	1,279	1,293	1,085	1,181	1,277	1,381	1,630	2,052	1,757	1,913	2,020	1,996	2,052	2,015	2,189	2,292
HOLLAND (Population 1936: 8,557,000; Area: 34,000 sq. kms.)																		
39. Industrial production	1929=100	100-0	91-4	79-0	62-3	69-1	69-8	66-9	71-9	90-9	93-8	93-8	75-9	79-0	85-8	87-0	83-9	...
40. Retained imports	Mill. gulden	229-36	201-52	157-73	108-29	101-73	86-52	77-33	81-47	129-18	105-32	125-19	143-54	130-32	127-76	119-32	118-21	120-05
41. Domestic exports	"	165-79	143-24	109-32	70-51	60-49	49-32	56-26	62-18	95-68	79-16	94-36	106-21	97-93	98-16	92-19	81-84	90-03
42. Unemployed registered	Thousands	100-0	100-0	138-2	271-1	322-8	332-8	384-7	414-5	363-9	439-6	403-6	404-4	386-0	437-5	433-3	...	...
43. Index of wages (nrl. earnings) ..	1929=100	100-0	100-0	100-0	89-8	89-8	89-8	89-8	89-8	89-8	89-8	89-8	89-8	89-8	89-8	89-8	89-8	...
44. Wholesale prices	"	100-0	89-9	76-5	64-8	63-1	62-1	61-7	64-0	76-4	74-2	76-2	77-2	76-5	75-8	75-4	74-4	73-4
45. Cost of living	"	100-0	95-8	90-0	83-8	83-0	83-1	81-1	78-6	81-8	79-7	79-2	83-2	83-2	83-0	82-8	82-6	...
46. Price of industrial securities ..	"	100-0	70-4	52-1	34-5	38-0	40-1	38-7	45-1	67-0	69-9	70-6	66-5	61-6	62-0	65-1	65-6	64-1
47. Notes in circulation	Mill. gulden	862	847	1,025	963	913	913	810	793	869	775	815	857	888	869	887	903	901
ITALY (Population 1937: 42,831,000; Area: 310,000 sq. kms.)																		
48. Industrial production	1929=100	100-0	91-9	77-6	66-9	71-9	80-0	93-8	87-5	99-6	98-1	99-3	107-6	105-8	103-1	94-4	...	...
49. Retained imports	Million lire	1805-6	1445-6	970-3	689-0	619-3	639-6	649-2	803-3	1153-1	921-5	1081-9	1142-1	1146-0	1182-5	1135-4	993-0	...
50. Domestic exports	"	1291-5	960-3	583-3	467-7	471-8	471-8	436-5	462-3	869-1	775-8	828-2	851-0	846-7	1032-3	824-1	879-3	...
51. Wholly unemployed	Thousands	300-8	425-4	734-5	1006-4	1019-0	963-7	...	...	...	...	...	...	...	...	...	...	...
52. Wholesale prices	1929=100	100-0	89-5	78-1	73-0	66-5	65-0	71-8	80-1	93-4	87-3	89-2	97-7	95-9	100-0	99-8	98-2	...
53. Cost of living	"	100-0	96-6	87-2	83-1	79-6	75-3	76-6	82-6	90-7	85-8	86-2	94-9	95-8	97-1	98-0	98-1	...
54. Notes in circulation	Million lire	16,774	15,680	14,295	13,672	13,243	13,145	16,297	16,525	...	15,678	15,871	...	...	...	16,520	...	...
NORWAY (Population 1936: 2,895,000; Area: 323,000 sq. kms.)																		
55. Industrial Production	1929=100	100-0	101-0	78-2	92-7	93-8	97-8	107-7	115-7	127-6	128-4	126-0	127-4	126-8	126-8	126-4	...	...
56. Retained imports	Million kroner	88-61	87-98	71-20	56-89	54-76	60-74	68-14	76-36	102-12	99-61	98-95	91-96	131-08	98-53	95-31	...	...
57. Domestic exports	"	61-90	56-23	38-31	46-77	47-81	47-60	52-33	436-5	462-3	869-1	775-8	828-2	851-0	846-7	1032-3	824-1	879-3
58. Unemployed registered	Number	19,089	19-523	27,479	32,705	35,591	35,121	36,103	32,423	28,520	34,440	32,951	29,063	32,239	33,906	33,046	31,311	31,104
59. Wholesale prices	1929=100	100-0	92-0	81-9	81-9	81-9	83-2	85-2	89-9	104-6	98-7	100-7	108-1	107-4	106-7	106-7	105-4	...
60. Cost of living	"	100-0	97-0	92-2	89-8	88-6	89-2	91-0	93-4	99-9	95-8	97-0	103-0	103-0	103-0	103-0	103-6	...
61. Price of industrial securities ..	"	100-0	78-3	62-3	53-8	68-4	72-8	84-4	109-4	125-8	130-9	129-8	121-1	117-1	113-6	120-8	117-1	...
62. Notes in circulation	Million kroner	318	312	334	315	327	333	348	429	449	399	410	425	422	449	421	418	450
SWEDEN (Population 1936: 6,267,000; Area: 449,000 sq. kms.)																		
63. Industrial production (b).....	1929=100	100-0	100-0	95-0	88-0	93-0	112-0	125-0	135-0	149-0	144-0	145-0	155-0	154-0	153-0	149-0	149-0	...
64. Retained imports	Million kroner	148-0	138-5	119-0	96-2	91-3	108-7	120-2	136-1	175-9	134-3	160-2	192-4	192-4	183-6	158-9	147-1	...
65. Domestic exports	"	151-0	129-3	93-5	79-0	89-9	108-5	108-1	126-2	168-2	115-0	113-6	193-0	184-7	198-3			

RAW MATERIALS AND CRUDE FOODSTUFFS
GROUP I.—MONTHLY TABLE.

Commodity	Unit of Measurement	Monthly Average										1937		1937			1938		
		1929	1930	1931	1932	1933	1934	1935	1936	1937	(a)	Feb.	Mar.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
COAL																			
1. Production: Belgium	Th. metric tons	2,245	2,285	2,254	1,785	2,108	2,199	2,207	2,323	2,473	2,365	2,611	2,593	2,481	2,582	2,566	2,463	...	...
2. " France	"	4,482	4,490	4,167	3,856	3,907	3,969	3,851	3,769	3,693	3,710	4,087	4,044	4,073	4,161	3,613	3,685	...	...
3. " Germany: Coal	"	13,620	11,892	9,887	9,728	9,141	10,405	11,918	13,180	15,376	14,298	15,086	16,113	15,988	16,242	15,939	15,176	...	...
4. " Poland	"	3,853	3,126	3,189	2,403	2,283	2,436	2,395	2,479	3,018	2,861	2,747	3,354	3,232	3,338	3,379	3,074	...	...
5. " U.K.	"	21,837	20,650	18,582	17,717	17,525	18,708	18,877	19,349	20,421	20,114	21,232	20,699	21,547	21,474	21,166	20,421	...	...
6. " U.S.A.	"	46,026	40,590	33,395	27,183	28,967	31,398	31,576	36,761	37,042	41,257	50,839	40,478	35,909	37,175	34,963	27,692	...	...
7. " All Principal countries	"	107,219	98,062	86,002	76,438	79,691	87,511	89,337	97,877	104,426	118,967	106,774	101,823	104,774	98,747	95,747	...	...	
8. Price: Av. Br. expt. price	sh. per ton	16-08	16-67	16-17	16-25	16-08	16-04	16-29	16-98	16-57	17-30	17-43	19-35	19-46	19-6	20-24	20-76	20-92	...
OIL																			
9. Production: Dutch East Indies	Th. metric tons	437	461	392	424	461	503	507	536	605	539	592	640	621	627	603	...	...	...
10. " Mexico	"	556	492	411	408	422	475	501	511	575	586	643	653	629	646	618	...	...	...
11. " Persia(Ang.-Ir. Oil)	"	482	503	487	543	544	574	577	628	871	582	772	935	922	880	880	...	...	...
12. " Roumania	"	403	483	563	618	708	723	598	578	629	591	570	575	562	...	...	...	...	...
13. " U.S.A.	"	1,206	1,552	1,812	1,791	1,786	2,013	1,989	2,191	2,167	1,817	2,167	2,414	2,321	2,410	2,211	...	...	...
14. " U.S.S.R.	"	17,145	16,351	15,811	15,048	16,516	17,420	18,838	20,575	23,300	20,358	23,376	24,783	23,273	24,000	...	...	...	...
15. " All Principal countries	"	422	402	371	340	354	337	315	288	306	290	297	308	306	306	307	...	...	...
16. Stocks: U.S.A. end year	million barrels	123-3	111-1	57-3	81-3	60-1	94-0	94-0	104-0	115-2	116-0	116-0	116-0	116-0	116-0	116-0	116-0	116-0	116-0
17. Price: U.S.A. Mid-Cont. crude	cents per barrel	123-3	111-1	57-3	81-3	60-1	94-0	94-0	104-0	115-2	116-0	116-0	116-0	116-0	116-0	116-0	116-0	116-0	116-0
CRUDE STEEL																			
18. Production: Belgium	Th. metric tons	342	280	259	232	269	246	252	265	322	269	309	354	315	266	229	181	...	...
19. " France	"	808	787	652	470	544	514	523	559	635	624	679	705	673	675	623	559	...	...
20. " Germany, inc. Saar	"	1,354	962	691	481	632	990	1,371	1,601	1,654	1,520	1,582	1,714	1,791	1,765	1,812	1,770	...	...
21. " Japan ex. castings	"	191	191	157	220	247	325	375	479	472	478	478	478	478	478	478	478	...	...
22. " Luxembourg	"	225	189	170	163	154	161	153	165	209	203	225	198	178	160	132	111	108	...
23. " U.K.	"	816	620	438	445	595	750	833	990	1,098	1,012	1,127	1,152	1,197	1,122	1,099	1,075	1,134	...
24. " U.S.A. ex. castings	"	4,599	3,326	2,133	1,128	1,913	2,139	2,830	3,963	4,192	4,485	5,300	3,447	2,188	1,496	1,760	1,731	2,044	...
25. " U.S.S.R.	"	407	483	491	490	571	800	1,034	1,362	1,485	1,287	1,530	1,626	1,528	1,575	1,490	1,434	...	...
26. " All Principal countries	"	9,714	7,660	6,615	4,113	5,510	6,638	7,983	9,970	10,394	10,549	12,015	10,022	8,649	7,801	7,887	7,561	...	...
27. Price: Pig Iron Cleveland No. 3	£ per ton	9-53	3-35	2-91	2-91	3-13	3-35	3-39	3-70	4-67	4-05	4-05	5-05	5-28	5-3	5-45	5-45	5-45	5-45
GOLD																			
28. Production: Union of S. Africa	Thous. fine ozs.	868	893	907	963	918	873	898	945	978	924	...	987	979	991	988	929	...	...
29. " U.S.S.R.	"	90	120	146	163	221	317	375	450	500	...	...	...	...	...	...	...	...	...
30. " Canada	"	161	175	225	254	246	248	274	310	341	...	...	...	...	...	...	...	...	...
31. " U.S.A.	"	171	175	185	185	190	229	264	313	341	...	...	...	...	...	...	...	...	...
32. " World (b)	"	1,632	1,736	1,867	2,025	2,112	2,275	2,465	2,752	2,958	...	...	...	...	...	...	...	...	...
33. Price: London, per fine ounce	sh.	84-9	85-0	92-5	118-0	124-9	137-6	142-1	140-3	140-7	142-11	142-36	140-52	140-09	139-8	139-6	139-75	139-89	...
WHEAT																			
34. World shipments, yr. ended July	Mins. of bushels	77	53	69	67	53	46	43	62	50	61	62	48	...	...	...	...	...	...
35. Stks.: World visible supplies (d)	sh. per cwt.	370-1	411-9	462-7	408-2	459-7	477-2	339-5	275-1	229-5	316-8	288-2	294-4	305-4	310-4	326-3	308-1	...	...
36. Average British import price...	sh. per cwt.	10-33	8-22	5-09	6-15	5-52	6-38	6-02	7-53	9-28	9-78	10-09	9-78	10-23	10-09	9-78	9-76	9-58	9-40
COTTON																			
37. Mill consumption: U.K.	Thousands of actual bales	233	205	164	182	187	206	209	228	...	233	233	243	243	243	...	...	...	...
38. " Japan	"	231	250	214	231	241	271	311	304	...	324	324	344	344	344	...	...	...	...
39. " U.S.A.	"	586	505	437	404	508	472	443	527	...	641	641	682	682	682	...	...	...	...
40. " World	"	2,157	2,101	1,874	1,880	2,029	2,093	2,035	2,116	...	2,389	2,389	2,468	2,468	2,468	...	...	...	...
41. Stks.: World Visible Supplies (d)	Thousand bales	2,736	4,317	6,593	7,682	7,510	6,571	3,983	4,297	3,875	7,087	6,368	7,906	8,808	7,965	8,773	8,665	8,240	...
42. Price: Mid. American	d. per lb.	10-33	7-46	5-08	5-25	5-54	6-67	6-37	7-87	7-87	7-30	7-87	4-84	4-59	4-78	4-94	5-08	5-07	...
SUGAR																			
43. Stks.: World visible supplies (d)	Thous. tons	4,047	5,522	6,765	7,018	6,441	5,692	4,166	2,983	2,816	5,351	5,118	4,002	5,981	6,081	5,821	...	...	...
44. Av. Brit. import price, unrefined	sh. per cwt.	9-68	8-91	8-10	7-70	7-46	6-98	6-38	6-71	6-62	8-88	8-47	9-2	9-95	9-09	9-47	9-53	8-04	...

GROUP II (a).—BI-MONTHLY TABLE.

RUBBER																				
1. Production: Ceylon	Thous. tons	6-69	6-30	5-19	4-10	5-32	6-59	4-52	4-14	5-86	5-60	7-05	6-70	4-39	9-53	5-22	5-19	...	...	
2. " D. E. Indies	"	21-22	20-18	21-40	17-53	23-51	31-60	23-54	25-81	35-97	26-71	40-71	34-42	29-11	33-29	26-41	27-25	...	...	
3. " British Malaya	"	38-05	36-90	35-25	33-80	37-10	38-90	34-71	29-48	39-16	24-14	40-14	47-59	45-59	43-05	30-99	37-17	...	...	
4. " World	"	72-20	68-60	66-60	59-05	71-03	84-93	72-68	71-36	94-59	70-48	102-22	100-67	94-22	103-78	80-25	80-79	...	...	
5. " Quota of restricting countries...	% of est. cap'city	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
6. Consumption: U.K.	Thous. tons	6-02	6-38	6-38	6-50	6-63	9-18	8-29	8-59	9-43	7-08	12-02	9-77	9-93	7-73	11-14	7-87	...	...	
7. " U.S.A.	"	38-05	31-33	29-58	28-08	34-33	38-75	41-04	47-79	45-3	51-89	54-06	38-71	33-98	29-16	29-43	23-87	...	...	
8. " World	"	67-12	59-53	57-05	57-70	68-73	78-78	78-58	85-07	90-06	92-11	103-65	81-76	76-43	69-77	68-21	62-06	...	...	
9. " Reclmd. in U.S.A.	"	18-08	12-79	10-25	6-46	7-08	8-40	9-42	10-84	13-25	14-58	15-60	12-23	9-70	7-67	6-67	6-87	...	...	
10. Stocks: U.K. end year	"	73-2	118-6	127-1	92-7	86-5	134-9	164-3	78-5	52-29	63-76	52-08	51-9	54-9	57-8	62-11	71-52	...	...	
11. " U.S.A.	"	118-6	201-0	322-0	379-0	365-0	355-0	303-0	218-8	189-7	195-1	191-9	193-7	217-6	256-6	269-1	288-9	...	...	
12. " World	"	218-7	453-3	589-3	589-2	619-4	687-4	595-3	413-9	398-7	415-6	426-4	441-1	492-2	494-7	517-0	517-0	...	...	
13. Price: London Lat. sm. sheet	pence per lb.	10-25	5-91	3-13	2-34	3-25	6-22	6-00	7-75	9-00	10-63	11-91	7-83	7-09	7-34	7-09	7-13	...	...	
RAYON																				
(i) Continuous Filament																				
14. Production: France (e)	Mill. lb.	3-1	3-3	3-7	4-3	4-8	4-8	4-4	3-5	4-7	3-8	3-8	4-0	4-0	4-0	4-0	...	...		
15. " Germany (e)	"	4-9	4-9	5-2	4-6	5-2	7-5	7-7	8-3	10-0	9-7	9-7	9-4	9-4	9-4	...	...			
16. " Italy	"	5-9	5-5	6-4	5-9	5-9	7-1	7-1	7-1	8-7	7-3	8-5	9-6	9-5	9-8	...	...			
17. " Japan	"	2-1	3-0	4-6	6-3	6-2	13-6	12-9	22-9	27-9	25-6	26-8	27-2	27-2	27-2	10-0	...	...		
18. " U.K.	"	4-2	4-2	4-9	6-7	6-9	7-5	9-3	9-7	10-0	9-2	9-8	10-4	10-4	10-4	10-1	...	...		
19. " U.S.A.	"	10-1	10-6	12-6	11-2	17-8	17-7	21-5	23-2	26-0	25-6	25-6	25-0	25-0	25-0	10-0	...	...		
20. " World (e)	"	36-0	37-0	41-8	44-0	55-2	64-5	76-8	83-4	97-1	90-2	90-2	90-4	90-4	90-4	55-0	55-0	...	...	
21. Price: Viscose, std. grade, per lb.	pence	...	...	78-0	77-0	72-0	59-0	55-5	55-5	55-1	55-6	55-6	55-0	55-0	55-0	55-0	55-0	...	...	
(ii) Spun Yarn																				
22. Production: France (e)	Mill. lb.	...	...	...	0-1	0-2	0-4	0-7	1-0	1-2	1-1	1-1	1-1	1-1	1-1	...	...			
23. " Germany (e)	"	0-3	0-5	0-5	0-6	0-8	1-4	2-7	7-9	17-1	9-9	9-9	18-4	18-4	18-4	...	...			
24. " Italy	"	0-1	0-1	0-1	0-8	1-0	1-8	5-5	9-2	12-8	11-4	13-2	14-3	14-2	14-7	15-0	...	...		
25. " Japan	"	...	...	...	0-1	0-1	0-4	1-1	3-8	14-3	8-0	8-0	18-5	17-7	17-9	19-3	...	...		
26. " U.K.	"	0-2	0-1	0-1	0-2	0-2	0-3	0-8	2-4	2-9	2-5	2-6	3-4	3-3	2-8	2-4	2-2	...	...	
27. " U.S.A. (e)	"	0-0	0-0	0-1	0-1	0-2	0-3	0-7	0-9	0-9	0-9	0-9	0-9	0-9	0-9	...	...			
28. " World (e)	"	0-7	0-6	0-8	0-8	2-5	4-5	11-4	25-4	50-3	34-2	34-2	58-1	58-1	58-1	...	...			
29. Price: Viscose, std. grade, per lb.	pence	...	...	...	...	...	15-5	11-0	10-9	11-0	11-0	11-0	11-0	11-0	11-0	10-0	10-0	...	...	
WOOL																				
30. Stocks: Australia, S. Africa, N. Zealand, June 30	Million lbs.	35	98	101	147	74	114	94	47	50	...	...	...	...	...	...	...	...	...	
31. Price: Weekly Wool Chart ... 1929=100		100	64-7	49-3	45-6	60-4	69-1	62-1	78-4	104-4	95-7	101-7	89-7	78-4	79-3	75-0	69-0	69-0	...	
PIG IRON																				
32. Production: France	Tb. metric tons	864	836	683	461	527	513	482	520	660	574	649	701	688	680	643	559	...	...	
33. " Germany	"	1,103	808	505	328	439	728	1,070	1,275	1,390	1,191	1,304	1,418	1,372	1,400	1,438	1,349	...	...	
34. " U.K.	"	643	524	318	303	505	564	1,042	1,119	613	691	782	775	796	773	704	726	...	...	
35. " U.S.S.R.	"	2,659	1,919	1,384	1,179	1,791	2,593	3,108	3,048	3,515	2,939	3,151	3,452	3,191	3,452	3,191	1,475	...	...	
36. " All principal countries	"	362	417	405	513	597	867	1,042	1,193	1,210	1,010	1,218	1,273	1,070	1,232	1,140	1,099	...	...	
37. " TEA	"	7,974	6,454	4,480	3,170	3,959	5,026	5,882	7,319	8,034	7,542	8,682	8,262	7,107	6,537	6,389	5,850	...	...	
EXPORTS: Ceylon																				
38. " Dutch East Indies	Million lbs.	21-0	20-2	20-3	21-1	18-0	18-2	17-7	18-2	17-9	13-3	18-1	18-8	17-8	18-6	17-8	16-4	...	...	
39. " British India	"	12-3	13-2	14-1	13-5	12-9	12-9	12-1	12-8	12-2	10-9	12-2	11-8	11-8	11-8	13-5	13-5	...	...	
40. " World	"	30-0	30-0	28-8	30-8	27-3	28-0	27-4	26-2	...	11-2	7-1	53-5	46-9	53-7	20-8	...	...		
41. " Quota of Restricting countries (f)	% of std. quant'y	80-6	74-7	75-3	77-7	70-7	71-9	70-1	70-3	...	51-8	55-4	106-2	92-9	87-3	...	...			
42. " U.S.A.	Mill. lbs.	36-4	36-6	38-5	...	85-0	87-5	82-5	82-5	87-5	82-5	82-5	87-5	87-5	87-5	87-5	87-5	...	...	
43. " U.K.	"	36-4	36-6	38-5	...	85-0	87-5	82-5	82-5	87-5	82-5	82-5	87-5	87-5	87-5	87-5	87-5	...	...	
44. " U.S.S.R.	"	36-4	36-6	38-5	...	85-0	87-5	82-5	82-5	87-5	82-5	82-5	87-5	87-5	87-5	87-5	87-5	...	...	
45. Stocks: U.K. and Holland (c)	"	281-9	294-8	278-9	315-8	295-7	309-4	270-3	241-2	224-0	211-6	180-8	175-9	202-5	224-0	233-6	223-7	...	...	
46. Price: A.V. London auctions	pence per lb.	16-25	15-23	12-24	9-45	11-78	13-27	12-90	13-17	15-18	14-4	15-17	16-19	15-04	13-70	14-23	14-53	14-39	...	...

British Industrial Developments

The following reports on British industry cover, in most cases, the period to the middle of May. In the remainder they relate to the month of April.

COAL

As a result of the decline in domestic industrial activity and in international trade the output of coal is tending to decline. The quantity of saleable coal raised last month was 17.8 million tons, compared with 22.0 million tons in March and 21.7 million tons in April, 1937. Even if allowance is made for the fact that the number of working days in April was lower than in March owing to the Easter holidays, output still shows a decline which cannot be entirely explained by seasonal influences. In recent weeks, moreover, the output of coal has been running below last year's level. Exports last month, at 2.7 million tons, showed a decline of 0.5 million tons from the corresponding month last year. As a result of the decline in sales, the pressure on prices has shown a distinct increase, and their tendency has been downwards. There are no indications of an early reversal of the trend.

IRON AND STEEL

Despite the steady increase of stocks, the output of the iron and steel industry was well maintained until March. In April, however, there was a sudden decline in production. The output of steel ingots and castings last month was lower than in any corresponding month since 1935; it amounted to 938,600 tons, compared with 1,080,400 tons in April, 1937, and 984,200 tons in April, 1936. Calculated on a daily basis the output of steel last month was 6 per cent. below the level of a year ago. The output of pig iron in April, at 661,000 tons, though 19,700 tons lower than a year ago, was still above the level of April, 1936. The reversion of the steel duties to the higher level at the end of March has been followed by the re-imposition of the 3½ per cent. duty on foreign pig iron on May 12th. The increase in the steel duties resulted in a sharp reduction in imports of iron and steel, from 276,800 tons in March to 61,500 tons in April, compared with 88,500 tons in April, 1937. Exports of iron and steel, however, have also shown an appreciable decline, shipments last month totalling 168,300 tons, compared with 239,500 tons a year ago. Our index of domestic iron and steel consumption, which is not adjusted for changes in stocks, declined from 143 (1935 = 100) in March to 123½ in April. On May 19th the Foundry Pig Iron Producers' Association decided not to alter the prices of foundry and forge pig iron on July 1st, when the current price agreement expires.

GENERAL ENGINEERING

Activity in the engineering industry continued its gradual downward trend during the past month. The proportion of insured persons unemployed in general engineering showed a further slight rise between March and April, when there was an increase of 1.3 per cent. over April, 1937. The recession is a reflection of the progressive decline in the volume of new domestic and foreign commercial orders, which has not been fully offset by the increase in Government contracts. The negotiations for the speeding-up of armament work have not been progressing as smoothly as anticipated, for the trade unions are not prepared to surrender their rights without specific guarantees. Meanwhile, exports continue above last year's level, shipments last month totalling 39,619 tons (valued at £4,897,490), against 38,576 tons (valued at £4,111,082) in April, 1937. Imports fell from 13,151 tons (valued at £2,235,590) to 10,757 tons (valued at £1,823,712) during the past 12 months. The prospects for commercial work are not very encouraging, for there are no signs of a revival of domestic or foreign commercial orders.

ELECTRICAL EQUIPMENT

Activity in the electrical equipment industry is also tending downwards, though production still remains at a very high level. The proportion of insured persons unemployed in electrical engineering and in the manufacture of electric cables and apparatus showed a slight increase between March and April, when it was 2.0 and 4.2 per cent., respectively, higher than a year ago. Exports of electrical goods and apparatus fell from £1,090,108 in April, 1937, to £1,050,906 last month. Shipments of electrical machinery, on the other hand, continued above last year's level; exports rose from 1,502 tons (valued at £236,352) in April, 1937, to 2,140 tons (valued at £375,852) last month.

AUTOMOBILES

The March registrations of private cars were 7.5 per cent. lower than in March, 1937, and amounted to 35,470 cars; the production of private cars and taxis totalled 42,138, compared with 44,578 a year ago. The output of commercial vehicles, however, has increased compared with March, 1937, though new registrations at 7,871 were a trifle lower. Exports of private cars in the first few months of the year were higher by nearly 3,000 units than in 1937, and totalled 28,728 cars; exports of commercial vehicles were somewhat lower than in 1937.

BUILDING

Contrary to earlier expectations, activity in the building and contracting trades has so far been better maintained than in many other industries. In April, for example, the proportion of insured persons unemployed in building, at 12.7 per cent., showed an increase of only 1.3 per cent. over the corresponding month last year. In public works contracting the proportion of insured workers unemployed last month was actually 1.1 per cent. smaller than in April, 1937. Two factors which contributed to the continued buoyancy of constructional activity are the long time-lag between the inception and completion of buildings and the increase of Government contracts. While there are no indications of an early slump in constructional activity, the persistent decline in the returns of building plans passed by a large number of local authorities does not augur well for the future. The returns for April, relating to 143 local authorities, revealed a decline of no less than 24.1 per cent. in the value of plans passed from the corresponding month last year. The fall was most marked in the case of factories, shops and other commercial buildings. While these returns are by no means comprehensive, the persistent decline in the value of plans passed must, sooner or later, be reflected in a decline in activity.

CHEMICALS

Business in the home chemical market has been on moderate lines during the past month. Inquiries for industrial chemicals have been chiefly for small quantities to cover immediate requirements, but the tone of the market is quite good and prices are maintained. There has been quite a substantial business in refined coal tar for road making, but in other directions the coal tar products market is still quiet. A small but steady business has been transacted in pharmaceutical and other fine chemicals. Reports from the wood distillation industry indicate that there has been a good demand for most products, although acetates of lime and wood tar have been dull items. Overseas trade during April was disappointing, the value of chemicals, drugs, dyes and colours exported being £341,454 less than in April, 1937, whilst imports decreased in value by £219,078.

POTTERY

Exports of all types of products are generally lower than a year ago, with the exception of exports of earthenware to Canada. Unemployment has again increased, and the percentage for April, at 18.4, was a trifle higher than in March, and showed an increase of 6.7 per cent. over the figures for April last year. Trade at Bristol and Derby is fair, but employment in North Staffordshire fell off during the month.

FOOTWEAR

Conditions are little changed, and though short-time working is prevalent in all districts, the number unemployed in April was no larger than in March. Employment was fair in the Midlands and in London; slack conditions were felt in Bristol, Lancashire and Scotland. Exports in April amounted to 27,900 dozen pairs, compared with 30,800 dozen pairs in April of last year, but 131,100 dozen pairs were exported in the four months ending in April, against 124,500 dozen pairs in 1937.

COTTON

Another month of depression has been experienced in the Lancashire cotton industry. There has been a tendency for unemployment to increase, and production in the spinning and weaving sections has been further reduced. Buyers throughout the month have acted with extreme caution owing to a lack of confidence in current prices and nervousness with regard to the political situation. Raw cotton prices have tended to favour buyers. The statistical position is distinctly bearish, as it is anticipated that at the end of this season the carry-over of all kinds of cotton will be about 23,200,000 bales, or about 5,000,000 bales more than the previous record in 1932. The contraction in foreign trade is a serious matter. Exports of piece-goods in the first four months of this year show a decline of 25 per cent. compared with 1937, while shipments of yarn have fallen by 22 per cent. compared with a year ago. Inquiry in piece-goods for India has kept up fairly well and numerous miscellaneous sales have been arranged. Trade with Egypt has been thoroughly upset by the increase in the tariff. Practically nothing has been done for West Africa. Less satisfactory advices have been received from South America. Rather better clearances have taken place in the home trade section, but new business has not been of any importance. Conditions in the spinning branch have tended to become worse. Owing to rumours of there being a possibility of the price agreements being broken, buyers have held aloof. Spinning production is now 55 per cent. of capacity, against 65 per cent. a month ago and 92 per cent. same time last year.

JUTE

April exports of jute piece-goods were barely half of those in April, 1937, and totalled 24.9 million square yards in the first four months of the year, against 48.6 million square yards in the corresponding months of 1937. Exports of sacks in the same period totalled 290,000

cwt., compared with 362,000 cwt. in January to April, 1937. Unemployment continues to increase, and 36.3 per cent. of those insured in the industry were out of work in April.

LINEN

The prolonged drought is likely to be highly prejudicial to the new crop of flax. Consumption of flax is restricted, but prices are firm. Demand for yarns is mainly for immediate requirements, though spinners of fine sizes are doing a better trade. Exports of piece-goods were lower in April than a year ago; the exports for the first four months of the present year amounted to 19.7 million square yards, against 34.5 million square yards in the corresponding months of 1937.

RAYON

Rayon business has remained depressed during the past few weeks. The hosiery side is still relatively much better than the weaving trade, but both leave much to be desired. There are fair clearances of stocks of fabrics, but yarn stocks have been accumulating recently, and the manufacturing industry is still working very much below capacity. There has also been some curtailment on the yarn-producing side.

WOOL

Imports of raw wool were higher in March and April than in the corresponding months of last year, and imports for the four months January to April at 350 million lbs. were a trifle larger than in 1937. In spite of the better tone in the wool markets, the manufacturing side of the industry remains very slack; the percentage of unemployment was 21.2 in April, compared with 20.8 in March and 6.5 a year ago. Exports of woollen and worsted tissues in January to April were 20 per cent. lower compared with the same months of last year; exports of tops in April were also lower than in April 1937, owing to the disappearance of the trade with China. There has been some improvement in the home trade, but prices remain low.

AGRICULTURE AND FISHERIES

The slight break in the drought has enabled spring cultivations to be resumed in arable districts, but the cold weather has retarded growth. Pastures generally are in a backward condition, and farmers are pressing for higher milk prices to offset the extra cost of feeding which the lack of grass makes necessary. Hill lambing has been satisfactory and disease is less prevalent than usual, but prices for fat lambs and sheep continue to fall. Small fruit was badly damaged by frost in East Anglia, and pears and plums also suffered in most districts. The catch of fish in the first four months of the year amounted to 85.8 million cwt., compared with 5.9 million cwt. in 1937, but the value increased by 12 per cent. to nearly £5.2 millions.

SHIPPING

The Economist's monthly index of shipping freight rates fell by a further two points to 113.7 in April (1898-1913 = 100), compared with 150.3 in April of last year; the fall was largely due to the sharp recession in rates from India, since most other areas show a slight recovery from the March quotations. Tanker rates continued to fall. There is a general lack of confidence and no sign of any recovery in the near future.

RETAIL TRADE

The returns of the value of daily retail sales in April, given in the *Board of Trade Journal*, show an increase of 11.4 per cent. over the figure for the corresponding month last year. This increase, which follows a decrease of 3.7 per cent. in March, is mainly a consequence of the different dates of Easter in 1937 and in 1938. The increase was most marked in the sales of boots and shoes (21.3 per cent.), while there was also a considerable expansion in sales of women's wear (12.3 per cent.). Higher daily sales were experienced in all districts with the exception of Central and West London.

We regret that in the last Trade Supplement of April 30th the percentage decline in the value of retail sales was inadvertently given as 7.1 per cent.; the correct figure is 3.7 per cent.

UNITED KINGDOM—THE ECONOMIST INDICES OF BUSINESS ACTIVITY*

Daily Averages of 1935 = 100

Period	Employment	Consumption of Power		Transport		Postal Receipts	Building Activity	Consumption of		Foreign Trade			Bank Clearings		Composite Index	
		Coal	Electricity	Mechanised on Railways	Commercial Motors in Use			Iron and Steel	Cotton	Imports of Raw Materials	Exports of British Manufactures	Shipping Movements	Metropolitan, Country, Provincial	Town	Monthly	Twelve-Months' Moving Average
Number of Weights.....	10	4	2	4	2	3	2	2	1	2	3	2	4	1	42	
1929	98½	103	68	127	78	95	80	97	111	98½	137½	108½	91	109	98½	...
1930	98½	103	68	127	78	95	80	97	111	98½	137½	108½	91	109	98½	...
1931	91	92	69	86	83	93	62	73	66	82½	80½	97½	86½	96	87½	...
1932	90	90	71½	86	86	94	57	59½	94	84	82	94½	86½	96	84	...
1933	93½	90	78	89½	89½	96½	73½	70	101	92½	85	98	91	88	89	...
1934	97½	97½	88½	100	95	97	88	98½	98½	100	92½	98	95½	96	96	...
1935	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	...
1936	105	104½	112½	106½	105	104½	107	125	109½	110½	101½	102	104	103½	106	...
1937	111	109½	126½	113	111	106½	98½	142	116	121	112	103	105	101½	112	...
1935—April.....	99½	98	97	97	99	101	98	92½	90	100	99½	99½	97	97½	98	98½
May.....	99½	98	97	97	99	101	98	92½	90	100	99½	99½	97	97½	98	98½
June.....	100	99½	97	99½	99½	98	98	98	99	97½	105½	100	102½	106½	100	99½
July.....	101	94	96½	98	100	98	99	93	112	108	96	100	104	99½	99½	99½
August.....	101	92½	99	100	100	99	100	104½	100	100	97	100	100	99	99½	100
September.....	101	100½	99½	98	100½	101	102½	105½	98½	104½	103	101½	102	95½	101	100½
October.....	101	105	101½	101½	101	99½	103½	102	96	102½	102	98	99½	96½	101	101½
November.....	101	104	102	103	101½	100½	105½	102½	107	106	99	101	99	96½	102	101½
December.....	101½	105½	108½	102½	102	104	108	113	99	117	99½	103½	103	112½	104½	102½
1936—January.....	101½	107	104	104	103½	101	106½	117	106½	97½	92½	98½	99	91	102	102½
February.....	102½	100½	108	102	104	101½	107	115	102	98	102	100½	99½	93	102½	103½
March.....	103	98	105	105½	104½	102	107	112½	101½	99½	99½	98	100	94	102½	104½
April.....	103½	103	111	106	104½	102	106½	126	110	107½	98½	98½	101	97	105	104½
May.....	104½	102½	107½	105	105	102	107	116	112½	106	99	100	103	96½	104½	105½
June.....	105	106½	107½	104½	105½	109	121	119	117½	98	102½	104	104	106	106	105½
July.....	106½	104½	109	106	105½	108½	122	120	117	105½	101½	104	97	107	106½	106½
August.....	107	104	111½	109	106	103½	109	120	117½	101	107½	105½	103	108	108	107½
September.....	107	102½	112	106½	106½	108½	108	122	107	105	100	106	113½	103	107½	107½
October.....	107	104	113½	107	107½	104½	107	127½	102½	117	107½	103	108	114	108	108
November.....	107½	104	117½	106	108	107	105	125	103	119½	106	109½	111	108	108	108½
December.....	107	107½	117½	113	108½	108	108	134½	108	108½	108½	108½	107	122	109½	109½
1937—January.....	109	97½	116	110½	109	107½	102	124	111½	103½	104½	101	106½	105	107½	109½
February.....	109½	108½	116	107	109½	110	102½	118	110	102½	121	107½	108	115	109½	110
March.....	109	110	125	108	110	107½	99½	118½	123	113	102½	114	108½	107½	111	110½
April.....	110	112	122	115	110½	110	102½	117	116½	103½	108½	102½	103½	109½	110½	110½
May.....	110	115½	123½	113	111	106½	100½	130½	143	118	117½	114	107	98½	112½	111½
June.....	111½	115	129½	113½	111½	107	99	133½	111	125	122½	106½	106½	106	113	111½
July.....	112	106½	123	114½	111	105	96½	140	131½	122½	113½	109	102½	100½	111½	111½
August.....	112½	107	128½	119½	111½	108½	95½	160	115½	130½	111	113	108	99	113½	111½
September.....	112½	110½	124½	117	112½	108½	95½	157½	106	133	116½	106	108	99	113½	111½
October.....	112	105½	124½	112	112½	108	96	158½	107	148½	112½	110½	104½	99½	113	111½
November.....	111½	107½	128½	110½	113	108	95	167	106½	145	104	109½	104½	100	112½	...
December.....	108½	105½	131½	114	113	111½	99½	173½	97	110½	108½	108	101½	99	111	...
1938—January.....	110½	107½	128	116	114½	110	96½	169½	107	110½	105½	105½	105½	99½	111½	...
February.....	110	108½	128	112	114½	110	95½	155	101½	117½	101	108½	103½	93½	110½	...
March.....	107½	113½	129	109½	114½	110	92½	143	102	109	90½	102	99½	88½	108½	...
April.....	109	101½	123	107½	115½	107½	90	123½	82½	107½	93½	105	100½	83½	105½	...

* For method of construction and earlier figures (1924-1936) see Supplement to *The Economist* of July 25, 1936. † Revised. ‡ Provisional. § Annual indices represent averages of monthly figures.

Business Developments Overseas

BRITISH EMPIRE

AUSTRALIA.—Business activity continues at a high level and unemployment among trade unionists fell to 8 per cent. in the first quarter of this year. The building industry is well occupied and the expansion of the defence programme will involve an extra expenditure of £A.43 millions over the next three years. Rain is needed in most districts, except South Australia, and the shortage of grazing may have adverse effects on next season's wool clip. Export prices declined further in March, when the index was only three quarters of the level of March, 1937; wool prices, however, showed a firmer trend at the recent London auctions.

SOUTH AFRICA.—The soaking rains which fell in April have benefited the pastures, and given rise to more optimistic forecasts for the corn crops. The crop of citrus fruit is reported to be excellent; prices of hides have risen with a good demand, and the brief wool season closed with somewhat higher prices. Business generally seems to have improved from the low levels of the first quarter of the year, though conditions are not as favourable as in the spring of 1937.

CANADA.—The general index of business activity shows a rise from 106.7 in February (1926=100) to 108.8 in March, which compares with 118.7 a year ago. This small recovery in the index is the result of a number of contrary movements in the output of various industries. Exports of copper, gold and silver show a marked increase when compared with last February and with a year ago; mineral production as a whole was considerably higher than in March, 1937, and showed a recovery from the relapse of the last three months. Building permits also increased from the low level of February, but were still 47 per cent. lower than a year ago. The output of pig iron and steel increased during the month, but the output of newsprint continued to fall, and the seasonal rise in automobile production was considerably less than normal. The heavy rains in most of the Prairie Provinces towards the end of March have given the new wheat crop an excellent start.

INDIA.—The trade returns for March show that imports continue at a higher level than in 1937, while exports are smaller; the favourable balance for the month fell to 19 lakhs, the smallest since February, 1931. Imports for the fiscal year April, 1937-March, 1938, are valued at 173,46 lakhs of rupees, compared with 125,24 lakhs in 1936-37, when the accounts included Burma; on the other hand, exports showed a fall of 6.5 per cent. to 189,21 lakhs, and the balance of trade on merchandise account fell from 92,26 lakhs in 1936-37 to 30,57 lakhs in 1937-38. The third official wheat forecast places production at 10,184,000 tons, which is practically similar to the estimated yield of the last crop.

EUROPE

FRANCE.—The vigorous policy of the new French Government under M. Daladier has brought about a marked revival in confidence, reflected in the repatriation of funds, the success of the new defence loan, and the rise in the prices of industrial and Government securities. Some time, however, will have to elapse before this improvement in confidence is reflected in a revival of business activity. According to the latest statistics, industrial activity remains at a very low level, especially in the capital equipment industries. The official index of production (1928 = 100) declined from 85 in February to 84 in March; a year ago the index stood at 93. Production in the building, metal, textile, and chemical industries in March was well below the level of a year ago. The number of unemployed persons in receipt of benefit declined slightly between March and April from 401,096 to 393,054, compared with 371,413 at the end of April, 1937.

GERMANY.—In contrast to many other countries, industrial activity in Germany remains well above the level of a year ago, a reflection of the intense effort to increase her military preparedness. Combined statistics for Austria and the former Germany are not yet published. The index of industrial production calculated by the German Institute of Business Research (1928 = 100) rose from 121.0 in February to 124.8 in March, against 113.5 a year ago. The number of unemployed, as officially recorded, declined from 508,000 at the end of March to 423,000 at the end of April; a year ago the number recorded as unemployed was 961,000. Imports in March continued above last year's level, but exports were slightly lower as a result of the downward trend of international trade. The official indices of wholesale prices and of the cost of living show practically no change, but there is some evidence that the official indices may not be fully representative of the trend of prices.

HOLLAND.—The general index of industrial activity fell in March by 7.4 points to 81.5, compared with 93.8 in March, 1937. The share market remains depressed and there is little new investment. The unemployment percentage in March, at 28.2 per cent., was somewhat lower than in February and than in March of last year. Foreign trade continues to decline; the value of imports in April was 18.9 per cent., and that of exports 20.4 per cent. lower than in April of 1937.

DENMARK.—The index for industrial production (base 1935) rose by one point in February to 105, compared with 107 in February, 1937. Activity in the textile industry has increased, though the output is still less than a year ago; there was a further decline in building activity, the index standing at 81, compared with 84 in January and 93 in February, 1937. New wage agreements have now been obtained in most trades, by which an increase of 6 to 7 per cent. has been secured; the agreements are valid for two years,

unless large changes in the cost of living occur, when the agreements may be revised next March. Freight rates continue to fall and some 55,000 tons of shipping are laid up.

FINLAND.—Industrial activity is again at a high level, after a relapse during the winter. Unemployment is less than a year ago, and building plans passed in March for Helsingfors totalled 406,600 marks, against 152,700 marks in March, 1937. Imports in the first quarter of the year totalled 1,945 million marks, against 1,590 million marks in the corresponding months of 1937; the value of exports also increased by 200 million marks to 1,530 million marks. The volume of exports for the last ten months was somewhat lower than in the corresponding period of the previous year, while the volume of imports was considerably higher.

HUNGARY.—The disturbances in Europe during the current year have reacted unfavourably on the Stock Exchange, and there is little new investment. Building activity has fallen and unemployment is somewhat higher than a year ago. The Government has prepared a five-year plan for economic development, which involves an expenditure of 1,000 million pengö. This sum will be raised by a loan of 400 million pengö, and the remainder by the imposition of a capital levy on companies and on the larger fortunes. More than half of the total sum is to be spent on defence, while substantial amounts have been allocated for irrigation, agricultural research, land settlement, the reorganisation of farm debts and for developing the educational and social services.

UNITED STATES OF AMERICA

The general trend of business activity has remained slightly downwards during the past month. The index of industrial production calculated by the Federal Reserve Board (1923-25=100) declined from 79 in March to 77 in April; a year ago the index stood at 118. There are still no indications of an early and sustained recovery in the capital equipment industries, and many observers do not expect recovery to get under way before the autumn. On the other hand, it is not anticipated that industrial activity will decline very much further. Indeed, there are indications that the heavy stocks of semi-manufactured and finished goods accumulated last year are gradually being worked off. The recession in the United States is reflected in the sharp decline in imports, from \$296 millions in March, 1937, to \$173 millions in March, 1938. Exports, on the other hand, remained above last year's level; shipments in March totalled \$271 millions, against \$252 millions a year ago. The buoyancy of exports is due, in no small measure, to the heavy purchases by the United Kingdom.

LATIN AMERICA

ARGENTINE.—Argentine exports for April were even lower in volume and value than in the earlier months of 1938. With the contraction in purchasing power, imports are now beginning to fall from the abnormally high level of the last six months. Local grain prices are weakening on forecasts of a very large American wheat crop, but owing to the recent rains, the outlook for next season's cereal crops is excellent, as there is now ample sub-soil moisture throughout the agricultural zone. The President's Message to Congress on May 11th stressed the necessity for economy in the national finances, since the revenue for 1938 may possibly show a heavy fall from the previous year.

URUGUAY.—The wool trade still does not show the customary seasonal activity, and the markets for hides and wheat remain quiet. The allocation of import exchange for Great Britain has been reduced by £50,000 to £250,000 between March and April, while Germany's allocation was increased by £150,000 to £350,000.

BRAZIL.—The increased exports of coffee under the new marketing policy is more than offset by lower prices, and January closed with an import trading surplus of £704,700 (gold), compared with an active balance at end-January, 1937, of £731,400 (gold). Allotment of exchange continues controlled, and whilst business appears steady and normal, there is now a reduced volume of imports.

COLOMBIA.—The balance of trade is adversely affected by lower coffee prices and by recent heavy imports of textiles. The Government has introduced a Bill to increase the existing import duties on certain types of cotton yarns and cloths. These cannot affect British trade until next March, a year after the Colombian Government denounced the British Treaty of 1866. It is understood that conversations are proceeding on the subject of a new treaty. Business continues dull, but may improve now that the elections are over.

THE FAR EAST

The system of exchange restriction adopted by the Japanese Government in January has succeeded in reducing imports (excluding trade with Manchukuo and Kwantung) from 550 million yen in the two first months of 1937 to 307 million yen in the corresponding period of this year. This has only been achieved by a severe reduction in civilian imports and many industries are seriously hampered by lack of the necessary raw materials. In spite of the reduction in imports, the balance of trade remains adverse as the value of exports in January and February fell by 9 million yen compared with last year to 26 million yen. Some sections of Japanese opinion are favouring a depreciation of the currency in order that the severe exchange restrictions might be reduced. April imports into China, at 93.0 million dollars, were 6 millions lower than in March and 16.1 million lower than in April of last year; exports were valued at 56.7 million dollars, somewhat higher than in March, but considerably below the 79.8 million dollars exported in April, 1937.

UNITED KINGDOM

(Population, mid 1936, 47,098,000; Area 93,030 sq. miles; 244,000 sq. kms.)

United Kingdom figures; otherwise Great Britain (G.B.)	Unit of Measurement	Monthly Average										1937		1937		1938			
												Mar.		Apr.					
		1929	1930	1931	1932	1933	1934	1935	1936	1937			Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	
PRODUCTION																			
1. Industr. Prod. B. of Trade (a)(d)	1930 = 100	108.5	100.0	91.0	90.5	95.5	106.1	113.6	124.6	133.1	131.3			136.6				132.7	
2. Coal, G. B.	Mill. tons	21.4	20.3	18.3	17.4	17.2	18.4	18.6	19.0	20.1	20.7	21.7	21.7	21.2	21.1	20.8	20.1	20.2	17.2
3. Electricity, public supply, G.B.	Mill. kw.-hrs.	888	910	951	1,020	1,130	1,288	1,464	1,685	1,908	2,074	1,832	2,285	2,500	2,382	2,144	2,111	1,849	
4. Pig iron	Thous. tons	632	516	314	298	345	497	635	641	708	680	681	762	784	761	693	715	661	
5. Steel ingots and castings	Thous. tons	803	610	434	439	588	738	822	973	1,080	1,110	1,080	1,176	1,104	1,081	1,058	1,116	999	
6. Buildg. plans passed f Dwellg.	Thous. £'s	3,688	3,807	3,374	3,807	5,192	5,798	6,836	6,255	5,637	5,945	7,036	5,285	7,037	5,482	4,810	5,285	5,337	
7. 146 towns, G.B.	Thous. £'s	2,403	2,320	1,877	1,614	1,781	2,164	2,990	3,497	3,579	3,953	3,941	3,024	3,075	3,279	3,103	3,194	3,022	
8. Home	1929 = 100	100	125	77	112	67	180	148	250	282(4)	255	232	200	...	...	...	...	...	
9. Foreign	1929 = 100	100	67	50	31	44	60	62	96	109(6)	125	118	92	...	...	...	...	...	
10. Total	1929 = 100	100	93	58	59	56	107	104	167	168(6)	188	174	144	...	...	...	...	...	
11. Shipbuilding: commenced (f)	Thous. gross tons	137	79	17	6	20	43	57	91	88	84	123	72.5	76.5	58	58	58	58	
12. " launched (f)	1929 = 100	127	123	42	16	11	38	42	71	76	59	84	74.5	60	60	60	60	60	
13. " on hand, end yr.	1929 = 100	1,560	909	401	225	332	597	743	964	1,125	1,014	1,125	1,125	1,125	1,125	1,125	1,125	1,089	
14. Automobiles: priv. cars (b) ...	Number	15,199	14,139	13,250	14,270	19,232	21,406	25,962	29,487	32,469	44,578	36,309	27,034	31,552	31,408	24,481	42,138	...	
15. " Com. vehicles (b) ...	1929 = 100	4,705	5,572	5,609	5,123	5,459	7,136	7,681	8,987	9,843	11,045	10,069	7,773	8,170	10,637	8,802	11,765	...	
16. Cotton delivered to mills, G.B.	Mill. lbs. daily av.	5.27	3.92	4.04	4.47	4.72	4.91	4.72	5.17	5.43	6.23	5.90	5.63	5.06	5.42	4.91	4.87	4.18	
17. Rayon: Output	Thous. lbs.	4,742	4,064	4,548	6,043	7,007	7,758	10,314	12,110	12,901	12,520	13,670	13,720	12,910	12,510	12,190	13,270	...	
18. " Quantity excised	Thous. st. barrels	4,710	3,992	4,591	5,955	7,086	7,715	9,997	11,783	13,082	12,527	14,317	13,522	13,367	12,032	11,367	13,270	...	
19. Beer production	Thous. st. barrels	1,620	1,568	1,365	1,102	1,192	1,293	1,385	1,488	1,473	1,534	1,455	1,596	1,772	1,721	1,231	1,561	...	
20. Distilling: Drink (f) ...	Thous. proof galls.	914	840	786	721	733	719	720	780	785	634	711	1,100	1,100	1,073	573	573	573	
21. " Industrial alcohol (f) ...	1929 = 100	1,205	1,393	1,438	1,834	2,484	2,816	3,172	3,595	4,369	3,700	4,414	4,663	4,663	4,359	4,359	4,359	4,359	
22. " Stocks, end year ...	1929 = 100	151.6	153.4	148.5	141.5	134.9	135.4	136.1	137.4	144.5	140.6	141.7	143.2	144.5	145.7	147.1	148.7	...	
TRADE AND TRANSPORT																			
23. Rly. traf. f Merch. & Ivst. G.B.	Thous. tons	9,780	8,890	7,602	6,605	6,875	7,660	7,661	8,188	8,690	8,404	8,558	9,223	8,728	8,156	...	...	...	
24. " Coal and coke, G. B.	Thous. tons	15,933	14,868	13,360	12,861	12,727	13,384	13,447	13,539	14,334	15,685	14,378	15,248	15,687	14,566	...	...	...	
25. Automob. f priv. ers in use, G.B.	Thousands	893.8	967.7	979.7	1018.4	1084.8	1154.3	1347.5	1498.8	1648.2	1487.4	1659.7	1676.9	1702.7	1597.1	1601.1	1637.9	1797.3	
26. " Concl. vehicles in use, G.B.	Thous. cars	31.7	33.6	34.0	35.6	37.0	39.5	41.2	43.7	45.8	43.7	45.9	46.7	47.2	46.4	46.1	47.1	47.9	
27. Postal traffic receipts, daily	Thous. £'s	133	135	134	133	135	137	140	147	151	149	152	157	207	151	146	150.3	149.5	
28. Retail trade, Gt. Brit.: Food	Avg. daily sales	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
29. " Other merchandise	1933 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
30. " Total	1933 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
31. Advtg. expnd. on brand. gds.	1935 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Foreign Trade																			
32. Retained imports, value: Food	Thous. £'s	42,444	37,603	33,041	29,810	27,311	27,829	28,616	30,921	34,099	34,033	31,738	41,695	41,797	35,204	32,220	35,349	31,155	
33. " Raw materials	1929 = 100	23,774	17,674	12,277	11,740	12,897	13,384	13,447	13,539	14,334	15,685	14,378	15,248	15,687	14,566	...	...	...	
34. " Manufactures	1929 = 100	25,467	23,622	20,367	12,688	11,654	13,395	14,302	16,452	20,878	19,917	21,727	23,335	23,711	20,721	...	...	...	
35. " Total	1929 = 100	92,589	79,762	66,449	54,221	52,611	56,981	58,473	65,710	79,492	75,974	75,596	91,948	91,948	80,155	68,211	79,407	68,532	
36. Volume: Food (a)(d) ...	Avg. of 1935	101.5	99.6	106.5	102.5	100.7	101.1	100.8	103.4	103.4	103.1	102.2	103.1	103.1	103.1	103.1	103.1	103.1	
37. " Raw materials (a)(d) ...	1929 = 100	101.5	99.6	106.5	102.5	100.7	101.1	100.8	103.4	103.4	103.1	102.2	103.1	103.1	103.1	103.1	103.1	103.1	
38. " Manufactures (a)(d) ...	1929 = 100	101.5	99.6	106.5	102.5	100.7	101.1	100.8	103.4	103.4	103.1	102.2	103.1	103.1	103.1	103.1	103.1	103.1	
39. " Total (a)(d) ...	1929 = 100	101.5	99.6	106.5	102.5	100.7	101.1	100.8	103.4	103.4	103.1	102.2	103.1	103.1	103.1	103.1	103.1	103.1	
40. Domestic exports, value: Food	Thous. £'s	4,555	3,944	2,898	2,625	2,814	2,538	2,636	3,232	2,908	3,092	3							
41. " Raw materials	1929 = 100	6,575	5,313	3,920	3,634	3,832	4,021	4,404	4,278	5,388	5,264	5,636	5,347	4,873	4,680	4,241	4,928	4,434	
42. " Manufactures	1929 = 100	47,899	36,745	24,388	23,031	23,475	25,403	27,411	28,410	33,737	34,158	33,362	34,682	33,336	32,595	29,706	33,538	29,343	
43. " Total	1929 = 100	60,779	47,563	32,552	30,419	30,659	33,000	35,493	36,727	43,466	43,470	43,027	45,183	43,882	41,183	37,529	42,155	37,226	
44. Volume: Food (a)(d) ...	Avg. of 1935	126.7	116.7	94.5	90.9	84.8	85.3	100	100	100	100	100	100	100	100	100	100	100	
45. " Raw materials (a)(d) ...	1929 = 100	126.7	116.7	94.5	90.9	84.8	85.3	100	100	100	100	100	100	100	100	100	100	100	
46. " Manufactures (a)(d) ...	1929 = 100	142.1	113.8	80.7	83.0	85.5	85.2	100	102.1	115.2	109.7	100	112.2	112.2	112.2	112.2	112.2	112.2	
47. " Total (a)(d) ...	1929 = 100	140.3	115.0	83.8	84.0	85.9	85.4	100	101.5	119.5	108.2	100	112.2	112.2	112.2	112.2	112.2	112.2	
48. Shipping: Tonnage entered ...	Thous. net tons	5,225	5,310	5,023	4,497	5,036	5,223	5,302	5,616	5,868	5,760	5,421	6,139	5,880	5,002	4,853	5,598	5,285	
49. " Tonnage landed ...	1929 = 100	5,723	5,458	4,862	4,620	4,639	4,774	4,777	5,475	5,765	5,630	5,143	4,911	4,457	4,530	4,146	4,588	4,661	
50. " Tonnage laid-up (k) ...	1929 = 100	365	193	186	171	147	124	107	102	102	102	102	102	102	102	102	102	102	
51. Freight rates, Economist Index	1929 = 100	100	81.7	82.2	77.9	75.1	76.4	76.8	87.3	132.5	122.3	133.4	129.8	112.2	111.5	105.4	102.5	101.5	
52. Cable and wireless traf. receipts	Corresponding month 1929 = 100	100	87.3	78.9	72.3	70.5	72.5	73.5	74.4	78.9	90.6	83.7	72.5	82.5	71.5	79.3	74.7	71.5	
EMPLOYMENT AND WAGES																			
53. Insured pers. employed G.B.	Thousands	10,220	9,797	9,421	9,348	9,691	10,139	10,772	10,917	11,496	11,242	11,394	11,573	11,437	11,309	11,324	11,330	11,330	
54. Insured pers. unemployed	1929 = 100	1,212	1,015	960	2,756	2,496	2,107	1,958	1,684	1,413	1,505	1,368	1,432	1,584	1,827	1,810	1,749	1,749	
55. Per cent. unemployed	1929 = 100	10.3	15.8	21.1	21.9	19.9	18.6	15.3	13.0	10.6	11.5	10.5	10.7	11.8	12.9	12.8	12.5	12.5	
PRICES																			
56. Retail at Exchanges, all ages	1929 = 100	1,276	2,014	2,718	2,813	2,588	2,221	1,806	1,822	1,586	1,677	1,526	1,580	1,755	1,927	1,908	1,845	1,845	
57. " London	1929 = 100	118	177	273	306	272	216	203	179	171	183	162	189	196	241	238	227	227	
58. " S.E. England	1929 = 100	50	75	114	142	120	93	91	79	70	86	72	85	96	117	113	99	99	
59. " S.W. "	1929 = 100	61	69	109	157	147	123	114	94	83	90	83	98	98	113	108	96	96	
60. " Midlands	1929 = 100	166	267	385	371	325	245	211	178	144	149	132	152	175	197	198	196	196	
61. " N.E. England	1929 = 100	280	419	569	602	557	428	452	304	165	166	149	162	193	206	202	192	192	
62. " N.W. "	1929 = 100	285	522	627	582	517	461	439	374	304	315	297	314	341	382	391	385	385	
63. " Northern (c) ...	1929 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
64. " Scotland	1929 = 100	156	244	358	376	344	331	314	279	158	176	159	143	159	154	152	147	147	
65. " Wales	1929 = 100	116	153	196	228	219	208	209	188	151	164	153	141	148	158	158	161	161	
66. " N. Ireland	1929 = 100	96	86	71	68	68	62	70	67	71	66	71	81	90	99	97	96	96	
67. Industr. disputes, No. days lost	1929 = 100	676	361	527	541	87	78	160	154	285	220	480	152	45	103	133	11		

UNITED STATES, FRANCE AND GERMANY

May 28,
1938

	Unit of Measurement	Monthly Average										1937		1937		1938			
		1929	1930	1931	1932	1933	1934	1935	1936	1937	Mar.	Apr.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	
UNITED STATES (Population 1934: 128,450,000; Area : 7,839,432 sq. kms.)																			
PRODUCTION																			
1. Industrial production, F.R.B.(a)	1929=100	100	80.7	63.1	53.8	63.9	66.4	75.6	88.1	92.2	99.2	99.2	74.8	70.6	67.2	66.4	66.4	65.5	
2. Investment goods, F.R.B.(a)	"	100	72.6	48.2	27.6	41.2	46.5	63.2	82.4	88.6	93.8	96.8	61.5	49.7	46.8	44.7	...	...	
3. Consumption goods, F.R.B.(a)	"	100	86.8	85.2	75.9	84.2	87.6	87.6	94.5	94.5	102.6	102.4	81.0	81.3	79.9	80.2	...	...	
4. Coal	Million m. tons	46.0	40.6	33.4	27.2	29.0	31.4	31.6	36.5	37.0	50.9	29.7	36.8	37.2	32.3	27.7	27.9	23.0	
5. Electricity generated	Million kw. hrs.	8,113	7,995	7,644	6,842	7,111	7,590	8,233	9,461	10,033	10,228	9,868	9,819	10,050	9,635	8,707	...	...	
6. Steel	Thous. m. tons	4,599	3,326	2,133	1,128	1,913	2,139	2,830	3,973	4,192	5,300	5,152	2,188	1,496	1,760	1,731	2,044	1,956	
7. Index of machine tool orders	1929=100	100	46.0	26.0	12.6	17.4	29.7	55.5	87.7	120.0	135.8	181.3	81.9	91.6	76.0	48.6	...	...	
8. Residential	Million \$	159.6	91.8	67.0	23.3	20.8	20.7	39.9	66.8	75.5	90.2	108.0	59.9	43.5	36.2	40.0	...	...	
9. Other	"	319.6	285.1	190.1	89.3	83.8	107.9	114.1	156.1	184.4	141.0	161.9	138.5	166.0	159.3	79.0	...	...	
10. Private cars	Thousands	382	232	164	88	131	181	271	306	326	404	440	295	244	156	140	...	...	
11. Commercial vehicles	"	64	48	35	20	29	48	58	65	72	90	93	65	82	54	47	...	...	
12. Activity in textile industry	1929=100	100	79.1	81.7	72.2	84.3	73.9	90.4	97.4	96.5	112.2	107.8	69.6	67.0	65.2	68.7	70.4	...	
13. Stocks of raw materials	"	100	106.0	116.7	120.7	122.1	120.7	94.0	86.2	83.6	74.5	65.8	131.5	132.2	128.8	122.1	...	...	
14. Stocks of manufactures	"	100	102.5	65.0	86.7	85.9	90.9	86.7	85.0	91.6	91.7	89.2	95.0	95.8	101.7	102.5	...	...	
TRADE AND TRANSPORT																			
15. Index of Rly. car loadings	"	100	86.8	70.7	52.8	54.7	58.5	59.4	67.9	74.7	78.3	79.2	67.0	63.2	61.3	58.5	...	...	
16. Index of Dept. Store sales	"	100	91.9	82.9	62.2	60.3	67.6	71.2	79.2	83.6	83.8	83.8	82.0	81.1	81.1	79.3	...	...	
17. Retained imports	Million \$	362	260	174	110	136	170	202	251	295.9	281.2	212.4	203.7	163.5	155.9	173.3	...	...	
18. Domestic exports	"	430	315	198	131	137	175	187	202	275	252.4	264.6	311.2	315.3	286.1	260.0	270.8	...	
EMPLOYMENT AND WAGES																			
19. Factory employment, F.R.B.(a)	1929=100	100	87.2	73.8	62.6	68.8	78.8	82.1	87.8	95.0	96.4	97.0	89.9	85.0	80.4	79.3	81.6	...	
20. Pay roll, F.R.B.(a)	"	100	81.1	61.8	42.6	45.5	57.7	65.4	75.5	89.8	92.7	96.2	82.0	74.1	65.6	67.4	...	...	
21. Hourly earnings, N.I.C.B.	"	100	100	96	84	83	99	102	105	120	113.6	117.9	124.1	123.8	122.4	122.3	...	...	
22. Av. hours of work, N.I.C.B.	Number	48.3	43.9	40.4	34.8	36.4	34.7	37.2	39.7	39.3	41.7	41.0	35.7	34.2	32.6	33.4	33.0	...	
23. Number unemployed, A.F.L.	Thousands	1,864	4,770	8,738	13,182	13,723	12,364	12,208	...	...	...	...	...	...	...	...	...	...	
PRICES																			
24. Cost of living, N.I.C.B.	1929=100	100	96.2	87.2	77.9	74.9	79.4	82.6	84.8	88.4	87.8	88.2	88.9	88.5	87.4	86.6	...	...	
25. Wholesale prices, D. of Lab.	"	100	90.7	76.6	68.0	69.3	78.7	83.9	84.8	90.6	92.1	92.3	87.4	85.7	84.9	83.7	83.6	...	
26. " raw materials	"	100	88.5	67.3	56.5	57.9	70.4	79.1	82.0	86.9	92.4	91.0	79.2	77.3	76.8	75.5	...	...	
27. " semi-manufactures	"	100	87.2	73.5	63.2	61.4	77.6	78.4	80.8	90.8	95.4	94.2	84.9	82.7	81.9	81.0	...	...	
28. " Finished goods	"	100	93.1	81.5	74.4	74.6	82.8	87.4	89.2	91.0	91.4	92.5	91.8	90.3	89.2	88.1	...	...	
29. " Farm products	"	100	84.1	61.8	45.9	49.0	52.6	57.1	77.2	82.5	89.7	87.9	72.1	69.3	68.2	65.6	...	...	
30. 851 Indus. securit., Stand. Stat.	"	100	74.2	45.9	24.4	35.0	42.9	48.0	67.3	69.0	80.3	75.3	50.7	49.7	51.3	50.5	47.1	44.1	
FINANCE																			
31. Total Res. Bank credit	Million \$	1,739	1,386	1,853	2,171	2,674	2,470	2,486	2,500	2,612	2,458	2,565	2,606	2,612	2,593	2,590	2,611	...	
32. Gold stock	"	3,900	4,225	4,031	4,045	4,012	8,238	10,125	11,258	12,760	11,574	11,799	12,774	12,760	12,755	12,774	12,794	...	
33. Money in circulation	"	4,578	4,603	5,360	5,388	5,519	5,596	5,882	6,543	6,551	6,377	6,426	6,561	6,550	6,320	6,334	6,356	6,397	
34. Member Bank Res. Balances	"	2,855	2,471	1,961	2,509	2,729	4,036	5,587	6,643	7,027	6,639	6,881	6,962	7,027	7,237	7,248	7,287	...	
35. " Excess Reserves	"	-73	96	-33	576	859	1,814	2,844	1,984	1,212	1,398	1,594	1,169	1,212	1,383	1,415	1,546	...	
36. Member Banks in 101 towns:	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
37. " loans and investments	"	19,112	18,660	15,985	14,965	11,383	11,419	13,888	15,571	14,431	22,610	22,280	21,556	21,484	21,285	21,414	21,072	...	
38. " deposits: Demand	"	13,070	13,654	11,453	10,527	4,790	4,781	4,911	5,067	5,205	5,144	5,158	5,234	5,205	5,260	5,260	5,230	...	
39. Bank debits outside N.Y. City	"	26,801	23,113	17,119	12,819	13,288	15,701	18,676	23,238	19,590	21,605	20,551	18,160	20,825	17,597	14,589	17,363	16,581	
40. Call money	%	7.61	2.94	1.74	2.05	1.16	1.0	0.56	0.91	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	...	
41. Yield on Govt. bonds	%	3.9	3.28	3.31	3.66	3.31	3.0	2.69	2.47	2.57	2.50	2.74	2.60	2.54	2.47	2.46	2.45	...	
42. Capital issues, C.F. Chronicle	Million \$	595	848	260	99	59	115	123	166	193	187	161	134	164	121	199	126	197	
FRANCE (Population 1936: 41,906,000; Area: 550,988 sq. kms.)																			
PRODUCTION																			
43. Industrial production S.G.F.(b)	1929=100	100	100.7	89.2	69.1	77.0	71.2	67.6	70.5	72.7	74.8	75.5	73.4	73.4	70.5	69.1	67.6	...	
44. Coal	Thous. met. tons	4,482	4,490	4,167	3,856	3,907	3,969	3,851	3,769	3,693	4,087	3,910	4,072	4,160	3,613	3,685	4,294	...	
45. Electricity	Thous. met. tons	100	99.2	93.8	83.2	96.7	98.3	101.7	104.2	114.3	112.6	116.8	117.7	119.3	125.2	...	...	...	
46. Steel	Thous. met. tons	808	787	652	470	544	512	522	559	655	679	684	673	675	623	561	562	...	
47. Building activity	1929=100	100	111.4	101.6	81.3	74.0	66.7	55.3	52.0	48.1	54.4	50.4	43.6	43.6	43.6	43.6	44.4	...	
TRADE AND TRANSPORT																			
48. Rly. car loadings, daily	Thous. cars	65.1	65.4	53.9	47.3	45.2	42.5	40.1	40.9	41.6	41.3	41.9	44.7	44.7	39.8	41.4	42.0	39.8	
49. Imports	Mill. frs.	4,852	4,376	3,517	2,494	2,369	1,925	1,745	2,118	3,526	3,126	3,297	3,931	4,459	3,892	4,238	3,527	3,877	
50. Exports	"	4,178	3,570	2,536	1,642	1,539	1,487	1,289	1,288	1,995	1,829	1,973	2,382	2,946	2,452	2,819	2,321	2,864	
EMPLOYMENT AND WAGES																			
51. Unemployed in receipt of benefit	Thousands	0.9	2.5	56.1	273.4	276.0	345.0	426.9	432.1	350.5	386.3	368.4	332.8	365.5	403.8	412.4	401.1	393.1	
52. Wage rates, Paris region	1929=100	100	106	105	100	102	102	101	116	...	...	...	...	...	...	...	...	...	
PRICES																			
53. Wholesale index of S.G.F.	"	100	88.4	80.0	68.2	63.6	60.0	54.0	65.5	92.7	87.7	88.0	99.2	100.6	101.4	100.6	101.1	102.6	
54. Cost of living, Paris, "	"	100	104.3	102.3	94.6	93.9	92.8	86.0	91.1	111.3	104.5	109.0	118.3	119.3	123.7	123.7	123.7	...	
55. Industrial securities "	"	100	84.6	58.1	47.0	44.8	35.4	38.3	33.4	43.8	51.3	43.3	40.3	38.6	39.1	33.2	37.1	43.1	
FINANCE																			
56. Govt. revenue: impots Indirects	Mill. frs.	35,496	33,912	33,843	28,980	28,360	27,420	28,244	26,670	30,640	7,473	10,022	27,763	30,640	3,603	6,163	...	...	
57. Impots sur les revenus	"	10,392	10,716	10,068	7,423	6,349	5,904	5,088	5,705	6,815	629	677	5,838	6,815	315	644	...	...	
58. Bank of France: Gold	"	41,668	53,578	68,863	83,017	77,098	82,124	66,296	60,359	58,933	57,359	57,039	58,932	59,933	58,933	58,937	58,807	58,807	
59. " Notes in circulation	"	68,571	76,436	85,725	85,028	82,613	83,412	81,510	89,342	93,837	85,746	87,063	90,131	92,636	92,255	92,740	98,095	98,519	
60. Commercial bank: Deposits	"	34,065	36,381	38,245	37,759	37,635	30,943	27,553	28,484	30,348	31,008	27,702	30,142	30,348	30,022	30,197	...	...	
61. Bank clearings, Paris	"	42,705	46,633	53,777	70,703	71,019	75,250	75,250	75,250	75,250	30,183	31,681	29,154	30,348	30,197	30,197	33,964	...	
62. Interest rates: - Bank rate	%	2.70	2.70	2.70	2.70	2.50	2.50	2.50	2.50	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	...	
63. " Market discount	%	3.50	2.26	1.55	1.26	1.90	2.09	3.48	4.00	3.97	4.13	4.13	3.40	3.13	3.17	3.27	3.53	3.38	
64. " 3% Rentes	%	3.96	3.42	3.42	3.48	4.35	4.12	3.73	3.87	3.90	3.87	4.20	4.18	4.31	4.30	4.35	4.43	...	
65. Capital issues	Mill. frs.	1,569	2,233	1,899	1,214	868	806	615	326	...	294	150	868	702	...	...	...	...	
GERMANY (Population 1934: 66,382,000; Area: 470,714 sq. kms.)																			
PRODUCTION																			
66. Industrial production, I.K.	1929=100	100	85.9	67.6	53.3	60.7	79.8	94.0	106.3	117.2	111.9	116.9	125.4	120.0	114.6	118.7	...	...	
67. Investment goods "	"	100	81.6	52.6	34.4	43.6	72.6	99.4											

THE ECONOMIST TRADE SUPPLEMENT
RAW MATERIALS AND CRUDE FOODSTUFFS
GROUP I.—MONTHLY TABLE.

Commodity		Unit of Measurement	Monthly Average										1937		1937		1938			
			1929	1930	1931	1932	1933	1934	1935	1936	1937 (a)	Mar.	Apr.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	
COAL																				
1. Production: Belgium	Th. metric tons	2,245	2,285	2,254	1,785	2,108	2,199	2,207	2,323	2,473	2,611	2,623	2,481	2,582	2,566	2,463	2,701	...	...	...
2. " France	"	4,482	4,490	4,167	3,856	3,907	3,969	3,851	3,769	3,693	4,087	3,910	4,073	4,161	3,613	3,685	4,294	...	...	...
3. " Germany: Coal	"	13,620	11,892	9,837	8,728	9,141	10,405	11,918	13,190	15,376	15,086	15,720	15,988	16,242	15,939	15,176	16,679	...	...	...
4. " Poland	"	8,853	3,126	3,189	2,403	2,233	2,436	2,395	2,479	3,018	2,747	2,740	3,232	3,338	3,379	3,074	3,003	...	...	...
5. " U.K.	"	21,837	20,650	18,582	17,717	17,525	18,708	18,877	19,349	20,421	21,232	22,093	21,547	21,474	21,166	20,421	22,359	...	...	...
6. " U.S.A.	"	46,026	40,590	33,355	27,183	28,937	31,398	31,578	36,761	37,042	50,889	50,707	36,793	37,128	32,316	27,705	27,937	...	...	...
7. " All Principal countries	"	107,219	98,062	86,002	76,438	79,694	87,514	89,337	97,877	103,367	118,367	124,417	101,823	104,774	98,747	90,210	...	...	...	...
8. Price: Av. Br. expt. price	sh. per ton	16-08	16-67	16-17	16-25	16-08	16-04	16-29	16-98	18-57	17-43	17-64	19-46	19-6	20-24	20-76	20-92	20-78	...	...
OIL																				
9. Production: Dutch East Indies	Th. metric tons	437	461	392	424	461	503	507	536	605	592	584	621	627	603	569	...	...	...	...
10. " Mexico	"	558	492	411	408	422	475	501	511	575	643	635	629	646	618	600	...	...	...	...
11. " Persia (Ang.-Ir. Oil)	"	462	503	487	543	544	578	577	628	871	772	759	922	880	880	793	...	...	...	...
12. " Rumania	"	403	483	563	612	615	706	698	723	596	629	604	570	575	562	512	...	...	...	...
13. " U.S.A.	"	11,509	10,260	9,714	8,970	10,347	10,375	11,388	12,550	14,597	14,632	14,393	14,237	14,612	14,533	12,978	14,604	...	...	...
14. " U.S.S.R.	"	1,206	1,552	1,912	1,791	1,786	2,013	1,988	2,193	2,318	2,167	2,181	2,321	2,414	2,420	1,864	...	...	...	...
15. " All Principal countries	"	17,145	16,351	15,811	15,048	16,516	17,420	18,338	20,573	23,500	23,378	23,003	23,273	24,000	23,500	...	...	...	...	...
16. Stocks: U.S.A. end year	million barrels	422	402	371	340	334	337	315	288	306	297	304	306	306	306	...	...	...	...	...
17. Price: U.S.A., Mid-Cont. crude	cents per barrel	123-3	111-1	87-3	81-3	60-1	94-0	94-0	104-0	115-2	116-0	116-0	116-0	116-0	116-0	116-0	116-0	116-0	...	...
CRUDE STEEL																				
18. Production: Belgium	Th. metric tons	342	280	259	232	229	246	252	265	322	309	328	315	266	229	181	175	...	...	...
19. " France	"	808	787	652	470	544	514	523	559	635	679	684	673	675	623	561	562	...	...	...
20. " Germany, inc. Sax.	"	1,354	962	691	481	632	990	1,371	1,601	1,654	1,582	1,645	1,791	1,765	1,812	1,770	1,949	...	...	...
21. " Japan, ex. castings	"	191	191	157	200	267	325	375	419	...	478	514	...	...	...	...	...	...	...	...
22. " Luxemburg	"	225	189	170	163	154	161	153	165	209	225	230	178	160	132	111	109	109	...	...
23. " U.K.	"	816	620	438	445	595	750	833	990	1,093	1,127	1,098	1,197	1,122	1,099	1,075	1,134	953	...	...
24. " U.S.A., ex. castings	"	4,599	3,326	2,133	1,128	1,913	2,139	2,330	3,963	4,192	5,100	5,152	2,188	1,496	1,760	1,731	2,044	1,953	...	...
25. " U.S.S.R.	"	407	433	451	490	571	800	1,034	1,362	1,485	1,530	1,493	1,528	1,575	1,490	1,434	...	...	...	...
26. " All Principal countries	"	9,714	7,680	5,615	4,113	5,510	6,638	7,983	9,970	10,394	12,015	11,936	8,619	7,801	7,887	7,561	8,154	...	...	...
27. Price: Pig iron Cleveland, No. 3.	£ per ton	3-53	3-35	2-91	2-91	3-13	3-35	3-39	3-70	4-67	4-05	4-05	5-28	5-3	5-45	5-45	5-45	5-45	...	...
GOLD																				
28. Production: Union of S. Africa	Thous. fine ozs.	868	893	907	963	918	873	898	945	978	982	980	979	991	988	929	1,014	...	...	...
29. " U.S.S.R.	"	90	120	146	163	221	317	375	450	500	...	...	...	...	...	...	...	...	...	...
30. " Canada	"	161	175	225	254	246	248	274	310	341	326	323	353	362	361	340	...	...	...	...
31. " U.S.A.	"	171	175	185	185	190	229	264	313	341	...	...	...	...	...	...	...	...	...	...
32. " World (b)	"	1,632	1,736	1,887	2,025	2,112	2,275	2,465	2,752	2,938	...	...	...	...	...	...	...	...	...	...
33. Price: London, per fine ounce	sh.	84-9	85-0	92-5	118-0	124-9	137-6	142-1	140-3	140-7	142-36	141-30	140-09	139-8	139-6	139-75	139-89	139-70	9-08	9-08
WHEAT																				
34. World shipments, yr. ended July	Mns. of bushels	77	53	69	67	53	46	43	42	50	62	47	49	44	...	...	...	...	...	...
35. Stks.: World visible supplies (d)	sh. per cwt.	370-1	411-9	462-7	408-2	459-7	477-2	339-5	275-1	229-5	288-2	234-7	305-4	340-4	326-5	308-1	279-4	...	...	...
36. Average British import price	"	10-33	8-22	5-09	6-15	5-52	5-38	6-02	7-53	9-28	9-87	10-37	10-09	9-78	9-76	9-83	9-40	9-08	...	...
COTTON																				
37. Mill consumption: U.K.	Thousands of actual bales	233	205	164	182	187	206	209	228	...	233	233	243	243	...	...	...	...	...	...
38. " Japan	"	231	250	214	231	242	271	311	304	...	324	324	344	344	...	...	...	...	...	...
39. " U.S.A.	"	586	505	437	404	509	472	443	527	...	641	641	682	682	...	...	...	...	...	...
40. " World	"	2,157	2,101	1,874	1,860	2,029	2,093	2,035	2,116	...	2,389	2,389	2,468	2,468	...	...	...	...	...	...
41. Stks.: World Visible Supplies (d)	Thousand bales d. per lb.	2,738	4,317	6,583	7,682	7,510	6,571	3,983	4,297	3,875	6,368	5,717	8,508	7,965	8,773	8,665	8,240	7,910	...	...
42. Price: Mid. American	"	10-33	7-46	5-08	5-25	5-84	6-67	6-70	6-69	6-37	7-87	7-60	4-59	4-78	4-94	5-08	5-07	4-87	...	...
SUGAR																				
43. Stks.: World visible supplies (d)	Thous. tons	4,047	5,522	6,765	7,018	6,441	5,692	4,166	2,983	2,816	5,118	5,312	5,981	6,081	5,821	6,309	...	...	...	...
44. Av. Brit. import price, unrefined	sh. per cwt.	9-68	8-91	8-10	7-70	7-46	6-98	6-38	6-71	6-82	8-47	8-79	9-95	9-09	9-47	9-53	8-04	7-54	...	...

GROUP II (b).—BI-MONTHLY TABLE

COPPER																					
1. Production: Belgian Congo ...	Th. metric tons	11-3	11-4	10-0	4-5	5-6	10-8	12-1	8-1	12-0	...	...	...	...	11-0	11-0	...	...	...	...	...
2. (Smelter) Canada	"	6-1	8-5	9-2	8-0	9-9	12-7	14-7	15-7	17-2	...	...	...	...	23-5	24-0	23-8	21-2	21-8	...	...
3. " Chile	"	25-3	17-3	18-0	8-0	13-1	20-6	21-6	20-4	33-1	36-0	37-5	29-5	29-0	28-5	27-8	26-0	...	...	...	...
4. " N. Rhodesia	"	0-5	0-5	0-8	5-8	8-8	11-7	12-2	12-1	17-6	18-5	18-1	17-1	16-0	17-2	16-1	16-0	...	...	...	...
5. " U.S.A.	"	85-2	60-8	44-8	23-2	18-9	27-3	33-3	35-4	74-2	83-7	85-8	83-4	46-0	50-7	50-7	50-7	45-9	...	...	...
6. " World	"	157-9	131-5	114-9	77-6	88-6	128-4	115-6	128-5	176-2	185-4	195-3	162-2	150-8	151-8	138-9	146-5	...	...	...	...
7. Consumption: World	"	146-8	120-0	103-5	75-5	89-1	100-8	121-2	135-5	162-3	191-2	196-7	140-2	110-6	126-6	125-4	144-0	...	...	...	...
8. Stocks: U.K.	"	6-6	7-8	21-7	37-3	32-8	56-9	88-7	47-0	32-0	26-2	22-2	28-1	32-0	33-0	31-2	33-0	33-6	...	...	...
9. (Refined) Stocks: World	"	423-0	547-1	692-7	724-5	634-2	532-6	440-3	320-4	428-0	279-8	257-1	375-4	428-0	459-0	480-0	490-1	...	...	...	...
10. Price: Std. cash, London	£ per ton	75-48	54-54	38-31	31-71	32-57	30-32	31-91	38-48	54-53	72-44	62-61	39-32	39-98	41-43	39-64	39-82	39-33	...	...	...
LEAD																					
11. Production: Australia	Th. metric tons	15-0	14-3	12-7	15-8	17-4	16-9	18-2	16-6	19-0	18-4	18-3	19-9	20-1	17-7	...	...	...	...	...	...
12. (Smelter) Canada	"	11-5	11-5	10-5	9-6	9-6	11-9	12-4	13-7	15-0	16-0	15-0	15-6	16-1	16-1	...	...	...	...	...	...
13. " Germany	"	8-2	9-2	8-4	7-9	9-7	10-0	10-2	12-0	13-8	12-3	14-0	16-3	15-0	14-7	...	...	...	...	...	...
14. " Mexico	"	19-2	19-3	17-3	10-9	10-0	14-0	15-1	17-8	18-6	19-4	19-0	19-3	18-8	19-1	...	...	...	...	...	...
15. " Spain	"	11-1	10-1	9-8	7-3	6-1	5-9	9-9	...	...	...	...	...	...	...	...	...	...	...	...	...
16. " U.S.A.	"	54-1	46-4	31-4	21-1	20-8	24-2	24-8	32-7	37-6	37-4	39-8	38-9	43-0	34-2	...	...	...	...	...	...
17. " World	"	145-0	137-2	113-3	95-9	96-6	110-3	114-2	121-3	137-8	134-8	139-6	144-1	147-7	137-3	...	...	...	...	...	...
18. Stocks: U.K.	"	2-0	8-5	13-3	20-6	29-7	19-7	7-1	6-2	7-0	7-2	7-0	7-1	7-0	8-2	9-1	12-1	12-1	...	...	...
19. " U.S.A.	"	9-9	9-3	6-7	159-4	184-3	210-2	20-6	155-9	117-0	147-5	124-3	103-0	117-2	135-3	135-3	135-3	135-3	...	...	...
20. Price: "Soft" ore, London	£ per ton	23-25	18-05	13-02	11-00	11-68	10-93	14-25	17-60	23-33	33-03	26-01	16-8	15-9	16-17	15-40	15-99	15-99	...	...	...
SPELTER																					
21. Production: Holland	Th. metric tons	2-1	1-9	1-6	1-3	1-5	1-7	1-1	1-3	...	...	...	...	...	...	...	...	...	...	...	...
22. (Smelter) Belgium	"	16-5	14-7	11-2	8-0	11-4	14-6	15-3	16-8	...	...	...	...	...	...	...	...	...	...	...	...
23. " Canada	"	6-5	9-2	9-0	6-5	7-0	10-3	11-3	13-1	...	...	...	...	...	...	...	...	...	...	...	...
24. " Mexico	"	1-9	2-5	2-5	2-2	2-4	2-4	2-7	...	...	...	...	...	...	...	...	...	...	...	...	...
25. " Germany	"	8-5	8-1	3-8	3-5	4-2	6-1	10-4	11-5	13-6	13-5	13-2	13-9	14-4	14-5	14-1	...	...	...	...	...
26. " Poland	"	14-1	14-6	10-9	7-0	6-9	7-7	1-1	7-7	8-9	8-9	9-0	9-0	9-2	8-8	7-9	...	...	...	...	...
27. " Australia	"	4-4	4-7	4-6	4-5	4-6	4-6	5-7	5-8	...	...	...	...	...	...	...	...	...	...	...	...
28. " U.S.A.	"	4-9	4-1	1-8	2-3	3-5	4-3	5-4	5-5	...	...	...	...	...	...	...	...	...	...	...	...
29. " World	"	43-3	37-7	22-1	15-7	23-9	27-5	31-8	38-9	44-8	48-3	47-2	44-8	47-0	44-2	37-3	...	...	...	...	...
30. " U.S.A.	"	121-5	116-7	83-3	61-8	82-2	97-7	111-2	124-6	137-7	143-2	140-9	140-6	145-7	142-9	129-1	...	...	...	...	...
31. Stocks: U.K.	"	4-5	1-2	20-6	21-6	13-2	7-0	10-9	8-2	17-2	20-2	18-4	20-5	20-6	20-2	20-3	20-5	21-1	...	...	...
32. " U.S.A.	"	70-1	130-2	117-7	113-5	95-7	108-7	76-1	40-8	58-8	16-5	12-6	38-6	58-8	80-2	98-1	...	...	...	...	...
33. Price: Grade T, London	£ per ton	24-88	16-84	12-42	13-58	15-68	13-87	14-08	14-90	22-25	33-19	26-22	15-8	15-3	14-98	14-41	14-36	...	...	...	...
TIN																					
34. Production: Bolivia	Tons	3,862	3,109	2,562	1,715	1,227	1,719	2,264	2,006	2,085	2,288	1,676	2,596	2,802	2,578	2,046	3,148	...	...	...	...
35. (exports) Dutch E. Indies	"	2,993	2,979	2,290	1,307	1,221	1,557	2,060	2,610	3,315	2,949	2,762	3,161	3,631	2,136	2,449	2,536	...	...	...	...
36. " China	"	7,595	572	496	617	675	679	783	889	871	915	651	1,005	1,147	1,220	765	...	...	...	...	...
37. " Belgian Congo	"	81	72	12	57	185	384	540	628	774	616	767	936	3,685	1,822	381	550	...	...	...	...
38. " British Malaya	"	5,781	5,331	4,576	2,479	2,075	2,838	3,830	5,567	6,462	6,610	6,149	5,836	6,832	5,470	4,700	5,633	...	...	...	...
39. " Nigeria	"	895	724	385	315	350	493	570	493	570	493	570	493	570	493	601	812	...	...	...	...
40. " Siam	"	828	922	1,037	772	680	882	815	1,065	1,385	1,394	1,270	1,176	1,994	1,136	971	1,408	...	...	...	...
41. " World	"	15,582	14,251	12,367	8,267	7,583	9,660	12,258	15,162	17,442	17,800	15,830	17,000	27,300	13,800	13,000	...	...	...	...	...
42. " Quota of restrg. cons.	% of std. quantity	...	...	67-7	42-8	32-6	45-0	58-8	92-5	107-5	100-0	110-0	110	110	70-0	70-0	70-0	55-0	...	...	...
43. Consumption: U.K.	tons	2,518	1,883	1,741	1,161	1,356	1,756	1,820	2,134	2,327	2,723	2,159	1,918	1,412	1,950	...	...	...	...	...	...
44. " U.S.A.	"	7,298	6,885	2,937	1,638	1,489	3,639	3,518	3,041	3,722	2,974	7,388	5,721	6,897	4,825	4,798	...	...	...	...	...
45. " World	"	14,834	13,450	11,825	8,758	11,042	10,258	12,442	13,392	16,442	18,700	16,000	15,200	16,900	13,800	12,600	...	...	...	...	...
46. Stocks: World, Visible supply	"	32,449	46,623	59,247	55,903	123,319	17,107	12,841	22,695	25,711	23,476	23,813	23,327	25,711	24,967	23,308	27,123	...	...	...	...
47. " Ratio to restrg. cons.	%	17-7	27-7	41-8	53-2	22-0	13-9	9-3	14-1	13-0	13-7	13-8	12-0	13-0	12-7	12-1	14-5	...	...	...	...
48. Price: Std. cash, London	£ per ton	203-9	147-1	118-6	136-0	149-8	230-4	225-7	204-6	242-3	283-3	267-4	190-7	190-6	183-8	183-3	183-6	...	...	...	...

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on due dividend dates

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THE ECONOMIST
UNIT TRUST SURVEY

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An Eventful Year

On the pages which follow we review, for the fourth consecutive year, the progress of unit trust affairs. It is noteworthy that after an eventful year, in which the investment markets have been subjected to a series of profound disturbances, the observer can still refer to progress within the movement. For since the major decline in security prices began early last year, the movement has coped with two major disadvantages—the lack of any immediate prospect of capital appreciation to exhibit in its shop window, and the possibility that, on a declining market, it might have to handle substantial re-sales of units from the public. On both counts, the interim verdict for 1937-38 is favourable.

Much of the discussion in this present survey is intended to analyse, in greater detail than has hitherto been possible, the problems of unit trust management during a period of recessionary markets. It follows in the line of our previous supplements, for we have again selected certain matters of topical interest with the object of providing, in the course of time, a conspectus of the development of the movement from youth to fuller maturity. Thus, in past surveys, we have examined such matters as the composition of fixed trust portfolios, the transition from fixity to the concept of flexibility, the detailed methods of flexible trust operation, trustees' responsibility, service charges and official inquiries. Much of this field may, to-day, be regarded as established knowledge, which does not call for re-examination on the present occasion.

But while it is broadly true that the investor is familiar with unit trust principles and practice, new developments of technique are still characteristic of a year in which leading industrial share prices have fallen over 20 per cent. There has been no evidence of any flood of re-sales of units to the managers. Problems of marketability, which according to many observers might have been expected to accompany a fall of this magnitude, have not arisen; the unit holder has behaved with a marked degree of stolidity. This fact has led us to present for the first time (so far as we are aware) a detailed analysis of the character and distribution of typical unit trust holdings. We have also extended the scope of our sales figures by introducing a new measure of turnover in units, which provides a clear guide to the volume of re-selling business since the movement started, and also for the latest year. It is believed that the information which we have assembled on these matters will give a useful indication of the order of importance of the problem of marketability, of interest to the unit trust managers and the wider investing public alike.

The year has brought its innovations. Perhaps it is true to say that, at the first impact of falling security prices, unit trust managers, as a whole, were distinctly more apprehensive regarding the prospective volume of re-sales than the average unit holder. The question of marketability, at least, was implicit in the series of proposals to convert certain existing fixed trusts into managed investment trusts of the conventional company type. The story of these offers, and their subsequent experience, is described in a later article, which draws the unavoidable conclusion that, for the time being at least, the conversion movement is unlikely to be extended much farther.

If eclecticism is a sign of health, the widely differing types of unit trust formations during the past year may be regarded as a favourable sign. In total, they number no more than seven. But they include one fixed trust, of the early type, and flexible trusts holding bank, insurance, rubber and tin, brewery and industrial preference shares. In addition, the first "geared" unit trust has been introduced—an interesting but necessarily specialised variant of the usual flexible investment fund. Particulars of these trusts, together with the existing 72 trusts which had already been formed when our previous supplement appeared, are provided in our directory table of unit trusts, appearing on pages 12 to 19. Their features—and, in particular, those of the Cornhill Trust—are examined in a separate article.

It will be recalled that, in our last survey of the movement, we likened its position, at that time, to Mahomet's coffin, suspended between one state and another and firmly anchored to neither. During the period of five months from April to August, 1936, the Anderson Committee was conducting its inquiries. Its report, published in the latter month (which was summarised in *The Economist* of August 15, 1936, pages 312 to 314, and further discussed in last year's unit trust supplement) conceded that, subject to legislative control, the unit trust movement had substantiated its claim to positive investment advantages. The movement was gratified by recognition in principle, but distinctly anxious to have its statute as soon as Parliament could find time, for experience had shown that official investigation had been accompanied by increased sales resistance on the part of the investor.

The omission of any reference in the King's Speech at the opening of the present session of Parliament to the prospect of unit trust legislation, however, clearly suggested that the Anderson Committee's recommendations might be destined for the pigeon-hole. This assumption

was later confirmed by Captain Euan Wallace, then Parliamentary Secretary to the Board of Trade, in a debate on a motion seeking the amendment of the Companies Acts on December 15th last year. Captain Wallace introduced, in a pointed parenthesis, a reference to unit trusts legislation. His remarks may be quoted below:—

The report of the Department Committee on Fixed Trusts . . . has received very careful consideration from the Government and . . . its main recommendations can be summarised under two heads. First of all, it is proposed that all unit trusts should have trustees of recognised status, and secondly that particulars as to their constitution and accounts should be available to unit holders. It is only fair to say that all reputable unit trusts have trustees of recognised status, and it is fair also to say that the great majority of these trusts have already carried out, of their own volition, many of the Anderson Committee's recommendations. Organisations of the type which go in for mushroom farms and soya bean farms we hope to get into the share-pushing legislation; and, therefore, I do not wish to suggest that we have in immediate contemplation legislation dealing with unit trusts as such.

In set terms, it is clear that the question of special legislation to govern unit trusts will not arise, if at all, for a very considerable period. Perhaps it is not too much to

assume that the review of the existing Companies Acts which was officially anticipated during the same debate may even precede unit trust legislation; if so, past experience suggests that the movement will be fully mature when its legislative turn comes.

The statement that "the great majority" of the trusts had already carried out "many of the Anderson Committee's recommendations" perhaps applies with rather diminished force to the question of yield calculations. The development of the flexible trust has raised problems concerning the "true yield" on investment funds which did not reveal themselves when the Anderson Committee was deliberating, but which have since formed a topic for considerable discussion. We have attempted to clarify this issue in a special article in this present survey.

So much for the major topics which have been suggested by the events of the past year. In succeeding articles they are each examined in detail. For the convenience of readers who require to set them against the retrospective background of the movement, we have prepared an index to the main topics which have been discussed in earlier supplements, which appears on this page.

Unit Trust Sales

In the preceding article we summarised the main feature of unit trust business during the past twelve months by observing that no evidence had come to light of any flood of re-sales of units from holders to the managers, despite the substantial fall in security values last year. It is now our task to summarise the sales figures which, as in previous years, the various managers (to whom our thanks are due) have supplied to us for the presentation of total figures relating to the movement. In the case of one group, we have again been compelled to resort to an estimate which has been related as closely as possible to the experience of other groups.

For this year's supplement, however, we have extended the scope of our enquiry with the object of providing an indication of the rate of turnover in unit trust business. This is a matter which, in the past, has rested on conjecture rather than evidence. For this purpose we have computed not merely the net cash sum invested by the public in the unit trust movement (after deducting payments by the managers in respect of units re-purchased by them), but have obtained figures showing gross figures of sales (in cash terms) and the total cash involved in re-purchases. This information has been made available to us by the trusts concerned since the beginning of their operations, and—a matter of great importance—for the past twelve months. We must express our appreciation of the willing response which the various managements have made to our request for this extended information.

In our last supplement we published an estimate of the net value of sales of the seventy-two trusts in existence at the end of February last year, based on the information supplied to us, of £71,025,000. In our comment at the time we stated that the total looked "somewhat higher than

a priori considerations might have suggested." In re-working the figures with the fuller range of information now available, it is evident that our reservations were correct. Certain adjustments have, in fact, been called for in respect of the sales position last year. They arise, in part, from the inclusion last year of certain gross items which have now been recalculated net, from various differences in calendar dates, and in one instance from the adoption of a revised basis of calculation.

Secondly, the proper presentation of the sales figures this year is complicated by the five conversion operations which have taken place. We have consequently prepared two figures, before and after taking account of the conversions, first to preserve comparability with the previous year and secondly to present the actual position as at the end of March.

In the table at the head of page 5, total cash sales and cash re-purchases are set out, in a form which shows the net outstanding amount placed by the public in the hands of the unit trust movement at the end of March, 1937, the amount of sales and re-purchases during 1937-38, and the present position. These figures do not take into account the units surrendered in respect of last year's conversion offers. The estimates which we have been compelled to employ in the case of one group have been so framed that they do not in any way affect the conclusions regarding re-purchases. The latter are fully representative of the experience of the remaining groups, and the figures have been adjusted on a proportionate basis.

It will be seen, in the first place, that the downward adjustment of the sales figure given in our last supplement is of the extent of £3,885,000. The net amount (as recalculated) invested by the public in unit trusts at the end of

UNIT TRUSTS' SALES AND REPURCHASES

	Total to March 31, 1937 (72 trusts)	Year to March 31, 1938	Total to March 31, 1938* (79 trusts)
Cash sales	£75,070,000	£13,680,000	£88,750,000
Cash re-purchases...	7,930,000	2,650,000	10,580,000
Net cash sales	67,140,000	11,030,000	78,170,000

* Without allowance for conversions.

March last year was £67,140,000, being represented by gross sales of slightly over £75 millions, less re-purchases of nearly £8 millions. During the past year gross sales amounted to £13,680,000 and re-purchases to £2,650,000, leaving a net increment of funds in the hands of the movement by the investor of £11 millions last year. At the end of March, therefore, the net outstanding cash sales amounted to £78,170,000, after deducting re-purchases involving £10,580,000 from the total sales estimated at £88,750,000.

It now remains to adjust our total sales figures above to provide for the conversion offers accepted during the past year. The extent of the success of these offers is shown in an article on page 22. Our figures for net sales in the table above are shown without any deduction in respect of the units surrendered in exchange for shares in the five investment trust companies formed last year. We have computed the value of these units, at the prices ruling at the date of the conversion offers, and have employed the figure for the purpose of calculating the investor's residual interest in the unit trust movement, as if it represented a surrender of units for re-purchase by the managers. The net total of sales before this adjustment amounted to £78,170,000, and the value of units surrendered in conversion to £3,130,000. The net residual interest in the movement, after adjusting for these converted units, is thus £75,040,000—a figure which invites adjustment to £75 millions.

We speak throughout of the movement as a whole. It is scarcely necessary to say that certain groups have not shown a degree of expansion comparable with the total figures. Of the thirteen groups which are included in our estimates, it is perhaps permissible to say that less than half account for the bulk of last year's expansion. Certain groups appear to have lost some slight ground, although the fact can usually be explained by deliberate choice of policy. On this occasion, therefore, the total figures for the movement require careful interpretation, since they show, for the first time, an advance which is represented by the special progress of certain groups, steady business by the majority, and a certain degree of setback for a minority.

Before we proceed to analyse the significance of the figures given above, it may be useful once more to compare them with the progress recorded by other popular savings media. In the second table we have set out the figures for unit trust sales at the end of 1934 and 1935, and at end-March, 1937 and 1938, with the total shares and deposits in building societies, Post Office and trustee savings banks' balances, and National Savings Certificates in issue. The figures for these three items are to various dates, but mainly as at the end of the four years 1934 to 1937.

Although the unit trust movement was introduced to this country in 1931, its major growth has occurred during the

PROGRESS OF POPULAR SAVINGS INSTITUTIONS

	End 1934	End 1935	End 1936	End 1937
Net Unit Trust sales	20,750,000	45,800,000	*67,140,000	*78,170,000
Building Societies' shares and deposits	528,367,000	571,057,000	609,093,000	655,917,000
P.O. and Trustee Bank deposits	573,529,000	623,593,000	679,961,000	731,750,000
Savings Certificates*	393,036,000	391,450,000	390,093,000	385,860,000

* March of succeeding year.

past three and a quarter years. During that period it has attracted nearly £60 millions net from the investor, and on the whole these funds have been administered with prudence. A new movement on trial with the public, and under examination by official bodies, cannot afford to make mistakes. Some features of the movement have been reformed, and others might be revised even to-day. Nevertheless, the unit trusts deserve credit for attracting a volume of savings from the smaller type of investor which might have found its way to the Stock Exchange in any case, but was almost equally likely to respond to the share-pusher's importunities. That there was room for the movement is suggested by the continued advance of building society funds and savings bank balances. A considerable part, at least, of the movement's resources may well represent net new business for the Stock Exchange, and these funds have proved the reverse of volatile, despite the shaken markets of the past year.

There is, however, a tendency which, if not wholly objectionable, yet appears to deserve close attention by the movement. During the past year it has been evident that certain trusts have been publicised in outside brokers' circulars. It is, of course, impossible to prevent the appearance of any particular share or unit in an outside broker's list—or in an inside broker's list for that matter—and many of these recommendations may be entirely *bona fide*. There appears to be some evidence, however, that certain instances of this sort have occurred with the positive co-operation of the managers concerned, and that the broker's circular represented one feature of a general sales campaign. We do not suggest that such practices are necessarily venial, but there might be certain advantages if the movement as a whole were to consider whether its best interests might not be served by adopting the rule of certain groups by which business must be done through a London or provincial Stock Exchange broker or a banker.

The trusts substantially reduced the volume of Press advertising during the past year. By the courtesy of the London Press Exchange, Limited, we are again able to provide an estimate of the volume of Press advertising during 1937, with comparative figures for previous years. The estimates are based on a wide survey of the Press, excluding certain specialised publications, and it may be assumed that the figures cover 80 per cent. of the total. They exclude, of course, any estimate of expenditure on other forms of publicity, such as booklets, regular publications, and posters. The table follows:—

1935	...	...	£184,147
1936	...	...	£215,615
1937	...	...	£75,789

It would appear from the figures that those groups which have continued to advertise during the past year have to some significant extent reaped the advantage of the goodwill created in earlier advertising campaigns.

Re-purchases and Marketability

THROUGHOUT the preceding article we have been concerned with the net volume of sales. It is now proposed to consider the importance of the turnover figures, given in the table on this page, in closer detail. There are, of course, two aspects to the problem of marketability. The first is the ability, or willingness, of the managers concerned to make close prices, in large or small amounts, for

units tendered to them for re-purchase. In short, the first phase of the problem is the willingness of the managements to act as jobbers—a factor which clearly depends on their resources and the type of securities with which they deal. The second aspect is that of realisability. So far as the managers are unwilling or unable to act as jobbers in respect of re-sales, they are compelled to resort to the Stock

Exchange, to liquidate some part of the underlying securities of their funds. And when this happens, the bid quotation for the units must necessarily be lowered to a liquidation basis. We have explained the significance of this point in previous supplements when discussing the basis of prices for closed trusts. So long as the units are marketable, in the first sense, the bid price will include the return of an appreciable part of the initial loading charge. Even if the managers quote a shilling dealing margin this is normally true. And in the case of the Trust of Insurance group, whose shilling dealing margins are free of buying and selling commissions, it is obvious that the net turn to the managers does little more than cover the cost of the registration work and new certificates involved.

This distinction between marketability and realisability deserves closer consideration than it has hitherto received. On the basis of their experience on "black" days during the past few months, unit trust managers can claim that they have been successful in maintaining a free dealing market in their units. But obviously they could not hope to maintain such conditions if unit holders decided to sell on a large scale. And the significant fact about the unit trust history of last year is the high degree in which investors have retained their holdings, a matter on which our figures of re-purchases throw new and valuable light.

In the following table we have expressed these figures as percentages of the total cash sales to March, 1937, for the year to March, 1938, and for the total to that date:—

INDICES' OF SALES AND RE-PURCHASES

	Total to March, 1937	Year to March, 1938 (a)	Total to March, 1938 (a)
Total sales	100	100	100
Re-purchases.....	10·6	19·4	11·9
Net sales	89·4	80·6	88·1

(a) Without allowance for conversions

At the end of March, 1937, re-purchases had amounted, in total, to slightly over 10 per cent. of the gross sales. This figure, of course, presumably included sales by investors who decided to realise an attractive capital profit

Who are Unit Trust Holders?

In an earlier section of this survey it has been shown that the net sales (after deducting re-purchases, but before allowing for last year's conversion acceptances) of all the unit trusts in Great Britain amounted to approximately £78 millions at the end of March last, compared with £67 millions a year earlier. The significance of these figures lies in their background; for they relate to a period during which the average Stock Exchange value of ordinary shares declined, according to the Actuaries' Index, by 24½ per cent. The unit trust movement, by general admission, owed part of its success to the synchronisation of its nativity and adolescence with a rising market for Stock Exchange securities. Friends and critics alike have been exercised over the fortune it was likely to experience when the inevitable down-turn came in share prices. From this viewpoint, recent months have been a critical testing time, and it must be admitted that the movement has emerged from its ordeal in creditable fashion. That the investor increased the funds entrusted with the movement by only 16 per cent. last year, compared with 46 per cent. in the preceding fifteen months and over 100 per cent. in the calendar year 1936 is scarcely matter for surprise, though the repercussions of smaller net sales importance as advertising policy and management net earnings must clearly have been considerable. What is our opinion on such a matter is that the net total of funds invested in many unit trusts has increased at all in a year of acute Stock Exchange depression, and that actual encashments (which have I really noteworthy the "gilding" of some of the closed net Exchange depression; that the unit trust holder has involved the further "unwinding" rather than of instability. trusts) have been moderate by new purchases. So far, in a falling market, provided an element

on many of the units at that time, and also perhaps by certain nervous holders who had read more in the decision to hold a Board of Trade inquiry than it actually implied. Expressed as a percentage of the total sales during the past year, re-purchases show a considerable increase, which might be expected to result from the scissor-like operation of falling markets, in reducing new sales and increasing re-purchases. Yet, to the end of March last, total re-purchases represented slightly less than 12 per cent. of total sales since the inception of the movement.

Re-purchases, however, are of two kinds—corresponding to the distinction which we have already drawn between marketability and realisability. Gross re-purchases are concerned with marketability in its widest sense. But net re-purchases, after deducting the amount of subsequent re-sales (to new purchasers) of units previously issued, and after allowance for any “position” which the managers may hold in their units, involve the realisation of underlying securities. We have, as far as possible, computed our figures to show net re-purchases, but it is difficult to define the proportion of gross re-purchases which are represented in the results. But even assuming that they consisted of net re-purchases, it is evident that the movement last year could have sold back to the market securities to the value of no more than £2,260,000, while it purchased securities to the extent of £13,680,000. The actual Stock Exchange business, of course, is likely to have been smaller than both figures, since they include certain re-purchases of units (which have subsequently been re-sold) in which the managers have been willing to take a temporary “position.”

The conversion operations last year—which are best treated as a special case—may have involved some market effect, so far as the liquidation of underlying securities for the surrendered units was concentrated in the industrial share market. But the extensive switching which the new trusts appear to have carried out brought an equal volume of new business to other sections of the market.

We have, unfortunately, no basis of comparing these results with the turnover of shares in established companies. But it is evident that the volume of re-selling to the managers by unit trust holders has not been extreme.

The managements may make the legitimate, if vicarious, claim that if all investors had been of the same mind as their own certificate holders, last year's Stock Exchange slump could not have taken place. If so, then it is important to ask what manner of men unit trust holders are, who have stood firm like Stonewall Jackson when the battle was going against them. To know that is one step—and an important step—towards wider knowledge of the anatomy of falling markets, which is an essential part of the solution of one of the most baffling problems of the theory of investment.

We are, therefore, the more indebted to certain unit trust managers who have courteously furnished us, at considerable trouble to themselves, with details of the distribution, at recent dates, of their issued units (and sub-units) between holders of different classes. This is the first occasion on which such information has been made public. In the detailed tables at the foot of page 9 we show the resulting figures for five fixed trusts—the First, Second, Third and Fourth British (with total figures for all four); the Universal Fixed Trust—the Foreign Government Bond Trust (a specialised flexible fund); and all funds in the Trust of Insurance group (with the exception of Cornhill Trust).

The analyses show, first, the proportion of the total number of holders, and secondly the proportion of the total units (or sub-units) of each trust, represented by holdings of 100 units or less, by holdings of over 100 but not more than 200, and so on, at 100-unit intervals up to 1,000 units, with larger intervals thereafter. They cover approximately 95 per cent. of the total units of the four Municipal and General fixed trusts, 97 per cent. of the Foreign Government Bond Trust, over 93 per cent. of the Trust of Insurance group, and the whole of Universal

SIMPLIFYING THE INVESTMENT PROBLEM

It has been the aim of the British General Group of Trusts to divide the various investments offered into easily-definable sections. Thus, one Trust caters for those interested in basic Commodities, another covers the great Industrial concerns; still another opens up the world of Rubber and Tin investment. In this way, the investor is offered a wide choice in a vast cross-section of British and Empire Industry.

BRITISH GENERAL FIXED TRUST

(Series A and C)

This Trust is designed primarily to increase Income Yield. SERIES A consists of the stocks and shares of 23 great organisations producing basic Commodities—Iron, Steel, Coal, Wool, and so on. These are all commodities which are of vital necessity to a world re-arming. The yield at 19s. 7½d., exclusive of cash bonuses, sales of rights and fractions, etc., is estimated at not less than £6 6s. 3d. gross per annum, based on the distributions of the last two completed half-years of the Trust. The Trust is fully cumulative, share bonuses being retained in the Trust.

SERIES C covers Industry. It consists of the shares of 27 leading British companies such as Railways, Motor Manufacturers, Tobacco and Transport undertakings, Gas and Electricity services. All these products or services are also benefiting, directly or indirectly, from the demands of national defence ; to such an extent, in fact, that the yield at 16s., exclusive of cash bonuses, sales of rights and fractions, etc., is estimated at not less than £6 3s. 9d. gross per annum, based on the distributions of the last two completed half-years of the Trust. The Trust is fully cumulative, share bonuses being retained in the Trust.

Trustees: The General Accident Fire and Life Insurance Corporation Limited
Managers: British General Fixed Trust Limited, 36-37 King Street, London, E.C.2

TRUST OF RUBBER AND TIN SHARES

“Autolykus,” of the *Financial Times*, says (8/4/38):—“For anyone who cares to put away a few hundred pounds as a speculation, with the hope of making 50 per cent. profit within 12 months, the Rubber market presents obvious scope for talent.” This Trust has a permitted portfolio of 85 rubber companies and 20 tin companies,

which has been selected and is supervised by some of the leading experts on Rubber and Tin to-day. Each company has been selected not only on account of dividend yield, but also as having progressive management which should ensure participation in the growth of world demand for these two vital products.

Trustees : Martins Bank Limited

Managers: Specialised Unit Trusts Ltd., 36-37 King St., London, E.C.2

Ask your stockbroker or bank manager for further details or
*Write to the Managers for the special Booklets of the British
 General Fixed Trust and the Trust of Rubber and
 Tin Shares, which are the bases of all transactions.*

BRITISH GENERAL FIXED TRUST

King's House, 36-37 King Street, London, E.C.2. Telephone: METropolitan 6531

FOR JUDICIOUS INVESTORS

ELECTRICAL INDUSTRIES TRUST

Electricity is the most vital of mechanised aids offered to civilisation and its quickened pace may be measured in terms of speed, efficiency, cleanliness and public health. In the industries concerned with the supply of electricity and with manufacturing electrical equipment there are good opportunities for enterprise and profit.

Electrical Industries Trust provides a means of investment in the share issues of forty-one of the best electric supply and equipment companies. Approx. yield, 4½% gross from dividends, plus 1½% from recurring bonuses and rights.

Trustees: GENERAL ACCIDENT FIRE & LIFE ASSURANCE CORPORATION LTD.

METALS AND MINERALS. TRUST

On the basis of the distribution to be made in respect of the last twelve months of the Trust, Metals & Minerals units at the price of 14s 6d. xd., (12 May) yield the equivalent of £5 10 8 per cent. per annum gross after the equivalent of £1 12 9 per cent. has been put to reserve to safeguard the investors, capital and to provide for equalisation of dividends.

Metals and Minerals Trust is concerned with the share issues of forty companies producing and investing in base metals, minerals, diamonds and gold undertakings.

Trustees: MIDLAND BANK EXECUTOR & TRUSTEE COMPANY, LIMITED

BRITISH INDUSTRIES FIXED TRUSTS

Reorganised and reconstructed, and with sound finance and a new confidence behind it, British industry is in finer shape than ever in its history. The check to speculation in commodities has mitigated the danger of a too rapid rise in cost of materials. The four Portfolios of this Trust give their certificate holders a wide-spread interest in the equity of our country's future.

An investment divided equally between all four Portfolios gives, at prices current 12 May, a yield of approx. 5½% gross per annum from cash dividends, plus ½% from share bonuses and rights.

Trustees : MIDLAND BANK EXECUTOR & TRUSTEE COMPANY, LIMITED

These Trusts are managed by:
ALLIED INVESTORS FIXED TRUSTS LIMITED
 165 Moorgate, London, E.C.2 Phone: NATIONAL 4931

Units or sub-units may be bought through any stockbroker or bank. Explanatory booklets (on which transactions are based) may be obtained on request.

Fixed Trust. The opening and present prices of the units are given for purposes of reference.

A supplementary table analyses the aggregate Municipal and General fixed trust holdings, together with those of the Foreign Government Bond Trust, in terms not of units, but of the value of holdings in pounds sterling. This table covers the same proportion of total outstanding certificates as the earlier unit figures for the same trusts, the values being based on the middle x.d. prices of the respective units as at the last coupon dates. This table appears at the foot of the next page.

An ingenious statistician might devise a lengthy series of instructive permutations and combinations from these figures. Our present objective, however, is to compare the distribution of ownership of unit trust certificates (which, *ex hypothesi*, show a high degree of resistance to selling during depression) with the distribution of ownership of company shares (which have been sold on a considerable scale in the past year). The following table summarises the unit trust figures in a manner which facilitates comparison with certain estimates based on a scrutiny of the share registers of ten large British companies made a few years ago by a private inquirer* and reproduced recently in *The Economist*:—

DISTRIBUTION OF TOTAL NUMBER OF HOLDERS

Holdings not exceeding	Municipal and General						Trust of In- surance Funds*	Univer- sally Fixed Trust
	1st British	2nd British	3rd British	4th British	Four Fixed Frustrs	Forgn. Govt. Bond Trust		
100 units...	61·2	47·0	50·0	46·9	50·3	42·2	37·4	37·8
200 units ...	81·8	70·5	71·7	69·5	72·6	62·6	60·4	61·5
300 units ...	90·6	81·8	82·9	82·8	83·8	73·6	73·7	75·1
500 units ...	96·4	93·5	94·5	94·5	94·4	88·7	89·9	90·9
<i>Over 500 units ...</i>	<i>3·6</i>	<i>6·5</i>	<i>5·5</i>	<i>5·5</i>	<i>5·6</i>	<i>11·3</i>	<i>10·1</i>	<i>9·1</i>

* Covering Trust of Insurance, Trust of Bank and Insurance, Trust of Bank Shares, Investment Trust Units, Scottish Bank Insurance and Investment Trust Units.

SHAREHOLDINGS OF TEN BRITISH COMPANIES*

Holdings not exceeding	£99	£199	£499	Over £500
Proportion of holders (%)	41.4	67.5	87.7	12.3

* Imp. Chemical, Imp. Tobacco, Courtaulds, Dunlop, J. & P. Coats, Unilever, Fine Cotton Spinners, Cunard, Staveley, and Watney, Combe, Reid.

Inspection of the tables reveals that, although precise comparison between the unit trust and the company

* "Scientific Investment." By Hargreaves Parkinson. Page 8. (Pitman's).

ANALYSIS OF UNIT TRUST HOLDINGS

Range of Holdings (units and sub-units)	1st British		2nd British		3rd British		4th British		Four British Fixed Trusts		Foreign Government Bond Trust		Universal Fixed Trust			Trust of Insurance Group		
	Distribution of Holders	Distribution of Fund held	Distribution of Holders	Distribution of Fund held	Distribution of Holders	Distribution of Fund held	Distribution of Holders	Distribution of Fund held	Distribution of Holders	Distribution of Funds held	Distribution of Holders	Distribution of Fund held	Range of Holdings (sub-units)	Distribution of Holders	Distribution of Fund held	Range of Holdings (units)	Distribution of Holders	Distribution of Funds held
5-100	61.21	23.65	47.01	14.85	50.00	16.46	46.87	15.59	50.31	16.66	42.40	9.70	10-100	37.81	10.29	1-100	37.37	9.20
100-200	20.55	21.59	23.53	18.37	21.73	18.13	22.59	18.43	22.31	18.76	20.17	11.95	110-200	23.69	15.19	101-200	23.04	13.87
200-300	8.84	15.24	11.28	13.74	11.20	14.20	13.33	16.35	11.24	14.63	11.02	9.59	210-300	13.62	13.30	201-300	13.34	12.14
300-400	2.67	6.26	6.33	10.83	5.21	9.26	4.68	8.08	5.04	9.18	4.36	5.31	310-400	6.61	8.99	301-400	5.85	7.43
400-500	3.11	9.80	5.32	11.84	6.34	4.57	6.98	15.62	5.54	13.14	10.76	16.82	410-500	9.22	16.02	401-500	10.32	16.96
500-600	1.26	4.67	1.27	3.34	1.03	2.78	1.24	3.26	1.20	3.34	2.22	4.13	510-600	1.67	3.43	501-600	1.92	3.66
600-700	0.08	0.71	0.08	0.31	0.07	0.17	0.07	0.45	0.72	0.38	0.53	1.12	610-700	1.17	2.65	601-700	0.93	2.11
700-800	0.05	0.80	0.05	0.93	0.31	0.77	0.79	0.75	2.70	0.75	1.58	3.58	710-800	0.88	2.68	701-800	0.88	2.18
800-900	0.19	1.04	0.56	2.23	0.58	2.41	0.57	2.32	0.50	2.14	0.44	1.24	810-900	0.64	2.00	801-900	0.56	1.66
900-1000	0.65	4.18	1.30	6.01	1.23	5.82	1.22	5.67	1.15	5.64	3.64	11.49	910-1000	2.28	8.02	901-1000	3.14	10.47
1100-1200	0.12	0.87	0.35	1.80	0.32	1.70	0.29	1.50	0.29	1.58	0.89	3.30	1010-1200	4.49	1.95	...	...	...
1200-1400	0.09	0.80	0.20	1.21	0.27	1.05	0.27	1.64	0.19	1.19	0.36	1.46	1210-1400	3.7	1.75	...	...	...
1400-1600	0.07	0.73	0.17	1.19	0.28	1.99	0.22	1.59	0.19	1.44	0.32	1.58	1410-1600	42	2.28	1001-1500	1.03	4.45
1600-1800	0.07	0.78	0.13	1.07	0.09	0.75	0.12	0.99	0.11	0.92	0.09	0.51	1610-1800	21	1.29	1501-2000	0.84	5.36
1800-2000	0.23	3.00	0.22	1.98	0.12	1.16	0.24	2.28	0.20	1.95	0.89	5.58	1810-2000	47	3.32	2001-3000	0.45	3.90
2000-2500	0.05	0.65	0.07	0.77	0.05	0.52	0.04	0.45	0.05	0.62	...	...	2010-2500	19	1.60	...	...	...
2500-3000	0.07	1.23	0.12	1.61	0.08	1.04	0.08	1.12	0.09	1.29	0.27	2.54	2510-3000	0.9	9.2	...	...	...
3000-3500	0.01	0.24	0.01	0.24	0.01	0.19	0.01	0.14	0.01	0.14	0.01	0.92	3010-3500	0.6	0.52	...	...	...
3500-4000	0.05	1.15	0.08	1.55	0.06	1.17	0.02	0.38	0.06	1.14	0.09	1.13	3510-4000	0.06	0.52	3001-4000	0.12	1.53
4000-4500	...	...	...	...	0.02	0.32	...	...	0.01	0.09	...	...	4010-4500	0.02	0.30	...	...	...
4500-5000	...	...	0.04	0.80	0.02	0.37	...	...	0.02	0.40	0.27	4.24	4510-5000	0.04	0.63	4001-5000	0.15	2.49
or 5000	0.02	0.91	...	...	0.02	1.10	0.02	0.57	0.02	0.55	0.18	4.20	Over 5000	0.07	2.40	Over 5000	0.22	2.66
	100	100	100	100	100	100	100	100	100	100	100	100		100	100		100	100
Unit fes 24th	30/9-31/9 30/9 bid		21/3-22/3 25/-25/9		19/9-20/6 20/9 bid		19/9-20/6 17/3-18/-		...		19/3-20/- 14/-15/-		18/9-19/9 17/8-18/8			...		

appealed, in fact, to much the same type of clientele as the general trusts among the smaller investors, but to a somewhat more influential proprietor among the larger capitalists. Nevertheless, there is no single example in the table of a trust in which the small holders, of anything up to 500 units each, do not account for the major part of the total amount at stake. Here, the position differs significantly from that shown by an analysis of representative company shareholders. The inquiry to which reference has been made above did not evaluate the total capital represented by the smallest shareholdings, but made an exhaustive examination of the incidence of those which were very large indeed. It was found that from one-fifth to one-half of a company's capital might, not infrequently, be possessed by a handful of proprietors, each holding 50,000 shares or more. These gargantuan holders do not exist in the unit trust movement, where holdings of even 5,000 or more units are, to judge from the examples given in this article, almost negligible.

The conclusions suggested by our examination of the anatomy of unit trust ownership begin now tentatively to take shape. In a period of falling values it is the small investor who grimly holds on to his stock. That appears to be true both of the unit holder and the company shareholder. That very large company holdings are liquidated on a considerable scale, in a falling market, is almost equally unlikely; for they are held mainly for strategic and "family" reasons. The chief seller in the early stages of a falling market is rather the intermediate holder, whose shares are numbered in thousands rather than in tens of thousands. His attitude towards his holding is wholly impersonal, and he has both the inclination and the knowledge necessary to "play" a free market. But our figures show that holders of this type are of relatively minor importance in the case of the unit trust; and trust certificates will never have a free day-to-day market such as leading market stocks like Imperial Tobacco and Courtaulds enjoy. There is, further, some evidence that sub-unit holders have taken to heart the moral upon which the publicity material of the trusts has always insisted, and have come to view their holdings as a long-term investment—indeed, almost as part of their personal savings, like a savings bank balance, to be drawn on only in dire economic distress. If so, then the unit trust movement, which has a strong claim to rank as an element of stability in the first stages of a falling market, might conceivably enjoy a less satisfactory experience if depression were prolonged.

DISTRIBUTION OF MUNICIPAL AND GENERAL FIXED TRUSTS AND FOREIGN GOVERNMENT BOND TRUST BY VALUE

Range of Value of Holdings	Four Fixed Trusts		Foreign Government Bond Trust	
	Distribution of Holders	Distribution of Value of Funds	Distribution of Holders	Distribution of Value of Funds
£	%	%	%	%
0-100	30.45	6.99	44.27	10.45
101-200	27.93	15.18	23.82	15.54
201-300	18.03	17.15	10.13	10.93
301-400	6.59	9.03	11.11	17.53
401-500	6.05	10.80	2.13	4.18
501-600	4.13	9.11	0.99	2.28
601-700	1.29	3.29	4.00	12.58
701-800	0.91	2.69	0.53	1.83
801-900	0.84	2.84	0.44	1.75
901-1,000	0.68	2.61	0.09	0.38
1,001-1,200	1.54	6.76	0.71	3.42
1,201-1,400	0.39	2.00	0.98	6.09
1,401-1,600	0.22	1.29	...	...
1,601-1,800	0.15	1.10	...	...
1,801-2,000	0.20	1.31	...	...
2,001-2,500	0.27	2.39	0.36	3.46
2,501-3,000	0.08	0.91	0.09	1.13
3,001-3,500	0.05	0.62	0.27	4.24
3,501-4,000	0.05	0.66	...	...
4,001-4,500	0.06	0.99	...	...
4,501-5,000	0.04	0.77	0.09	2.09
5,001-6,000	0.03	0.65	0.09	2.12
Over 6,000	0.02	0.86	...	...
	100.00	100.00	100.00	100.00

AVERAGE HOLDINGS

	Units	Value
1st British	153.8	328.6
2nd British	216.3	252.7
3rd British	208.8	233.6
4th British	213.6	212.3
All Fixed	...	252.9
Foreign Government Bond Trust	314.6	210.4

Analysis of Occupations and Estates

An interesting cross-bearing on these conclusions may be obtained from the results of an investigation made by First Provincial Fixed Trust. Part of the information was originally published in *The Daily Herald* at the end of last year, and our thanks are due to both parties for permission to reproduce the figures in our present supplement.

The investigation consists of two parts. In the first, the managers of the group have made an analysis of registered holders by occupations. The distribution of total holders on this basis is set out in the following table:—

Occupation	% of Total	Occupation	% of Total	Occupation	% of Total
Spinsters	24.34	Doctors & dentists	2.00	Travellers	0.94
Married women	18.49	Manufacturers and	2.00	Agents	0.86
Gentlemen	17.67	merchants	2.00	Accountants	0.81
Widows	11.05	Farmers	1.68	Builders	0.76
Shopkeepers	3.97	Clergy	1.61	Solicitors	0.60
Engineers	2.97	Civil servants	1.37	Railway employees	0.17
Clerks	2.86	Army and Navy ...	1.25		
Artists and teachers	2.32	Bank officials	1.15		
		Manual foremen ..	1.13		

It will be seen that three of the four largest categories comprise holdings registered in the names of spinsters, married women and widows, and together these account for well over 50 per cent. of the total number of holders. Over 17½ per cent. of the total number of holders are recorded as "gentlemen," a description which may be presumed to include investors of independent means, retired persons, and perhaps a certain proportion of gainfully occupied men who might on a strict classification be included in the occupational categories shown, although they were not so described at the time their holdings were acquired. The impression presented by the table is that holders of the units in the First Provincial group are well spread throughout various social and occupational grades, and among the latter there is some tendency in favour of the smaller type of investor from the "salaried" and artisan classes. Since the occupational grades consist only of men, however, the second important fact which emerges is the preponderance of women among the total holders. We are informed that between 50 and 60 per cent. of the holders of units in this group have given instructions for the payment of distributions to the credit of their banking accounts. This fact provides a general indication of the substance of the holders concerned; it suggests that banking accounts are much more frequently to be found among unit holders than, say, among shareholders and depositors in the building society movement.

The second part of the investigation is distinctly original and instructive. The managers have analysed the personality recorded in 436 probates, which were forwarded to them for registration in respect of deceased estates. The results are analysed below, in the various personality grades, together with a percentage distribution:—

Value of Estates	No. of Probates	Percentage of Total	Value of Estates	No. of Probates	Percentage of Total
£50 or under ...	3	0.7	£1,001-£1,500	37	8.4
£51-£100	3	0.7	£1,501-£2,500	59	13.5
£101-£200	2	0.5	£2,501-£5,000	86	19.7
£201-£300	3	0.7	£5,001-£10,000	87	20.0
£301-£400	2	0.5	£10,001-£50,000	98	22.5
£401-£500	10	2.3	Over £50,000	11	2.5
£501-£1,000	35	8.0			
				436	100.0

Making allowance for the possibility that registration of probate more frequently affects the larger holdings, and for payments under insurance policies, the table provides much-needed information regarding the type of investor who holds unit trust certificates. It will be seen that out of the 436 probates examined, as many as 282 represented estates of more than £2,500. We have calculated a weighted average of the estates (based on the middle figure in each separate category and a limit of £50,000), which shows that the average value of the estates amounted to £10,700. This figure suggests that the average holder, reckoned in terms of wealth, is a person of some substance,—"comfortable middle class" might be as good a general description as any.

15 MOORGATE GROUP OF UNIT TRUSTS

These Trusts are managed by Fifteen Moorgate Unit Trusts, Ltd., a company closely associated with Dawney Day & Co. Ltd., merchant bankers, and are notable for their flexible management powers. Each spreads its funds over an extensive list of first-class stocks and shares and the portfolios taken as a group include 197 different securities arranged in carefully selected categories which cover virtually the whole field of prudent investment.

The Trusts, with their approximate gross annual yields, based on current sub-unit prices and the dividends paid last year are:—

Security First	7 %
Hundred Securities	6½ %
Investors 2nd General	7½ %
Investors Gold Share	9½ %
Provident Investors	6 %
Investors Flexible	7 %

An investment spread evenly over all six Trusts yields on the same basis (approximately 7%)



Full particulars of all these Trusts are given in the official handbook B61 which is the basis of all transactions.

FIFTEEN MOORGATE UNIT TRUSTS LIMITED

15 MOORGATE, LONDON, E.C.2

Members of the Unit Trusts Association

Directory of Fixed and Flexible

GROUP and Trusts managed	Date formed	Trustee	Type of Trust and character of portfolio	Cumulative or Distributive	Securities in panel or permitted list	Treatment of Eliminations	Life of Trust (years)	Arrangements for termination, other than normal provisions for distribution of Trust property at end of life
MUNICIPAL AND GENERAL								
First British	April, 1931	Lloyds Bank	Fixed; general industrial, utilities, oils.	Cumulative	24	Distributed	20	...
Second British	December, 1932	Lloyds Bank	Fixed; general industrial, utilities, oils.	Cumulative	26	Distributed	20	...
Third British	December, 1933	Lloyds Bank	Fixed; general industrial, utilities, mines, oil.	Cumulative	28	Distributed	20	...
Fourth British	February, 1934	Lloyds Bank	Fixed; general industrial, utilities, oil, mining finance.	Cumulative	24	Distributed	20	...
Foreign Government Bond	April, 1934	Lloyds Bank	Flexible; free to invest in any Government bonds included in panel. (d)	...	110	Managers may change investments within permitted list. Proceeds of sales and redemptions are not distributed. do.	21	Managers may terminate if less than 200,000 Bond units outstanding.
Limited Investment Fund	December, 1935	Lloyds Bank	Flexible; free to invest in any fully paid securities of 157 companies in permitted list. (b)	Cumulative	Stocks or shares of 157 companies and British Government stocks.	do.	21	Managers may terminate after 15 years or after one year if number of units is less than 400,000.
Midland and Southern Investment Fund.	March, 1936	Lloyds Bank	Flexible; free to invest in 227 Midland or South Country cos., or British Govt. stocks.	Cumulative	Stocks or shares of 227 Mid. or S. Co. cos., and Brit. Govt. stocks.	do.	21	do.
Scottish and North Country Investment Fund.	March, 1936	Lloyds Bank	Flexible; free to invest in 184 Scottish or North Country cos. or Brit. Govt. stocks.	Cumulative	Stocks or shares of 184 Scot. or North Country cos. and Brit. Govt. stocks.	do.	21	do.
TRUST OF INSURANCE								
Trust of Insurance Shares	June, 1934	Williams Deacon's Bank.	Flexible; free to invest in Insurance stock or shares in panel and Brit. Govt. and Trustee securities. (a)	Cumulative	31 Ins. Cos. (b) and Brit. Govt. and other Trustee securities.	Reinvested	20	Distribution of shares or cash or option continue Trust.
Trust of Bank and Insurance Shares.	September, 1935	Midland Bank Exec. and Trustee.	Flexible; free to invest in Bank, Discount and Insurance securities in panel and Brit. Govt. and Trustee securities. (c)	Cumulative	52 Insurance, Banks and discount, Brit. Govt. and Trustee securities. (e)	Reinvested	21(d)	do.
Trust of Bank Shares ...	December, 1935	Equity and Law Life Ass. Soc.	Flexible; free to invest in Bank and Discount securities in panel and Brit. Govt. and Trustee securities. (f)	Cumulative	40 Banks and Discount issues and Trustee securities. (e)	Reinvested	21(d)	do.
Investment Trust Units	March, 1937	Lloyds Bank	Flexible; investment trust shares, Trustee securities (g).	Cumulative	63 Inv. Trust Cos. Additional Trust Cos. of status defined by Trust Deed; and Trustee Secs.	Reinvested	21(d)	do.
Scottish Bank, Insurance and Investment Trust Units.	January, 1937	Royal Bank of Scotland.	Flexible; Scottish bank, insurance and investment trust shares; English banks, insurance & investment trusts (i) Trustee securities.	Cumulative	59 Ins. Cos., Banks and Inv. Additional shares of status defined by Trust Deed; and Trustee Secs.	Reinvested	25(h)	do.
Cornhill Trust 4 per cent. £1 red. guar. Deb. units (1952). Deferred Units.	October, 1937	Midland Bank Exec. and Trustee.	Flexible; Brit. bank and insurance shs., Brit. Govt. secs. (For further details of operation, see page 18).	Cumulative	27 banks, 33 Insurance, Brit. Govt. secs. (j)	Reinvested	Deb. 15 Def. 21	Offer to exchange into debts. of Trust Co. may be after October, 1947. If not converted to Inv. Trust Co, distribution of shares or cash, or option to continue Trust.
F.T.M. Producers (formerly Aviation and Universal)	March, 1936	General Accident, Fire and Life.	Flexible; Industrial, oil, plantation and mining cos.	Cumulative	91 in present portfolio.	Permitted list of investments includes any securities quoted on the London Stock Exchange.	10	Meeting of unit-holders may authorise formation of Inv. Trust Co. any time after 7 years from formation of Trust.
Domestic	July, 1936	Midland Bank Exec. and Trustee.	Flexible; companies producing domestic requirements, and Trustee securities.	Cumulative	132 in present portfolio.	Securities of a similar nature may be added, or eliminations made subject to veto of Trustees.	10	do.
Domestic Priority Income	May, 1938	Midland Bank Exec. and Trustee.	Flexible; pref. and debts. of industrial cos.	...	88 in initial portfolio.	Additional list includes 263 cos.	10	do.

Trusts established at May 28, 1938

Maximum size of Trust (Units)	Open or Closed	No. of Sub-Units to Unit	Minimum Purchase of Sub-units	Certificates, Bearer or Registered	Loading or Service Charge (%)	Management or "Escrow" Provision	Distribution Dates	Other Particulars	Trust
600	Closed	2,000	10	After 20 in 5's	Bearer	No loading charge; all trusts closed. Bid price based on realisable value of underlying securities, less expenses. Sub-units offered, when available, at turn over bid price.	15 June, Dec.	Business in all trusts in this group executed only through Stockbroker.	MUNICIPAL AND GENERAL
550	Closed	4,000	10	5	Bearer	Part of service charge placed with Trustee for trustee and management expenses. Escrow fund, April 1935, was £160,000. Fund distributed half-yearly for trustee and managers.	15 Mar., Sept.	...	First British.
500	Closed	4,000	10	5	Bearer	...	15 Feb., Aug.	...	Second British.
500	Closed	4,000	10	5	Bearer	...	15 May, Nov.	...	Third British.
5,000,000 Bond units	Open	...	10	5	Bearer	5%, plus 1% of 1% p.a. of average value of deposited property. Brokers charge commission on S.E. scale.	1 Apr., Oct.	(a) Investment in any one bond not to exceed 5% of Trust Fund, except British Govt. securities. Normally at least 50 bonds will be held.	Fourth British.
2,000,000 units	Open	...	10	5	Bearer	Preliminary charge 2½%. Brokers charge commission on S.E. scale. Annual charge 1% of 1% p.a. of deposited property for Managers and Trustees.	15 Jan., July	(b) Investment in any one company not to exceed 5% except British Govt. securities. Normally at least 40 securities will be held.	Foreign Govt. Bond.
2,000,000	Open	...	10	10	Bearer	do.	1 May, Nov.	do.	Limited Investment Fund.
2,000,000	Open	...	10	10	Bearer	do.	1 Mar., Sept.	do.	Midland and Southern Investment Fund
2,000,000	Open	...	10	10	Bearer	do.	1 Mar., Sept.	do.	Scottish and North Country Investment Fund.
Limited by proportions shown under "Other Particulars."	Open	...	10	1	Registered or Bearer	Initial, 5% plus 1% of 1% per annum on mean market value of funds.	31 Jan., July	(a) Not more than 10% of funds to be in any one company and not more than 5% of any company's issued share capital may be held.	TRUST OF INSURANCE
"	Open	...	10	1	Registered or Bearer	do.	30 Apr., Oct.	(b) Uncalled liability covered by Trustee securities (c) Not more than 7½% in any Co. and not more than 5% of issued capital of any Co. to be held. At least 35% of funds must be in Ins. Cos.	Trust of Insurance Shares.
"	Open	...	20	1 (5 if bearer)	Registered or Bearer	do.	15 Mar., Sept.	(d) May be ended after 18 years. (e) Uncalled and reserve liability covered by Trustee secs., insurance or otherwise, or maintaining fund at over 2½ times liability. (f) Not more than 7½% in any Co. and not more than 5% of issued capital of any Co. to be held.	Trust of Bank and Insurance Shares.
"	Open	...	20	1	Registered or Bearer	Initial 4% plus 1% of 1% per annum on mean market value of funds.	31 May, 30 Nov.	(g) Not more than 7½% of funds of Trust in any one Co.; not more than 7½% of capital or debentures of any company to be held by Trust. (h) May be ended after 21 years.	Trust of Bank Shares.
"	Open	...	20	1	Registered or Bearer	do.	15 Feb., 15 Aug.	(i) Not more than 7½% in any company. Not more than 7½% of any one class of issued capital to be held. Not less than 15% in insurance or bank shares respectively. Not less than 25% in investment trust shares.	Investment Trust Units.
"	Open	...	10	1	Registered or bearer.	6d. on each deb. unit. Deferred: Service charge 5% on price. 1% of Fund at each distr. date for expenses, including Trustees, redemption premium on deb. units, etc.	Deb. units: 5 Apr., Oct. Def. units: 20 Apr., Oct.	(j) Not more than 7½% of fund in one Co., not more than 7½% issued cap. or debts. of one Co. to be held. At least 10% initial fund in gilt-edged, and at no time less than 5%. Fund must exceed 2½ times uncalled and reserve liability.	Scottish Bank, Insurance and Investment Trust units.
No. may be limited by Managers in consultation with Trustees. Not stated	Open	...	50	10	Registered	Initial service charge of 5% of price. Annual charge of 1d. per unit.	15 May, 15 Nov.	Not over 7½% in any one Co.; not over 5% in any one class of security, except British Govt. stocks.	Cornhill Trust.
Not stated	Open	...	50	10	Registered or bearer.	Initial service charge of 5% of price. Annual charge of 1d. per unit.	1 Feb., 1 Aug.	Not over 5% in any single security, and not over 7½% in any single Co., with exception of Trustee securities.	F.T.M. Producers (formerly Aviation and Universal.)
Not stated	Open	...	50	10	Registered or bearer.	Initial service charge, 5% of price; annual charge 1d. per unit.	1 Apr., 1 Oct.	do.	Domestic.
						Provision made for future management.			Domestic Priority Income.

(Continued on next page.)

14	[Unit Trust Survey]	THE ECONOMIST						May 28, 1938
GROUP and Trusts managed	Date formed	Trustee	Type of Trust and character of portfolio	Cumulative or Distributive	Securities in panel or permitted list	Treatment of Eliminations	Life of Trust (years)	Arrangements for termination, other than normal provisions for distribution of Trust property at end of life
NATIONAL								
National "A"	June, 1932	Midland Bank Exec. and Trustee.	Fixed; general industrial, utilities, oil, etc.	Distributive	27	Distributed	20(a)	Distribution or conversion into other units.
National "B"	July, 1933	Midland Bank Exec. and Trustee.	Fixed; general industrial, transport, mines, oil, etc.	Distributive	20	Distributed	20(a)	do.
National "C"	March, 1934	Midland Bank Exec. and Trustee.	Fixed; general industrial, preference only.	Distributive	20	Distributed	20(a)	do.
National "D"	July, 1934	Midland Bank Exec. and Trustee.	Fixed; general industrial, breweries, mines.	Distributive	22	Distributed	20	do.
Commercial	November, 1933	National Provincial Bank.	Fixed; general industrial.	Distributive	20	Distributed	20(a)	do.
Gilt-Edged	February, 1934	National Provincial Bank.	Fixed; British and Colonial Government, Public Boards and Railways fixed interest stocks.	Distributive	19	Distributed except redemptions which are reinvested.	15	do.
Amalgamated	April, 1934	Williams Deacon's Bank.	Fixed; Government stocks, industrial preference and ordinary and mining.	Distributive	30	Distributed	20(a)	do.
Universal	July, 1934	National Provincial Bank.	Fixed; Government stocks, industrials, utilities, oil, mines.	Distributive	73	Distributed, except redemptions which are reinvested.	20	do.
Scottish	May, 1935	Clydesdale Bank	Fixed; general industrial, iron and steel, utilities, mines.	Distributive	20	Distributed	20	do.
Century	October, 1935	Midland Bank Exec. and Trustee.	Fixed; general industrial.	Distributive	100	Distributed	15	do.
National Investment Group Certificates.	July, 1936	Midland Bank Exec. and Trustee.	Flexible; banks, insurance cos., public utilities, industrial, mines.	Cumulative	Initial portfolio 40; 300 alternative investments, & trustee stocks.	Investment may be varied within permitted list.	15	do.
"15 MOORGATE"								
Investors General	February, 1934	Royal Exchange Assurance.	Fixed; general industrial, utilities, breweries, mines.		24	Distributed or re-invested in Trustee securities, or securities already in panel. (a)	20	Distribution or option of conversion into similar investment.
Investors Second General	August, 1935	Royal Exchange Assurance.	Fixed with flexible provisions (b); general industrial, utilities, breweries, mines.		27	do. (a) and in any similar security. (c)	15	Distribution or after 16 years' option to convert into Inv. Trust Co. without prejudice to dissent.
Investors Gas & Electric	May, 1934	Royal Exchange Assurance.	Fixed with certain flexible provisions (b); gas and electricity equities.	Capital bonuses over 10% accumulated; smaller bonuses accumulated if practicable at Manager's discretion. New issue rights sold and distributed.	15	Distributed or re-invested in Trustee securities, in securities already in panel, or in similar securities. (d)	20	Distribution or option of conversion into new units of similar character.
Investors Gold	March, 1935	Royal Exchange Assurance.	Fixed with flexible provision (b); gold mining shares.		16	do. (e)	10	Distribution or offer to convert into similar investment.
Provident Investors	September, 1935	Martins Bank	Fixed with flexible provisions (b); general industrial, utilities, stores, consumers' goods shares.		30	do.	20	Distribution or after 15 years' option to convert into Inv. Trust Co. without prejudice to dissent.
Security First	July, 1935	Lloyds Bank	Fixed with flexible provisions (b); general industrial, iron and steel, breweries, mines, rails.		23	do. but only in securities included in panel. (f)	20	do.
Hundred Securities	October, 1935	Lloyds Bank	Fixed with flexible provisions (b); Government securities, iron and steel, transport, utilities, stores, breweries, mines and miscellaneous industrial.		100	do. and in similar securities. (g)	15	do.
Investors Flexible	August, 1936	Midland Bank Exec. and Trustee.	Flexible; banks, mines, industrial & commercial and trustee securities.	Cumulative	Over 260	Investment may be varied within permitted list.	15	After 12 years managers can obtain authorisation of transfer of holdings to Investment Trust.
ALLIED INVESTORS								
British Industries 1st Portfolio.	March, 1934	Midland Bank Exec. and Trustee.	Fixed, with flexible provisions (a); general industrial, mines, rail.	Share bonuses up to 10% distributed; fully accumulated over 10% do.	25 and alternative panel of 10.	Reinvested in alternative panel.	20	Distribution or new trust
British Industries 2nd Portfolio.	November, 1934	Midland Bank Exec. and Trustee.	Do.; general industrial, mines, oil, breweries.	do.	25 and alternative panel of 10.	do.	20	do.
British Industries 3rd Portfolio.	November, 1935	Midland Bank Exec. and Trustee.	Do.; general industrial, insurance, mines, utilities.	do.	25 and alternative panel of 10.	do.	20	do.
British Industries 4th Portfolio.	November, 1935	Midland Bank Exec. and Trustee.	Do.; general industrial, oils, mines.	do.	25 and alternative panel of 10.	do.	20	do.
Electrical Industries ...	March, 1936	General Accident, Fire and Life Assurance	Flexible; investment permitted in cos. on panel; electric supply cos. and equipment manufacturing cos.; trustee securities.	Cumulative (Recurring cap. bonuses distributed at discretion of Managers).	41	Investment may be varied within list of permitted securities.	20	do. Managers can terminate Trust after 15 years if this appears in interest of holders.
Metals and Minerals ...	December, 1936	Midland Bank Exec. and Trustee.	Flexible; gold, diamonds, iron & coal, oil, other metals.	Capital bonuses under 10% distributed at discretion of Managers.	40 cos. in initial portfolio, 47 as alternative investments	Reinvestment in alternative cos.	20	Distribution or new trust. Managers can terminate Trust after 15 years if in interest of holders, or after 1 year if fund under 100,000 units.

May 28, 1938		THE ECONOMIST					[Unit Trust Survey]		15		
Maximum size of Trust (Units)	Open or Closed	No. of Sub-Units to Unit	Minimum Purchase of Sub-units		Certificates, Bearer or Registered	Loading or Service Charge (%)	Management or "Escrow" Provision	Distribution Dates	Other Particulars	Trust	
			Initial	Subsequent							
Not stated	Closed	4,000	10	1	Registered	5	Managers have in each case set aside funds with Trustees to provide for Trustees' fees and future management expenses.	15 May, Nov.	(a) From creation of units. In other cases, from date of trust deed.	NATIONAL National "A."	
Not stated	Closed	4,800	20	10	Registered	5		15 Feb., Aug.	...	National "B."	
Not stated	Open	4,800	20	10	Registered	5		do.	15 Mar., Sept.	...	National "C."
Not stated	Open	4,800	20	10	Registered	5		do.	1 Jan., July	...	National "D."
Not stated	Closed	4,800	20	10	Registered	5		do.	15 June, Dec.	...	Commercial.
Not stated	Open	4,800	20	10	Registered	2½		do.	15 Jan., July	...	Gilt-edged.
Not stated	Open	4,800	20	10	Registered	5		do.	15 Apr., Oct.	...	Amalgamated.
Not stated	Open	12,000	20	10	Registered	5		do.	1 Apr., Oct.	...	Universal.
Not stated	Open	4,800	20	10	Registered	5		do.	1 June, Dec.	Power to omit any security in constitution of new units.	Scottish.
Not stated	Open	10,000	20	10	Registered	5		do.	1 May, Nov.	Power to omit any security in constitution of new units.	Century.
Not stated	Open	...	50	10	Registered or Bearer	6½	do.	1 Mar., Sept.	Not over 5% in any one share. No holding over 5% of total issue of share. Not over 10% in any one branch of industry or commerce.	National Investment Group Certificates.	
400	Closed	4,000	20	5	Registered	5 (approx.)	One-third of loading charge set aside to cover Trustees' and Managers' expenses. Managers' proportion placed "in escrow" and released half-yearly.	1 June, Dec.	(a) Provided total holding of any security does not exceed 10% of total value of unit.	"15 MOORGATE" Investors General.	
500	Open	4,800	20	5	Bearer	6½		1 Mar., Sept.	(b) Power to vary or eliminate any security. (c) But not more than 3 in any one year.	Investors Second General.	
500	Closed	4,000	20	5	Registered	5 (approx.)		1 May, Nov.	(d) But not more than 2 in any one year.	Investors Gas and Electric.	
400	Re-opened	4,000	20	5	Registered	6		1 Oct., Apr.	Managers prepared to advise as to amortisation. (e) Provided total holding of any security does not exceed 20% of total.	Investors Gold.	
600	Open	6,000	20	5	Bearer	7		15 Apr., Oct.	...	Provident Investors.	
800	Open	4,000	20	5	Bearer	7		1 Feb., Aug.	(f) Restrictions on disproportionate investment. No re-investment after 8 securities eliminated.	Security First.	
600	Open	15,000	20	5	Bearer	7 (approx.)		15 June, Dec.	(g) But not more than 5 in one year and 50 during trust period. Restrictions on disproportionate investment.	Hundred Securities.	
Not stated	Open	...	50	5	Registered or Bearer	Initial 6½% service charge.	Annual charge, ½% of value of Trust Fund.	22 Mar., Sept.	Not over 5% in any one company. Not over 24% of amount of any one issue.	Investors Flexible.	
At Trustees' discretion	Open	5,000	20	5	Registered or Bearer	6	Provision made by deposit of Trustee securities with Trustees	31 Mar., Sept.	(a) In all four portfolios managers may eliminate any security and replace it from alternative panel of 10 securities in each case.	ALLIED INVESTORS British Industries First.	
"	Open	5,000	20	5	do.	6	do.	30 June, Dec.	...	British Industries Second.	
"	Open	5,000	20	5	do.	6	do.	10 May, Nov.	...	British Industries Third.	
"	Open	5,000	20	5	do.	6	do.	10 Aug., Feb.	...	British Industries Fourth.	
Limited by proportions shown under "Other Particulars." At Trustees' discretion	Open	...	50	5	Bearer (Registered if required)	Initial service charge of 5½%, plus annual charge of 1% of market value of Trust Fund.	do.	31 Jan., 31 July	Not over 5% in any one security, not over 5% of capital of any one company to be held.	Electrical Industries.	
	Open	...	50	5	Registered	Initial service charge of 5½%, plus annual charge 1% of market value of Trust Fund.	do.	1 June, 1 Dec.	Not over 5% in any one company, not more than 5% of issue of any one security.	Metals and Minerals.	

Continued on next page

[Continued on next page]

16	[Unit Trust Survey]	THE ECONOMIST					May 28, 1938	
GROUP and Trusts managed	Date formed	Trustee	Type of Trust and character of portfolio	Cumulative or Distributive	Securities in panel or permitted list	Treatment of Eliminations	Life of Trust (years)	Arrangements for termination, other than normal provisions for distribution of Trust property at end of life
KEYSTONE								
Gold Producers 1	April, 1933	Midland Bank Exec. and Trustee.	Fixed; gold shares	Distributive	15	Reinvested	10(a)	Distributed
Gold Producers 2	May, 1934	Midland Bank Exec. and Trustee.	Fixed; gold shares	Distributive	10	Reinvested	10(a)	Distributed
Gold Producers 3	January, 1935	Midland Bank Exec. and Trustee.	Fixed; gold shares	Distributive	20	Reinvested	10	Distributed
Rand	February, 1934	Midland Bank Exec. and Trustee.	Fixed; gold shares, 20 per cent. in development stage.	Distributive	20	Reinvested	10	Distributed
Group Units:—								
Brewery and Distillery	March, 1934	Midland Bank Exec. and Trustee.	Fixed; brewery shares	Distributive	14	Reinvested	10	Distributed
Textile	March, 1934	Midland Bank Exec. and Trustee.	Fixed; textile shares	Distributive	13	Reinvested	10	Distributed
Iron, Coal and Steel...	March, 1934	Midland Bank Exec. and Trustee.	Fixed; heavy industry shares.	Distributive	16	Reinvested	10	Distributed
Oil	March, 1934	Midland Bank Exec. and Trustee.	Fixed; oil shares ...	Distributive	13	Reinvested	10	Distributed
Home Rails	March, 1934	Midland Bank Exec. and Trustee.	Fixed; rail stocks ...	Distributive	18	Reinvested	10	Distributed
Stores and Products...	March, 1934	Midland Bank Exec. and Trustee.	Fixed; industrial shares.	Distributive	17	Reinvested	10	Distributed
Keystone Certificates ...	September, 1935	Midland Bank Exec. and Trustee.	Fixed profit-sharing; general industrial, mines, iron and steel, stores, etc.	Distributive	53	Distributed	10	Distribution (1 year to securities); extension of existing Trust or change into Investment Trust.
Keystone Second Certificates.	December, 1935	Midland Bank Exec. and Trustee.	do.	Distributive	49	Distributed	10	do.
Keystone Flexible	April, 1936	Midland Bank Exec. and Trustee.	Flexible; ordinary and deferred shares of industrial cos.	Cumulative	20 in initial portfolio; over 150 for addition and list may be extended subject to approval of Trustee. (a)	Investments may be changed within permitted list, subject to veto of Trustee.	15	Distributed
Keystone Consolidated	November, 1937	Midland Bank Exec. and Trustee.	Fixed; industrials, rails, oils and mines.	Distributive	50	Distributed	10	Distribution, allowing one year for selling underlying securities.
BRITISH EMPIRE—SELECTIVE								
British Empire "A" ...	November, 1933	Midland Bank Exec. and Trustee.	Fixed; general industrial, breweries, shipping, utilities, oil.	Capital bonuses up to 10% dis.; over 10% cum. Cumulative	25	Distributed	20	...
British Empire "B" ...	February, 1934	Midland Bank Exec. and Trustee.	Fixed; general industrial, breweries, oil, mines.		25	Distributed	20	...
British Empire Cumulative.	July, 1935	Lloyds Bank	Fixed; general industrial, breweries, utilities, oil.		25	Distributed or reinvested in Trustee securities or securities already in panel. (a) do. (b)	20	Distribution or conversion into limited Inv. Trust Co. by this agreement, and without prejudice to dissenters. do.
British Empire Comprehensive.	October, 1935	Lloyds Bank	Fixed; general industrial, breweries, utilities, mines, rails, oil.	Cum. With discretion re fractions. New issue rights sold and dis.	150	Distributed	20	do.
British Empire First Unit	September, 1936	Lloyds Bank	Flexible; free to invest in large number of securities on permitted list; and trustee securities.	Cumulative	50 in initial portfolio; over 420 in permitted list.	Investments may be changed within permitted list.	25	Meeting of certificate holders can terminate Trust, or transform into Limited Inv. Co.
Selective "A"	May, 1935	Royal Exchange Assurance.	Fixed; indus., transport, stores, mines.	Bonuses dist. up to 10% may be retained or dist. over 10% do.	26	Distributed or reinvested in panel or Trustee securities.	15	Distributed, or alternative offer.
Selective "B"	May, 1935	Royal Exchange Assurance.	do. and breweries	do.	26	do.	15	do.
Trust of British Transport.	March, 1936	Royal Exchange Assurance.	Flexible; air, road, rail, water, transport and mfg. cos., and trustee securities.	Cumulative	Over 160	Investment may be varied within permitted list.	20	Meeting called by one-tenth of certificate holders, by managers, or trustee, can terminate Trust at any time.
BRITISH GENERAL								
British General Series "A"	June, 1934	General Accident, Fire and Life.	Fixed; indus., iron and steel, oil, mines.	Cumulative	23 and alternative panel of 10. (a)	Reinvested in alt. panel.	20	Distribution
British General Series "C"	October, 1935	General Accident, Fire and Life.	Fixed; do.	Cumulative	27 and alternative panel of 10 and Trustee secs.	Reinvested in alt. panel.	20	Distribution
First Recovery	February, 1936	Martins Bank	Flexible; investment permitted in any security of cos. included in panel.	Cumulative	Securities of 64 companies (b)	Investment may be varied within permitted list.	10	Distribution or option to exchange into Investment Trust Co. shares.
Capital Securities	April, 1936	Martins Bank	Flexible; British industrials, North and South American stocks, rubber, Trustee securities.	Cumulative (Managers have power to distribute)	Secs. of 160 cos. and Trustee secs.	do.	5	Trustee or 10% of unit holders can call meeting to consider termination of Trust.
Rubber and Tin	June, 1937	Martins Bank	Flexible; rubber and tin shares.	Cumulative (Managers have power to distribute)	85 rubber 20 tin (a).	do.	5	Sold as opportunity offers and distributed.
BREWERY								
Brewery Unit Trust.....	June, 1937	Midland Bank Exec. and Trustee.	Flexible; breweries distilleries and allied trades (and trustee secs.).	Cumulative	85 permitted secs. and any similar securities approved by trustee (a)	Reinvested	20	Managers may terminate after 17 years, if it appears in interest of holders.

May 28, 1938		THE ECONOMIST					[Unit Trust Survey]		17	
Maximum size of Trust (Units)	Open or Closed	No. of Sub-Units to Unit	Minimum Purchase of Sub-units		Certificates, Bearer or Registered	Loading or Service Charge (%)	Management or "Escrow" Provision	Distribution Dates	Other Particulars	Trust
			Initial	Subsequent						
At discretion of Trustees and Managers	Closed	1,500	10	5	Registered	10% added to cost	Managers have in each case set aside funds with Trustees to provide for Trustees' fees and future management expenses.	Feb., Aug.	Amortisation provision left to holders' judgment.	KEYSTONE Gold Producers 1.
	Open	2,000	10	5	Registered	do.		Feb., Aug.		Gold Producers 2.
	Open	4,000	10	5	Registered	do.		Feb., Aug.		Gold Producers 3.
	Closed	2,000	10	5	Registered	do.		Feb., Aug.		Rand.
"	Closed	2,000	10	5	Registered	5% added to cost	do.	May, Nov.	...	Group units:— Brewery and Distillery.
"	Closed	2,000	10	5	Registered	do.	do.	May, Nov.	...	Textile.
"	Closed	2,000	10	5	Registered	do.	do.	May, Nov.	...	Iron, Coal and Steel.
"	Closed	2,000	10	5	Registered	do.	do.	May, Nov.	...	Oil.
"	Closed	2,000	10	5	Registered	do.	do.	May, Nov.	...	Home Rails.
"	Closed	2,000	10	5	Registered	do.	do.	May, Nov.	...	Stores and Products.
"	Open	7,500	20	5	Registered	8% added to cost	do.	Apr., Oct.	Sub-unit holders participate in profits, after payment of manager's expenses. Instalment purchase facilities available.	Keystone Certificates.
"	Open	10,000	20	5	Registered	do.	do.	Jan., July		Not over 7½% investment in any one Co.
3,000,000 sub-units	Open	...	25	5	Registered	Initial service charge of 7½%.	Included in service charge	May, Nov.		
At discretion of trustees.	Open	6,000	5	5	Registered	4% added to cost, and half-yearly fee of ½ per cent. of value of investments.	Reserve fund agreed with auditors.	June, Dec.	...	Keystone Consolidated.
500	Closed	5,000	15	1	Registered	5	Provision made under control of Trustees.	1 June, Dec.	...	BRITISH EMPIRE—SELECTIVE British Empire "A."
500	Closed	10,000	30	1	Registered	5		1 Mar., Sept.	...	British Empire "B."
500	Closed	5,000	20	5	Registered	7		1 May, Nov.	(a) But such investment must not increase one security by more than 25%.	British Empire Cumulative.
500	Closed	8,000	25	5	Bearer	7		15 Mar., June, Sept., Dec.	(b) No security to be increased by more than 50% by such investment. Power ceases when any 25 securities have been wholly or partially eliminated.	British Empire Comprehensive.
Not stated	Closed	...	50	5	Registered	Initial charge 2½%	3ths of initial service charge. 2% p.a. for Managers and Trustees.	1 Apr., Oct.	Not over 5% investment in any one company. Not over 24% of issued amount of original stock or share in any company.	British Empire First Unit
Limited by Trustee	Closed	4,000	20	5	Registered	6	One-third of service charge set aside and placed with Trustee.	15 May, Nov.	...	Selective "A."
"	Closed	4,000	20	5	Registered	6		15 Feb., Aug.	...	Selective "B."
Not stated	Closed	...	30	5	Registered	Initial charge, 5%	Annual charge, 1% of capital value of Trust Fund. One-fifth of initial charge placed with Trustee.	15 Mar., 15 Sept.	Not over 5% in any one company. Not over 24% of shares of any issue, except Trustee Investments.	Trust of British Transport
500	Open	4,000	10	5	Registered	6½	Provision made with Trustee	15 Jan., July	(a) Manager may increase portfolio with consent of 75% of sub-unit holders.	BRITISH GENERAL British General Series "A."
500	Open	4,000	10	5	Registered	6½		15 Apr., Oct.	(b) Not more than 7½% to be invested in any Co., and not more than 7½% of capital of one company. Note.—Series "B" closed. Series "C" has identical panel.	British General Series "C"
Not stated	Closed	...	100	5	Bearer	5% and ½ of 1% of mean market value of Trust.		15 June, Dec.		First Recovery.
1,000,000	Open	...	50	5	Bearer	Initial service charge, 4½%	Annual charge, 1% on value of Trust Fund.	31 Mar., 30 Sept.	Not more than 5% in any one security, not over 24% of capital of any Co. No shares carrying any liability to be held.	Capital Securities.
Not stated	Open	...	250	50	Registered or bearer.	Initial charge 5% plus half-yearly charge of ½ per cent. on value of Fund.	Provision made with Trustee.	15 May, Nov.	(a) Not more than 5% of fund in one co.; not more than 80% in rubber or 40% in tin, cash and trustee securities excepted.	Rubber and Tin.
one fixed	Open	...	20	5	Registered	5% calculated on price; half-yearly charge of ½ per cent. of mean value of fund at x.d. date.	Gilt-edged securities deposited with trustees.	15 Jan., July	(a) Not less than 50% of fund in brewery shares; not more than 5% of fund in any one security	BREWERY Brewery Unit Trust.

Continued on next page

18	[Unit Trust Survey]	THE ECONOMIST						May 28, 1938
GROUP and Trusts managed	Date formed	Trustee	Type of Trust and character of portfolio	Cumulative or Distributive	Securities in panel or permitted list	Treatment of Eliminations	Life of Trust (years)	Arrangements for termination, other than normal provisions for distribution of Trust property at end of life
PROVED SECURITIES Bank, Insurance and Financial Shares.	July, 1936	Martins Bank	Flexible; banks, insurance, investmt. trusts.	Cumulative	123 permitted securities.	Investment may be varied within permitted list.	15-20	Life of Trust variable.
British Bank Shares ...	January, 1938	Williams Deacon's Bank.	Flexible; home and overseas banks and discount cos.' shares.	Cumulative	14 home banks, 23 overseas, 3 discount.(a)	do.	15-20	do.
British Insurance Shares	January, 1938	Midland Bank Exec. and Trustee.	Flexible; insurance shares.	Cumulative	40 insurance co.'s and trustee secs. (a)	do.	15-20	do.
PROVINCIAL First Provincial "A"	March, 1934	Midland Bank Exec. and Trustee.	Fixed; Indust. Preference only.	Distributive	25	Distributive (a)	20	Realisation and distribution within three months.
First Provincial "B"	November, 1934	Midland Bank Exec. and Trustee.	Fixed; Govt. secs., utilities, transport, mines, genl. indust.	Distributive	31	...	20	...
First Provincial "Reserves."	January, 1936	Midland Bank Exec. and Trustee.	Fixed; genl. indust., iron and steel, oil, mines, utilities.	Cumulative if practicable.	50	Distribution or re-invested in panel.(b)	20(c)	Distributed, or continue Trust, or Inv. Trust Co.
PROTECTED First Protected	November, 1935	Midland Bank Exec. and Trustee.	Fixed; building, iron and steel, transport, oil, rails, mines, industries.	Fully Cumulative	29	Either applied to sinking fund, re-invested in panel or distributed.	20	Distributed
Second Protected	February, 1936	Midland Bank Exec. and Trustee.	do.	100% Cumulative	29	Reinvested in panel, capital red. policies or Trustee secs.	20	Distributed
Third Protected	June, 1936	Midland Bank Exec. and Trustee.	Fixed; industrial, mines, oil, building, foodstuffs, foreign bonds.	Cumulative	50	Underlying secs. may be changed by managers, subject to veto of Trustee, within range of 14 further cos.	15	Distributed or alternative offer

The Year's Trust Formations

OF the making of unit trusts there is, as yet, no end. Since April last year, seven new unit trusts have been created, raising the total number in existence to 79, of which 52 are fixed and 27 flexible. Of the total, some 26 are closed and 53 are open. *Investors Gold Share Trust*, which was closed on February 10, 1937, was reopened as from March 7th last, with certain changes in its portfolio and method of operation.

Perhaps the development of greatest interest during the past year has been the introduction, by Trust of Insurance Shares, Limited, of a geared unit trust. The *Cornhill Trust* of Bank and Insurance shares and British Government stocks was created in October last year. It represents, at many points, a radical departure from familiar unit trust conceptions, and its method of operation requires more extended description than is possible in our directory on pages 12 and 13. The trust fund is not limited in total size, and consists of authorised British bank and insurance shares which the managers may select (together with gilt-edged), so constituted that the value of the investments exceeds two and a half times the nominal amount of any reserve and uncalled liabilities. The fund must include a proportion of gilt-edged securities, defined under the deed, which varies according to the total size which it has attained. This is the broad constitution of the fund itself.

The managers have power, secondly, to create £1 debenture units up to a nominal amount equal to 60 per cent. of the mean market value of the fund, which rank as a first charge for principal and interest, at 4 per cent. per annum, and for repayment at £105 per cent. on October 5, 1952. Such units may not be sold, in the first place, below £1, although they may be sold at a premium, which becomes payable to the trustees and is applied either to cash produce or to the capital of the fund as the managers may determine. For each debenture unit sold the managers are entitled to 6d. to cover costs of issue, including brokerage. The equity of the fund is represented by deferred units, which may be created up to the "net value" of the fund. Net value is determined by deducting

the nominal value of debenture units and accrued interest from the aggregate value of the investments and cash held by the trustees, and adding a service charge of 5/95ths of this sum together with such further sum as may be necessary to make a price for the deferred units which is a multiple of 3d.

The debenture units are guaranteed as to interest and capital (with premium on redemption) by Equity and Law Life Assurance Society. It will be apparent that their price is governed, not by an equity in the trust fund, but solely by market conditions and prevailing rates of interest on securities of similar character. At the original price of issue (20s. 6d.) the debenture units yield £4 0s. 4d. per cent. to redemption. The value of the deferred units, on the other hand, is determined by the residual equity of the trust fund, after deducting prior charge claims. In the case of the debenture units, the managers assume the function of jobbers, making sales of new units to the public, and marrying resales against further purchases when the units have been issued. It is reasonable to suppose that the average holder of this new type of security would be distinctly different from the holder of the usual trust units, and that the list includes a greater proportion of substantial long-term holders. It is important to realise, moreover, that the units may not, except under strictly defined conditions, be presented for repayment out of the trust fund. It is true that a holder of 10,000 deferred units may present them for repayment, but these units must be accompanied by the corresponding amount of debenture units determined by the proportionate relationship between the two issues.

The value of the debenture units, in short, is determined in a market maintained by the managers. Adjustments of their price are determined by movements in prevailing interest rates, by the matching of buying and selling orders received by the managers, and by the extent to which the latter are prepared, if the need arises, to run a book in the units. The standing of the management group and its associates suggests that marketability would be readily preserved under normal conditions. It might be conceivable

May 28, 1938			THE ECONOMIST				[Unit Trust Survey]		19	
Maximum size of Trust (Units)	Open or Closed	No. of Sub-Units to Unit	Minimum Purchase of Sub-units		Certificates, Bearer or Registered	Loading or Service Charge (%)	Management or "Escrow" Provision	Distribution Dates	Other Particulars	Trust
			Initial	Subsequent						
2,000,000	Open	...	50	5	Registered or Bearer	Initial charge 7½%. No annual charge.	Deposited with trustees who approve amount set aside.	15 Feb., Aug.	Not over 5% of Fund in any one company. Not over 5% of amount of any one issue.	PROVED SECURITIES Bank Insurance and Financial Shares.
5,000,000	Open	...	50	5	Registered	7½% calculated on price of unit. No annual charge.	do.	15 Jan., July	(a) Also trustee secs. Liability for calls met by insurance or from trust fund. Not over 7½% of Fund in one Co. or over 5% of any issue.	British Bank Shares.
5,000,000	Open	...	50	5	Registered	7½% calculated on price of unit. No annual charge.	do.	15 Apr., Oct.	(a) With power of addition: 10% of Fund at least in Trustee secs. Not over 7½% of Fund in one Co., or over 5% of any issue.	British Insurance Shares.
Not stated	Open	5,000	25	1	Registered	5	Proportion of service charge vested in Trustees.	20 Feb., Aug.	(a) If Managers think fit	PROVINCIAL First Provincial "A."
Not stated	Open	5,000	25	1	Registered	5	do.	16 Dec., June	...	First Provincial "B."
Not stated	Open	8,000	25	1	Registered	7	do.	15 Mar., Sept.	(b) Total holding of any one security not to exceed 2½% of the total issued. (c) Prior termination if number of sub-units falls below 100,000.	First Provincial "Reserves."
Not stated	Open	6,000	20	5	Registered	7½	26% of service charge deposited with Trustee.	31 Mar., Sept.	Price includes 2s. capital redemption premium producing 3s. per sub-unit at end of period. Bonus shares added to Sinking Fund or panel.	PROTECTED First Protected.
Not stated	Open	6,000	20	5	Registered	7½	do.	30 June, 31 Dec.	Similar to First Protected without capital redemption policy.	Second Protected.
800	Open	4,000	20	5	Registered	7	Included in service charge.	31 May, 30 Nov. ...	Not over 5% in any single investment, not over 2½% of total of any one security.	Third Protected.

that, if interest rates were to rise very appreciably, the market value of the debenture might fall below £1, but the prospect of redemption at 5 per cent. premium in 14 years would limit the decline. It may be noted, moreover, that the managers are debarred from creating new units at a price below 20s. and that the offered price has for some time exceeded the issue price by 1s. 6d.

The essential problem in a geared trust, however, is to find subscribers for equity units. Clearly, a second charge on a trust composed of bank and insurance shares and gilt-edged, ranking after a 4 per cent. debenture (which may be issued to the extent of 60 per cent. of the fund), cannot be expected to provide an attractive initial return to the ordinary investor. Again, the effect of gearing necessarily tends to magnify, to some appreciable extent, the fluctuations in the underlying securities. Thus the deferred units of *Cornhill Trust* must be treated as a special category. They have, in the first place, been privately subscribed. Secondly, their initial yield is computed at no more than 2½ per cent. gross.

The deferred units, in short, are likely to appeal mainly to the investor who is satisfied with a low initial yield, linked with prospects of long-term capital appreciation and growing income. On a computation which the managers regard as conservative, a potential appreciation of no less than 150 per cent. has been suggested on the deferred units by 1952. It is clear, further, that this type of trust could only be adopted over a limited part of the entire investment field. If it were applied, say, to a portfolio of shares in industries where profits and share values vary widely between different phases of the trade cycle, the equity units would necessarily be an extremely volatile security. Indeed, it might be found that, in an extreme depression, the capital value of equity units in such a hypothetical trust might be uncovered. Such major fluctuations, however, seem unlikely to affect the *Cornhill Trust*, judging from the known behaviour of insurance and bank shares during the past fifteen years. But while the *Cornhill Trust* represents a highly interesting development, it seems unlikely that the geared unit trust will be applied over more than a limited investment field, in which the prospects of secular progress are most clearly apparent.

The remaining trust formations during the past year may best be considered in chronological order. In June last

year two flexible trusts were formed—the *Trust of Rubber and Tin Shares* and *Brewery Unit Trust*. The former is a specialised commodity trust, whose appeal to the more speculative type of investor may be inferred from the choice of an initial price for the units of approximately 2s. and a life of only five years. *Brewery Unit Trust* is of a more conventional character. While it is concerned mainly with brewery shares—the trust deed requires 50 per cent. at least of the fund to be invested in such securities from the permitted list—a number of companies in ancillary and catering trades are also available for investment. In November last year, when the conversion controversy was at its height, the *Keystone group* introduced *Keystone Consolidated Certificates*. This trust is of the uncompromisingly fixed character, with the sole exception that the managers can realise any security which they may certify as falling under specific disabilities, but re-investment of the proceeds is not allowed under the trust deed.

During the year the *Selective* and *British Transport Trusts* were taken into the *British Empire-Selective group*. *Proved Securities, Limited*, the managers of the *Trust of Bank, Insurance and Financial Shares* (with which the former trusts had been associated) subsequently introduced, in January this year, the *British Bank Shares Trust* and the *British Insurance Shares Trust*. These trusts are flexible, and have a twenty-year life, with power reserved to the managers to terminate the trusts after fifteen years. It will be seen from our directory table that after payment of the initial loading charge of 7½ per cent. no annual charges are payable by the unit holder. The *British Insurance Shares Trust* deed contains a provision (similar to that in *Metals and Minerals Trust* deed) under which the managers may set aside to a reserve fund up to one-half of any excess of gross income over 2 per cent. on the fund in any half-year. If such reserve provisions are made, they become part of the deposited property of the trust. No unit holder would be entitled to any particular part of the reserve fund, which would be applied to the benefit of the unit holders as a body, at the discretion of the managers.

The latest formation, *Domestic Priority Income Trust*, was introduced at the beginning of this month. This is one of four trusts—the others being *National "C,"* *Gilt-edged*, and *First Provincial "A"*—which is limited to preference



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Oil	Manufacturers
Mining and Finance	Textiles
	Gold Mines
	Miscellaneous

At 18/6 per sub-unit (the price current on
23rd May, 1938), and based upon income distri-
butions declared for the twelve months ended
1st March, 1938, the yield was as follows:—

From dividends.....£5.15.5 % gross
and
From sale of bonuses
and rights.....£0.17.5 % net

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Iron, Coal and Steel	Stores and Catering
Tobacco and Breweries	Mining and Finance
Transport and Communi- cation	Textiles and Artificial Silks
Property Building and Allied Trades	Newspapers and Paper
	Manufacturers
	Cinemas and Cinematograph

At 17/4½ per sub-unit (the price current on
23rd May, 1938), and based upon income distri-
butions declared for the twelve months ended
15th March, 1938, the yield was as follows:—

From dividends.....£5.13.3 % gross
and
From sale of bonuses
and rights.....£0.19.11 % net

Certificates are issued by the Trustees
**MIDLAND BANK EXECUTOR &
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shares and fixed interest securities. But unlike these earlier
formations, it is of flexible type, the initial portfolio con-
sisting of 88 issues, while the permitted list includes as
many as 263 further companies. The general conditions of
operation are broadly similar to those of the other trusts
in the F.T.M. group.

Finally, reference should be made to the reopening of
the Investors' Gold Share Trust, referred to above.
Announcing this event on March 7th last, the managers
disclosed that no additional holdings of Government Areas

and Wiluna were to be made (these shares having been
included in the original panel), but that in their stead
Nourse and Gold Coast Selection would be purchased. The
proportions of the trust fund represented by the other
twelve securities will remain constant; but as new units
are formed, or the size of the trust changes, the proportions
of the two former shares (which have not been eliminated,
but will merely not be increased) and the two new securi-
ties will vary. These percentages will be notified half-yearly
to sub-unit holders.

Unit Trusts' Price Performance

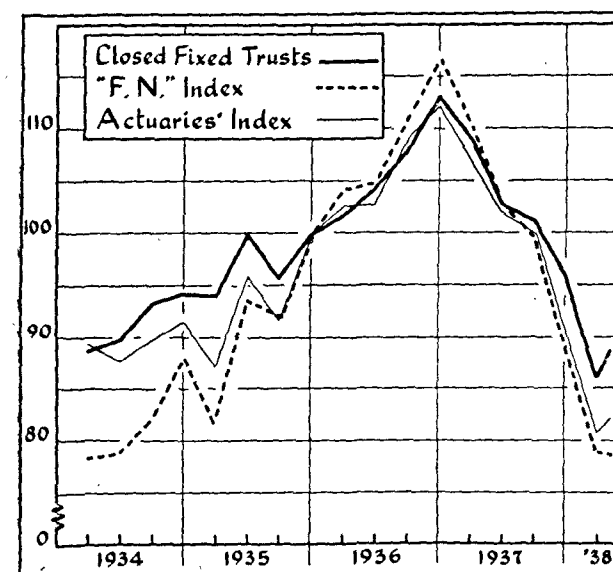
IN our last supplement we provided a series of index
numbers comparing unit trust prices with those of repre-
sentative investment indices. On the present occasion we
have decided to extend these index numbers to cover a
group of twenty-four closed fixed trusts, a similar number
of open fixed trusts and a group of eleven flexible trusts.
There are certain difficulties and limitations attaching to

lating prices involves the sharp separation of closed from
open fixed trusts, since the former have, by definition,
been reduced to liquidating value, having shed in the
process a service charge and a price "turn" which may
amount, on a typical unit, to as much as 2s. 6d.

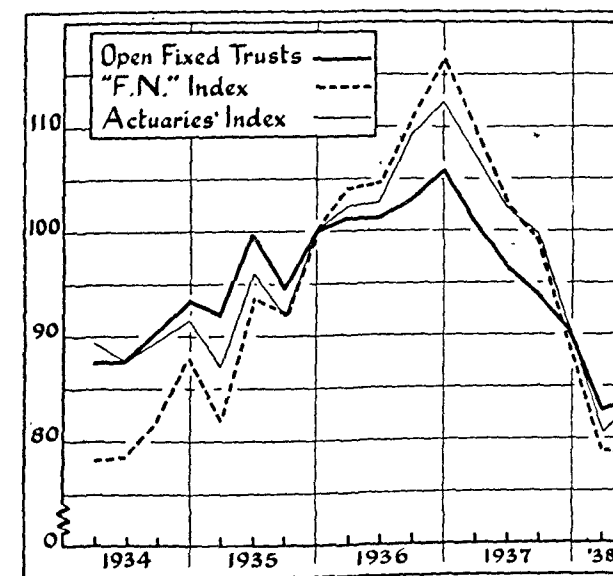
For the closed trusts, therefore, we have made a careful
adjustment, on the available data, to put all the prices
employed on a "closed" basis since the beginning of
1934. In the absence of this adjustment, an artificial fall
of the order of 2s. 6d. per unit would be involved between
open and closed prices. Few trusts, of course, have been
closed throughout the period of our index. The number of
closed flexible trusts is small and they have not been
included among the eleven flexible trusts, for which con-
sistent prices are available since June, 1936, and are
represented in the index overleaf.

We have based the two fixed trust indices on end-
December, 1935 = 100, and have re-worked *The Financial*

CLOSED FIXED TRUSTS' PRICE INDEX
(December 1935 = 100)



OPEN FIXED TRUSTS' PRICE INDEX
(December 1935 = 100)



FIXED TRUSTS' PRICE INDICES
(December 1935 = 100)

End Month	24 Closed Trusts	24 Open Trusts	Financial News Index	Actuaries' Index
1934—				
March	88.7	87.6	78.3	89.4
June	89.9	87.6	78.7	87.6
September	93.4	90.2	82.0	89.9
December	94.3	93.4	87.9	91.5
1935—				
March	94.1	92.0	81.8	87.0
June	100.1	99.7	93.5	95.9
September	95.7	94.6	92.2	91.8
December	100	100	100	100
1936—				
March	101.8	101.3	104.1	102.5
June	104.4	101.4	104.7	102.8
September	107.9	102.9	111.2	109.2
December	113.0	105.7	116.6	112.4
1937—				
March	109.0	100.7	110.1	107.0
June	102.7	96.8	102.8	102.2
September	101.3	94.0	99.6	99.8
December	96.0	90.4	89.8	91.3
1938—				
March	86.1	82.8	78.9	80.7
May 20th	88.8	83.3	78.7	82.3

News ordinary share index and the Actuaries' Investment
Index of 151 ordinary shares on the same basis for com-
parative purposes. The former is a sensitive market
indicator and the latter a more stable investment measure.
For the reasons we have discussed, this double comparison
seems desirable, though it is possible in theory to raise
certain objections, as we have indicated. The last trading
day of June, 1936, has been selected as the base date for
index number of flexible trust prices, owing to the nature
of the sample, and *The Financial News* and Actuaries'
Indices have been recalculated on this basis.

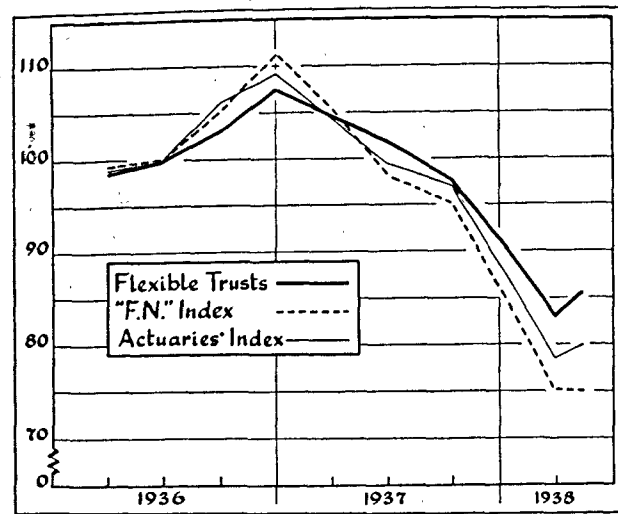
In the accompanying tables and charts we present the
results of our calculations. The first table and charts com-
pare the price performance of closed and open fixed trusts
(end-December, 1935 = 100) with the movements of *The*

any conglomerate unit trust indices. In the first place, many
unit trusts are of a specialised character, and should, in
strictness, be compared only with a similarly specialised
investment index. Secondly, the variable composition of
flexible unit trust portfolios imports a difference between
price movements of the units and the movements of the
typical investment index. Thirdly, the method of calcu-

Financial News and Actuaries' Indices. The closed trusts rose less rapidly than *The Financial News* index between March, 1934, and December, 1936, but have fallen less steeply since. The correlation with the Actuaries' Index is closer during the recovery phase, but the trusts have fallen less severely during the past seventeen months.

Comparison of the closed trust index with the performance of the open fixed trusts (set out in the first table and second chart) is instructive. The closed trusts are

FLEXIBLE TRUSTS' PRICE INDEX
(June 1936 = 100)



mainly those formed in the earlier stages of the movement, and it is probable, as a broad generalisation, that they included a greater proportion of sensitive market leaders. These facts may together provide the explanation why the index of open fixed trust prices is consistently lower throughout than the close trust index. It is evident, however, that both closed and open fixed trust prices have not fallen to the same proportionate extent since the end of 1936 as *The Financial News* and Actuaries'

Unit Trust Conversions

IN the very week in which our last Unit Trust Supplement appeared (April 17, 1937) the first offer was submitted to sub-unit holders in a fixed trust to exchange their holdings for shares in a new managed investment trust company. During the past year, six offers have been made, including one subsequently withdrawn. The circumstances have stirred up no little controversy, and the results of the offers are highly significant.

In April last year, the managers of British Empire Fixed Trust, Series "A" invited holders to express a view whether they would be willing to consider a scheme for exchanging their sub-units for the shares of a managed investment trust company. It was pointed out that the new company would have an experienced personnel; that no additional holdings could now be obtained in the sub-units, since the fixed trust had been closed; and that permission to deal on the Stock Exchange would be sought for the shares of the new company. The details of the subsequent offer were discussed in *The Economist* of June 5, 1937, on page 576. This revulsion from fixity, for a trust which had been in existence 3½ years, out of a maximum life of 20 years, attracted comment. From the first, *The Economist* drew attention to the fact that if flexibility alone had been desired, an offer of exchange of the sub-units into the units of a flexible trust would have achieved the result. The scheme showed that the management company would make available to the new investment trust the due proportion of unexpired loading charges not in cash, but in future services. In addition, the fixed trust management company also undertook to "all purchases and sales of securities" for the investment trust company, acting under the instructions of the directors, on the basis of return commission. The company was thereupon launched with all the London company was thereupon launched with all the London with the exception of capital duty of 1½% per cent. Similar offers followed in respect of

Indices. The flexible unit trust index is based on end-June, 1936, prices, when security values had already staged a conspicuous advance, but their record appears to have been relatively more successful than that of the open (and newer) fixed trusts. Here again the flexible trusts, as a group, appear to have beaten the investment indices, but the claims of the managers, so far as they were concerned with capital values, may be somewhat dulled by the fact that the progress of the flexible funds is not more significant than that of the fixed trusts.

FLEXIBLE TRUST INDEX NUMBERS
(June 1936 = 100)

End Month	11 Flexible Trusts	<i>Financial News</i> Index	Actuaries' Index
1936—			
March	98.5	99.4	99.8
June	100	100	100
September	103.3	105.3	106.2
December	107.5	111.4	109.3
1937—			
March	104.8	105.2	104.1
June	102.2	98.3	99.5
September	97.8	95.2	97.2
December	91.4	85.9	88.9
1938—			
March	83.2	75.4	78.5
May 20th	85.7	75.2	80.1

Judged by these index numbers, it would appear that the unit trusts can claim that, so far, they have provided a stouter resistance to the setback in security prices than the leading equity share indices. Such resistance, of course, is not the *raison d'être* of the movement, though it is a factor which should in fairness be placed to its credit. Making all allowance for the defects in the indices, and for the limitations of the comparisons, there is yet a consistency in the general results which appears, at this stage of the market recession, to have some significance.

fixed trusts in the British Empire group, for the two Selective fixed trusts (whose management company had been acquired towards the end of 1937 by the British Empire group) and for the National Fixed Trust Unit "A." They were framed broadly in the same terms and their fate is set out in the following table:—

CONVERSION OFFERS, 1937-38

Offer dated	Fixed Trust	Managed Trust Co.	Max. shares to be allotted	Actual shares allotted	Prop'n of acceptances
1937					
May 31	Brit. Empire "A"	1st Con. Inv. Tst.	No. 1,795,000	No. 1,030,007	57
July 7	Brit. Empire "B"	2nd Con. I.T.	1,200,000	680,020	57
July 7	B. Emp. Cum.	3rd Con. I.T.	450,000	250,012	56
Sep. 15	B. Emp. Comprehensive	4th Con. I.T.	1,912,000	1,080,008	56
Oct. 13	National "A"	1st Re-invest. Tst.	1,312,000	245,007	19
1938					
Jan. 7	Select. "A" & "B"	5th Con. I.T.	*2,700,000		Offer withdrawn

* Joint offer on basis of three 5s. ordinary for each sub-unit. Other offers one share per sub-unit.

For a time the response to these conversion offers was fairly favourable. A regular proportion of well over half the sub-units in the British Empire group was offered for conversion. But after these operations the significance of the development became clearer. A poor response might involve a small investment trust, whose capital might not be readily marketable, and the price of whose shares would not necessarily be governed by break-up values. The formation of *ad hoc* secretariat companies showed that the existing managers of the fixed trusts would obtain a new interest of a type which would not have been available to them during the lifetime of the fixed trust, and in some quarters it was suggested that this might tend to limit the investment opportunities by the board.

The Fixed Trust principle has definite advantages over other forms of investment. The problems of the prudent investor are becoming increasingly difficult, because however carefully single investments are chosen, the risk of loss cannot be completely eliminated. On the other hand if a number of securities are selected with proper guidance and balance the risk is minimised.

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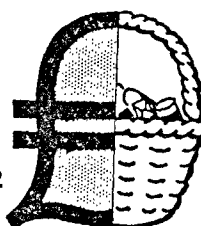
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The fears of a flood of fixed trust liquidation under adverse market conditions, on which the conversion appeal was partly based, had proved largely exaggerated. And, finally, the realisation spread that if only flexibility was required it could be achieved, in principle, no less simply by offering flexible units in conversion for fixed trust sub-units. These points, which we had voiced in our original criticism of the first conversion offers, centred with full force on the National "A" offer. Out of a potential issued capital of £1,312,000 (on the basis of 100 per cent. acceptance by sub-unit holders) the First Re-investment Trust was eventually formed with an issued capital of £245,007, indicating less than one-fifth assent. In January it was announced that the offers to Selective "A" and "B" certificate holders had been withdrawn.

It is unlikely, therefore, that the conversion movement will attempt a "come-back" in the near future. In the first place, the investor had discovered specific advantages in the unit method. Provided that marketability—and, in the last resort, realisability—is maintained, he can obtain the break-up value of the underlying securities. That is a positive advantage for the small investor. Secondly, he still tends to distrust flexibility, as a principle, though perhaps to a smaller degree than formerly. Some of the leading flexible trusts, of course, are well established in his estimation, but he is by no means tempted to exchange a fixed trust unit of reasonable merit for the unknown qualities and market performance of a share in an investment trust. Whether this instinct is right or not, the fact is in itself sufficient to check any further progress towards conversion. And the experience of the past year suggests that sub-unit holders who did not elect to make the offered exchange have, on the whole, fared relatively better, so far as capital values are concerned, than those who did. In the table at top of next column we compare the prices of the shares in the new investment trusts at the opening of dealings with the relative fixed trusts from which they sprang.

In short, to reverse the entire principle and method of unit operation by the formation of a series of managed investment trusts, particularly if their size happens to be smaller than the optimum, makes the worst of both worlds. It concedes a fundamental misgiving regarding the fixed

CONVERSION TRUST PRICES COMPARED

	Share denom.	Opening price	Price May 24th.	Corresponding sub-units		Percentage fall in	
				Price at date of offer	Bid Price May 24th.	Shares	Sub- units
1st Conversion	£1	22/6-	12/-	23/-xd	18/7½	43	19
2nd Conversion	9/-	10/6-	7/6-	10/4½ bid	9/3	19	11
3rd Conversion	15/-	18/-	13/9-	17/7½ bid	14/7½	18	17
4th Conversion	17/6	17/6-	12/-	18/4½ bid	15/3	27	17
1st Re-invest.	£1	29/-	25/-	31/- bid	28/9	10	7

trust itself; but it fails to retain the specific advantage of the unit method. It would be interesting, in short, to have the result of an offer to vary a fixed trust into flexible form.

The first report of First Conversion Investment Trust for the period May 27, 1937, to April 25, 1938, has become available during the past few days. The trust took over securities valued at 24s. 4½d. per £1 unit of stock, the surplus being set aside to reserve. The latter has been charged with losses, less profits, on sales of securities (the bulk of which formed part of the underlying securities of the fixed trust concerned), which together with capital duty of £7,500 involve a net debit to reserve of £87,485, leaving a balance of £68,873 at the date of the balance sheet.

On the basis of middle market values, however, the portfolio showed a depreciation of 15.63 per cent. compared with book values of £1,057,951. If suitable allowance is made for capital duty, the break-up value of the assets represented respectively by the pre-existing units of the fixed trust and the present ordinary stock of the investment trust has declined from 22s. 3d. to approximately 17s.—a fall of about 23½ per cent. over the period, compared with a fall of 19 per cent. in the bid prices quoted for the British Empire "A" units.

Yield Calculations

FROM the earliest days of the unit trust movement, the problem of proper yield calculations has attracted controversy. It is natural that the average investor should respond to an attractive rate of return on his money, and it is no less natural that unit trust managers should be aware of the fact. But their policy has by no means been determined by yield considerations alone. Some managers, when the yields on first-class equities were in the region of 4 per cent. twelve months or more ago, frankly disavowed any intention of seeking a higher return at the expense of investment quality. Others have advertised returns which demonstrably could not be obtained without a fairly liberal admixture of shares of lesser standing. And during the past year, the question of "true" yield has occasioned lively debate in connection with the operations of certain types of flexible trust.

In essence, the problem of "true" yield has always involved the distinction between revenue, properly so-called, and income of a capital, or quasi-capital, nature. This distinction, for instance, was present in the mind of the Anderson Committee, which recommended (App. II, J) that the treatment of bonus shares, rights, and other non-recurring benefits should be disclosed in unit trust advertisements. The majority of groups have voluntarily adopted this recommendation by setting out the amount of these more obvious types of capital distribution in each coupon as it is paid. For the 100 per cent. cumulative trust, of course, the problem does not arise in the same form.

The assistance to be obtained from the inclusion of quasi-capital income in "sweetening" true revenue was, of course, recognised by certain fixed trusts when they included a limited number of mining shares, with a relatively short prospect of life, in their panels of investments.

In strict theory, part of the return from such shares should be set aside to provide a fund for eventual amortisation of a wasting asset, and this principle has been broadly recognised in certain trust deeds and in the constitution of the Unit Trusts Association. Again, it may sometimes happen that, through a change in dividend dates, a unit trust fund may receive two dividends from the same share during one distribution period, and to this extent it will then show a temporarily inflated actual return, compared with the "true" yield on the fund.

These points are matters of general knowledge to those acquainted with the working of unit trusts, whether fixed or flexible. The development of the flexible trust, however, has raised rather more subtle manifestations of the same problem. Flexibility implies management discretion within the limits of the trust deed. And during a period like the past year, when security values have been falling, and yields rising, the major attraction which the unit trust manager could adopt as a selling pointer was that of yield. It is important, however, that the nature of "true" yield and its distinction from actual distributions made by a given unit trust should be clearly realised. When the two are identical—or virtually identical, for even with the most scrupulous care, small divergences may sometimes arise—the unit holder obtains a return which accurately reflects the earning capacity of the underlying securities of the fund. But when the apparent yield on the cash price of the units, based on actual coupon distributions, is higher than the return from the underlying securities, there is clearly a case for investigation.

We may distinguish, at the outset, between a flexible fund in its early stages and a mature fund. When a flexible fund is growing fairly rapidly the increment of underlying

securities in a given period will represent a relatively high proportion of the total fund, and will thus influence the earnings of the fund in marked degree. The manager's choice of underlying securities will be subject to the limitations of the trust deed, as always, but within these limitations he may, if he chooses, so arrange his buying programme that each increment of underlying securities, as new units are created, includes a generous proportion of shares whose dividend dates are fairly near at hand. In a broad fashion, the market will have adjusted such securities to take account of approaching dividends in their prices; in principle, therefore, the latter will consist partly of the real capital payment for the shares, and partly of a sum representing the accumulated revenue which the share is about to shed in dividend.

A sequence of operations of this sort, when a trust is in its earlier stages of growth, would thus provide an opportunity for inflating the "true" earnings for the period by the distribution, in effect, of part of the real capital of the fund in the guise of "income." As the fund reached maturity, and newly-created units came to represent a smaller proportion of the existing fund, the scope for introducing this sort of distortion in the earnings position of the fund would, of course, be greatly reduced. The effective return would then be determined largely by the existing securities, and the amount of extra "cash produce" which might arise from relatively small purchases of new securities which were fairly full of dividend would usually be small. But for a growing trust it is conceivable that a marked difference might be obtained between the rate of return represented by the cash produce received on the underlying securities during the initial distribution periods, and the "notional" rate of yield which the underlying securities would provide when the fund was on a stable basis.

Where an appreciable divergence can be shown between the computed yield on the trust fund and the yield on the units calculated with reference to actual distributions, a presumption therefore arises that the managers, either by accident or design, have distributed more than the strict earnings of the fund during the latest distribution period or periods. A comparison of the two yields, of course, is a detailed task, but it is not fundamentally difficult. Most managers, in their booklets or advertisements, provide yield calculations according to various prices for their units. It is the true yield on the fund, however, which requires detailed calculation. At each distribution date, flexible trust managers publish the percentage distribution of the trust fund. For each of the shares included in the fund, yield figures must be calculated, based on their current prices, and the latest distributions for a full year. Such yields, of course, would be identical with those shown for industrial shares in our weekly table of active security prices and yields. The yield for each share is then multiplied by the percentage which it represents in the total trust fund. These sums are finally added together, and the total shows the weighted average yield over the whole fund.

It should be noted that this calculation takes no account of commissions and service charges, which are, of course, included in the cost of a trust unit. It might be expected, therefore, to show a higher yield than that on the trust units themselves. It cannot be denied, however, that, at certain periods during the past year, more than one flexible fund has advertised a yield figure, based on distributions, which has exceeded the "notional" yield on its assets, calculated in this way, by a very comfortable margin. It is impossible, for reasons which are already clear, to assure complete coincidence between the two yields. Yet it is obviously desirable that they should be as close as possible. In particular, any undue disparity is likely to generate the suspicion that a high yield is being deliberately contrived for sales purposes; and if it proves a successful "attraction," it tends to perpetuate itself, first, because the manager cannot suddenly reduce it, and secondly because he has the necessary new resources at his disposal. The greater the response to an inflated yield, the greater the power which is placed in the hands of the manager further to inflate the return in the succeeding distribution period by so arranging his new purchases of securities on a *cum* dividend basis. Because in principle such decumulation of capital is both misleading to the investor and also

unfair to those managers who would not purposefully follow the practice, it is highly desirable that, from the first, the manager of a flexible fund should frame a clear perception of the "notional" yield which is likely to be obtained on a trust fund of the particular type which he proposes to operate. Investment policy can then be associated with this return from the first. Additional safeguards, however, are also available. Many managers have the power to determine what constitutes "cash produce" under their trust deed, and sums received as dividends which are palpably of a capital nature could, without technical difficulty, be applied to the trust fund, for the benefit of certificate holders. As we showed in our Unit Trust Survey last year (page 10), special precautions have been devised by the Municipal and General investment funds and by Investment Trust Units both to avoid capital decumulation and also to determine cash produce: first in respect of dividends already received, and secondly in respect of dividends which are estimated to have accumulated on the underlying securities but remain unpaid at the trusts' distribution date.

It may be that trustees will in future feel themselves bound to take a closer interest in this question. Their authority would obviously be of the greatest value in providing a check to any abuse based on the exploitation of high yields. So far as these methods have been employed they have been strictly limited in scope. And there appears to be some evidence that even these occasional instances are being rectified. Managers can surely obtain little satisfaction from paradoxical situations in which the prices of their units have fallen and distributions on the underlying securities increased on the average, and yet their advertised yields are lower. This situation is surely proof that the originally advertised yield was not reliable.

So far we have examined the case where a trust fund is growing rapidly. Do opportunities for yield inflation exist when the fund is stable? The answer is that, for the majority of the trusts, they exist in principle, but are difficult to follow in practice. The managers (as we pointed out a year ago) could operate in all the permitted securities during any distribution period if they wished. They might so design their operations that they received no cash dividends, or by converse they might purchase all securities ripe with dividend and sell again *ex* dividend, and thus inflate their cash produce available for distribution. Unless, however, the fund, or a substantial part of it, is turned "inside out" during the period, the extent to which yield inflation is possible through buying *cum* and selling *ex* dividend is not likely to be large. In this connection, we may reproduce a statement made by the secretary of the Unit Trusts Association and published in *The Investors' Chronicle* (December 25, 1937). The secretary wrote:—

"I am instructed by the Council of the Unit Trusts Association to assure you that our members do not inflate yields by buying securities *cum* dividend and selling *ex* dividend, or by buying a preference share or debenture when there is a very good chance of several years' arrears of interest being cleared off."

This statement, of course, would not specifically cover groups which are not members of the Unit Trusts Association, although the majority would doubtless endorse its main points. Nor does it explicitly refer to *cum* dividend purchases (apart from sales) on the part of developing flexible trusts. It may be noted that where *cum* dividend purchases and *ex* dividend sales were open to exploitation they would involve considerable expense on the fund for commission, and would, in course of time, presumably attract the attention of the trustee.

It is satisfactory to find that the majority of the groups have not adopted practices which would expose them to criticism on the ground of unduly high yields. They might not always be able to claim that in no single operation had they been swayed by considerations of yield. But out of the 27 flexible trusts now extant, the more obvious instances of high yield represent a very small minority—and recent evidence that less emphasis is being placed on high yields is therefore to be welcomed.

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